PROSPECTUS DATED 13 NOVEMBER 2009

(Registered by the Monetary Authority of Singapore on 13 November 2009)

This document is important. If you are in any doubt as to the action you should take, you should consult your legal, financial, tax, or other professional adviser.

We have made an application to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in, and for quotation of, all the ordinary shares (the "**Shares**") in the capital of Sino Grandness Food Industry Group Limited (the "**Company**") already issued (including the Vendor Shares (as defined below)) and the new Shares which are the subject of this Invitation (the "**New Shares**"). Such permission will be granted when our Company has been admitted to the Official List of the SGX-ST. The dealing in and quotation of our Shares will be in Singapore dollars.

Our acceptance of applications will be conditional upon, amongst other things, permission being granted by the SGX-ST to deal in, listing of and quotation for all of our existing issued Shares (including the Vendor Shares) and the New Shares. If the said permission is not granted for any reason, monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom and you will not have any claim against us, the Vendors, the Issue Manager, the Joint Underwriters or the Joint Placement Agents (as defined in this Prospectus).

The SGX-ST assumes no responsibility for the correctness of any of the statements made, or opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation (as defined in this Prospectus), our Company, our subsidiaries, our Shares (including the Vendor Shares) or the New Shares.

A copy of this Prospectus has been lodged with and registered by the Monetary Authority of Singapore (the "**Authority**"). The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act (Chapter 289) of Singapore, or any other legal or regulatory requirement has been complied with. The Authority has not, in any way, considered the merits of our Shares (including the Vendor Shares) or the New Shares, as the case may be, being offered for investment. We have not lodged or registered this Prospectus in any other jurisdiction.

Investing in our Shares involves risks which are described in the section "**Risk Factors**".

No Shares shall be allotted or allocated on the basis of this Prospectus later than 6 months after the date of registration of this Prospectus by the Authority.

Applications should be received by 12.00 noon on 19 November 2009 or such other date and time as our Company and the Vendors may, in consultation with the Issue Manager, decide, subject to any limitation under all applicable laws.

Sino Grandness Food Industry Group Limited

(Incorporated in the Republic of Singapore on 20 April 2007)
(Company Registration No. 200706801H)

Invitation in respect of 85,520,000 Invitation Shares comprising 70,000,000 New Shares and 15,520,000 Vendor Shares as follows:-

(a) 2,000,000 Offer Shares at S$0.29 each by way of public offer; and

(b) 83,520,000 Placement Shares at S$0.29 each by way of placement,

payable in full on application.

Issue Manager

Collins Stewart
Collins Stewart Pte. Limited

Collins Stewart Pte. Limited
(Incorporated in the Republic of Singapore)
(Company Registration No. 200713620D)

Joint Underwriters and Joint Placement Agents

Collins Stewart Collins Stewart Pte. Limited	UOBKayHian
Collins Stewart Pte. Limited (Incorporated in the Republic of Singapore) (Company Registration No. 200713620D)	**UOB Kay Hian Private Limited** (Incorporated in the Republic of Singapore) (Company Registration No. 197000447W)

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

Corporate Profile

Headquartered in Shenzhen, **Sino Grandness Food Industry Group Limited** is a manufacturer and export-oriented supplier of quality canned fruits and vegetables, serving reputable distributors and retailers across three continents, in countries such as Germany, France, Spain, the Netherlands, the Czech Republic, Russia, Mexico, Singapore, Turkey and China. 95% of our FY2008 revenue was derived from Europe and North America (namely Mexico).

In 2008, we were **the top exporter of canned asparagus and long beans and one of the top 3 exporters of canned mushrooms in the PRC.**[(1)] Our other canned products include bamboo shoots, sweet corn, chillies and fruits, such as lychees, pineapples and peaches.

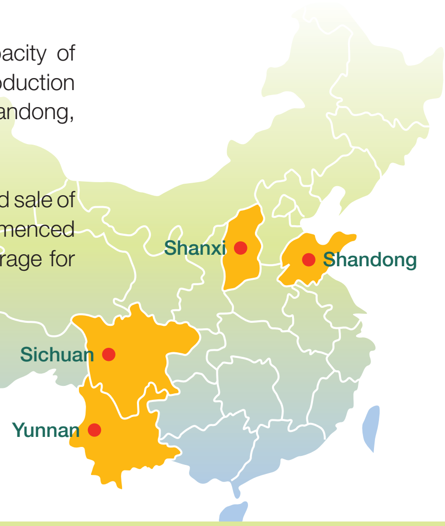
Attesting to a well-established network of distributors and retailers with whom we share a strong relationship, more than 95% of our FY2008 revenue was derived from repeat customers. We clinched our first major customer, Lidl, in 1997 and continue to serve them till today.

Most of our products are branded under our customers' brands, including **"Mikado"** (under I Schimdt) and **"ECO+"** (under Siplec), and housebrands of major supermarket chains in Europe, including **Lidl, Aldi, REWE, Carrefour, Walmart** and **Metro**.

Our products are also branded under our own **"Dao Mei"** (**"刀妹"**) and **"Grandness"** for the PRC and overseas markets respectively.

We have an annual total production capacity of approximately 22,235 tonnes, at our 5 production facilities in different climatic regions in Shandong, Shanxi, Yunnan and Sichuan Provinces.

We obtained licenses for the production and sale of canned beverage in China and have commenced test marketing of our canned herbal beverage for the local PRC market in 2009.



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

Our Business

Due to the seasonal nature of raw materials, our production of different canned fruits and vegetables are conducted during the respective raw materials' harvesting seasons. The production periods for our major products are as follows:

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Shanxi [(1)]				α	α	α			Π	Π	Π	
Shandong		Π [(2)]	Π	α	α	α			Π	Π	Π	
Sichuan	Π	Π	Π		ß	ß	ß	ß		Π	Π	Π
Yunnan			ß	ß	ß	ß	ß	ß		ß	ß	

Legend:-
"α" - production period of asparagus.
"ß" - production period of long beans.
"Π" - production period of mushrooms.

Notes:-
(1) Commenced production of mushrooms in September 2007.
(2) Commenced production of mushrooms at Shanxian Grandness in 2009.

Competitive Strengths

Established track record and market

- In 2008, we were the top exporter of canned asparagus and long beans and one of the top 3 exporters of canned mushrooms in the PRC [1]

Well-established network of distributors and reputable retailers with whom we enjoy strong relationship

- Long-term strategic relationships with distributors such as Compare, Golden Gate, I Schmdit, B&P and Huepeden, as well as reputable retailers such as Lidl, Siplec and REWE
- In FY2008, more than 95.0% of our revenue was from repeat customers

Consistently high quality canned fruits and vegetables

- The manufacture and sale of our canned products are certified as ISO 9001:2000 compliant
- Our production bases in Shanxi, Sichuan and Shandong Provinces are compliant with the HACCP food safety system
- Our production bases in Shanxi, Sichuan and Yunnan Provinces are IFS certified
- Our canned mushroom product passed the BRC certification
- Most of our major customers have had continued transactions with us for more than 5 years, which is a testament to our product quality

Possess good technical knowledge and have a team that is well informed of the latest cultivation and production techniques

- Continual emphasis on research and product development ensures consistency and quality of our raw materials
- Our consultant in agricultural production, Zhao Wenxing, is instrumental to our business, especially in the introduction of new crops for cultivation in the PRC

Experienced and dedicated management team

- Our Chairman and CEO, Huang Yupeng, has more than 20 years of experience in the food industry
- Our Chief Technical Officer, Huang Yongwen, has more than 30 years of experience in production and quality control

Production plants are strategically located in various provinces in the PRC

- Shanxi Grandness and Shanxian Grandness are located in Yongji City of Shanxi Province and Shanxian District of Shandong Province, respectively – the 2 biggest asparagus cultivation regions in the PRC
- Sichuan Grandness and Yunnan Grandness are located in Qionglai City of Sichuan Province and Shizong County of Yunnan Province, respectively – which are among the biggest long bean cultivation regions in the PRC
- Sichuan Province is also one of the largest mushroom plantations in the PRC
- Our production bases straddle different climatic regions, hence our production activities can be carried out throughout the year

Industry Prospects

The global market for canned food products is estimated at US$48.4 billion in 2007 and is projected to grow by 11.3% to US$56.7 billion by 2011. [2]

Prospects for overseas markets

- In Europe, import restrictions (commonly known as "Green Barriers") imposed since 2000 have resulted in greater scrutiny of imports of agricultural-based products
- While this trend may result in a reduction in exports of canned products from the PRC, our consistent focus on product quality and food safety enables us to satisfy such requirements and export our goods to the European Union despite the "Green Barriers"
- Our European customers accounted for approximately 83.0% of our sales in FY2008
- Besides internal quality control procedures, the PRC's Entry-Exit Inspection and Quarantine Bureau ("CIQ") will also test our products on a sampling basis and their analysis report will be delivered with the shipment of goods

Prospects for the PRC market

- As one of the top canned food producing countries in the world, the PRC market grew at an average annual rate of 7.8% between 2002 and 2007. In 2007, the value of the canned fruits and vegetables market in the PRC was estimated to be approximately US$3.1 billion and projected to increase to approximately US$5.4 billion by 2012. [1]
- The vibrant food industry and huge population in the PRC, coupled with rising affluence and heightened awareness of health, are expected to facilitate sustained growth in our domestic sales

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

[2] Research report on "Canned Food: Global Industry Guide" dated 28 February 2008 on the website of Market Research.com.

Future Plans

Increase our production and storage capacities

- To meet the anticipated increase in market demand for our canned products, we intend to increase our production and storage capacities as follows:
  - Shanxi Grandness – to purchase machinery and equipment, and upgrade existing production facilities
  - Shanxian Grandness – to purchase machinery and equipment, and construct a second production plant to be used mainly for the manufacturing of canned peaches/pears, plus processing of new products, mainly, bottled tomato sauce, for export
  - Sichuan Grandness – to construct an office building and an additional warehouse

Increase our sales and distribution network

- As the majority of our products are exported to customers in Europe and North America (namely Mexico), we intend to increase our sales and distribution network
- Intensify our sales and marketing efforts in our existing overseas markets, in particular, Russia, and explore opportunities to break into new markets, in particular, the USA, via alliances with our existing customers and/or participation in trade fairs
- Continue product development efforts to enlarge product offering for the PRC market

Intensify our efforts in product development

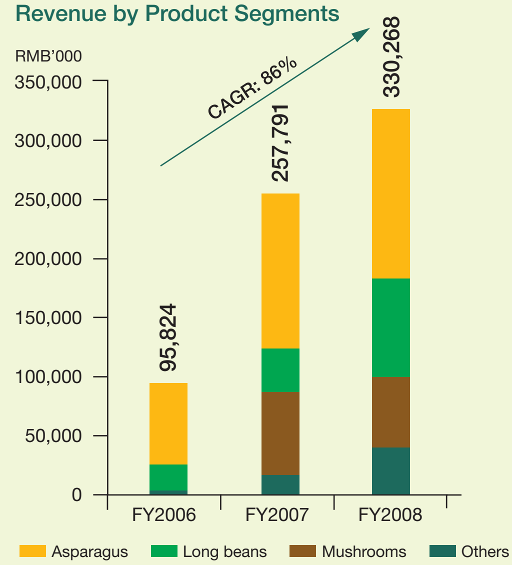
- To meet the increased competition and the need for product differentiation, we intend to invest in advanced technology to facilitate the development of new and innovative canned products

Make strategic acquisitions and investments

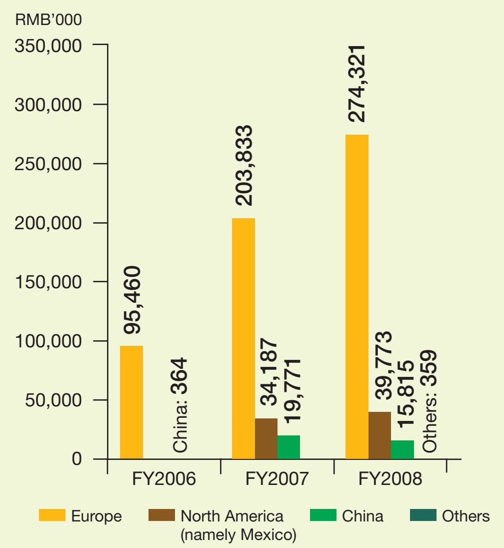
- This will allow us to expand our business scale and scope, enjoy even greater economies of scale and expand our product range

Financial Highlights

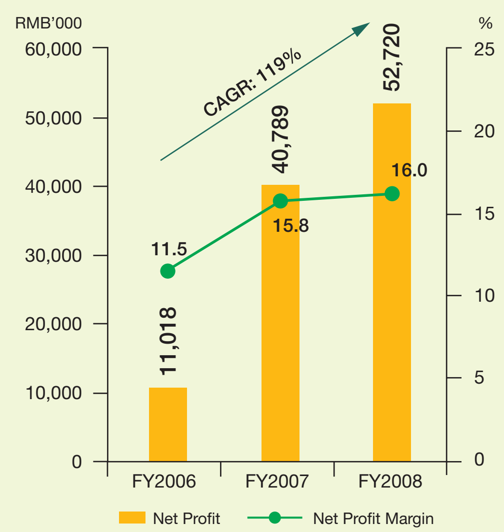
Revenue by Product Segments



Revenue by Geographical Locations



Net Profit and Net Profit Margin



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CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Huang Yupeng (黄育鹏) Huang Yushan (黄育珊) Xu Xihua (徐喜花) Zhang Gongjun (张公俊) Soh Beng Keng Lin Song	(Chairman and CEO) (Executive Director) (Executive Director) (Non-Executive Director) (Lead Independent Director) (Independent Director)
JOINT COMPANY SECRETARIES	:	Lawrence Wong (LLB) (Hons) Chew Kok Liang (LLB) (Hons)	
REGISTERED OFFICE	:	80 Raffles Place #25-01, UOB Plaza 1 Singapore 048624	
SHARE REGISTRAR	:	Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.) 8 Cross Street #11-00 PWC Building Singapore 048424	
ISSUE MANAGER	:	Collins Stewart Pte. Limited 77 Robinson Road #21-02 Singapore 068896	
JOINT UNDERWRITERS AND JOINT PLACEMENT AGENTS	:	Collins Stewart Pte. Limited 77 Robinson Road #21-02 Singapore 068896 UOB Kay Hian Private Limited 8 Anthony Road #01-01 Singapore 229957	
AUDITORS AND REPORTING AUDITORS	:	Foo Kon Tan Grant Thornton 47 Hill Street, #05-01 Singapore Chinese Chamber of Commerce & Industry Building Singapore 179365 Partner-in-charge: Yeo Boon Chye (a member of the Institute of Certified Public Accountants of Singapore)	
LEGAL ADVISERS TO OUR COMPANY ON SINGAPORE LAW	:	KhattarWong 80 Raffles Place #25-01, UOB Plaza 1 Singapore 048624	
LEGAL ADVISERS TO OUR COMPANY ON PRC LAW	:	GFE Law Office 18th Floor, Guangdong Holdings Tower No. 555 Dongfeng East Road Guangzhou 510050 The People's Republic of China	

LEGAL ADVISERS TO OUR COMPANY ON HONG KONG LAW	:	DLA Piper Hong Kong 40/F Bank of China Tower 1 Garden Road, Central Hong Kong
RECEIVING BANKER	:	The Bank of East Asia, Limited 137 Market Street Bank of East Asia Building Singapore 048943
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 (中国银行深圳中心区支行深圳市分行中心区支行中华人民共和国深圳市福华3路星河国际花园裙楼东北侧) Shenzhen Ping An Bank Co., Ltd., Shenzhen Jingtian Branch 1st Floor, Juhao Garden Juyou Tower 18 Jingtian Road, Futian District, Shenzhen City The People's Republic of China (深圳平安银行股份有限公司深圳景田支行中华人民共和国深圳市福田区景田路18号聚豪园聚友阁1楼)
VENDORS	:	Phillip Ventures Enterprise Fund Ltd Kim Seng Holdings Pte. Ltd. Inkatha Group Limited Venstar Investments Pte. Ltd. Lim Joo Boon Global Top Financial Group Limited

In this Prospectus and the accompanying Application Forms and in relation to Electronic Applications, the instructions appearing on the screens of the ATMs of Participating Banks and on the Internet Banking websites of the relevant Participating Banks, the following definitions apply throughout where the context so admits:-

COMPANIES WITHIN OUR GROUP

"Company"	:	Sino Grandness Food Industry Group Limited
"Chengdu Grandness"	:	Dongpeng (Chengdu) Agricultural Development Co., Ltd. (成都东鹏农业发展有限公司), a domestic company with limited liability established in the PRC
"Group"	:	Our Company and our subsidiaries, treated for the purpose of this Prospectus as if our group structure had been in existence since 1 January 2006
"Hong Kong Grandness"	:	Grandness (HK) Industry Co., Limited (振鹏达(香港)实业有限公司), a company incorporated in Hong Kong
"Shandong Grandness"	:	Grandness (Shandong) Food Co., Ltd. (山东振鹏达食品有限公司), a domestic company with limited liability established in the PRC, which was de-registered on 22 December 2008
"Shanxi Grandness"	:	Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司), a foreign-invested enterprise established in the PRC
"Shanxian Grandness"	:	Grandness (Shanxian) Food Co., Ltd. (山东单县振鹏达食品有限公司), a domestic company with limited liability established in the PRC
"Shenzhen Grandness"	:	Shenzhen Grandness Industry Groups Co., Ltd. (深圳振鹏达实业集团有限公司), a domestic company with limited liability established in the PRC
"Sichuan Grandness"	:	Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司), a domestic company with limited liability in the PRC
"Yunnan Grandness"	:	Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司), a foreign-invested enterprise established in the PRC

OTHER CORPORATIONS AND ORGANISATIONS

"B&P"	:	B&P Warenhanelelsgesellschaft+MBH
"BCC"	:	Beijing New Century Certification Co., Ltd. (北京新世纪认证有限公司), an independent legal entity and a third-party certification body approved by Certification and Accreditation Administration of the People's Republic of China (CNCA) and China National Accreditation Service for Conformity Assessment (CNAS) and an accrediting body for various certifications including ISO9001, ISO14001 and ISO22000

"**BRC**"	:	British Retail Consortium, a trade association in the United Kingdom that represents all forms of retailers from small, independently owned stores, to big chain stores and department stores
"**Calkins**"	:	Calkins & Burke Limited, a provider of food products to major retail and food services distributors throughout the world, under their own as well as their customers' labels from Canada
"**Carrefour**"	:	Carrefour SA, a French international hypermarket chain, with a global network of hypermarket outlets
"**CIQ**"	:	Entry-Exit Inspection and Quarantine Bureau set up by General Administration of Quality Supervision, Inspection and Quarantine of China (国家质量监督检验检疫总局)
"**CDP**"	:	The Central Depository (Pte) Limited
"**Compare**"	:	Compare Y Compare S.A. from Spain
"**Consultants**"	:	Sino-Investment and Shenzhen Yuding
"**CPC**"	:	Communist Party of China
"**CQC**"	:	China Quality Certification Center, a full member of the International Certification Network (IQNet) and the certificates of ISO9001, amongst others, issued by CQC is accepted by other 38 member bodies in 34 countries and regions
"**E. Leclerc**"	:	E. Leclerc is one of the largest supermarket chains in France
"**Golden Gate**"	:	Golden (Gate) A.G. from Germany
"**Huepeden**"	:	Huepeden + Co. (GMBH & Co.) KG, a distributor for Aldi, which procures and provides canned and frozen food together with textile fabrics to all markets in Europe, South America and the Middle East
"**I Schmidt**"	:	I Schmidt Handelsgesellschaft M.B.H.
"**ISACert**"	:	ISACert is an auditing and certification body for various accreditations relating to the food industry, including the International Food Standards, operating internationally, with representation in 30 countries all over the world
"**ISO**"	:	International Organisation for Standardisation. A worldwide federation of national standards bodies from more than 140 countries, whose mission is to develop industrial standards that facilitate international trade. The work of preparing International Standards is normally carried out through ISO technical committees
"**Issue Manager**" or "**Collins Stewart**"	:	Collins Stewart Pte. Limited
"**Joint Underwriters**" or "**Joint Placement Agents**"	:	Collins Stewart and UOB Kay Hian Private Limited

“**Lidl**”	:	Lidl Stiftung & Co. KG, a European discount retailer of German origin that operates more than 5,000 stores in Germany
“**MAS**” or “**Authority**”	:	The Monetary Authority of Singapore
“**Metro**”	:	Metro Groups Buying GMBH
“**Participating Banks**”	:	DBS Bank Ltd. (including POSB) (“**DBS Bank**”), Overseas Chinese Banking Corporation Limited (“**OCBC**”), United Overseas Bank Limited and its subsidiary, Far Eastern Bank Limited (“**UOB Group**”)
“**REWE**”	:	REWE – Zentralag, one of the biggest food retailers in Germany. It has other businesses including bakeries, electronic and drug stores and travel agencies
“**SAFE**”	:	State Administration of Foreign Exchange of China (国家外汇管理局)
“**SCCS**”	:	Securities Clearing & Computer Services (Pte) Ltd
“**SGX-ST**”	:	Singapore Exchange Securities Trading Limited
“**Shenzhen Yuding**”	:	Shenzhen Yuding Investment & Management Co., Ltd (深圳市裕鼎投资管理公司)
“**Sino-Investment**”	:	Shenzhen Sino-Investment Management Ltd (深圳大华投资管理有限公司), a company established in the PRC which is mainly engaged in the provision of investment management and consultancy services
“**Siplec**”	:	Siplec International, a subsidiary of E. Leclerc
“**SME Centre**”	:	Shenzhen Small & Medium Enterprises Credit Guarantee Centre Co., Ltd. (深圳市中小企业信用担保中心有限公司)
“**WalMart**”	:	Wal-mart Stores, Inc, one of the largest grocery retailer in the United States of America

GENERAL

“**1Q**”	:	First quarter ended 31 March
“**Act**” or “**Companies Act**”	:	The Companies Act (Chapter 50) of Singapore, as amended, modified or supplemented from time to time
“**Application Forms**”	:	The printed application forms to be used for the purpose of the Invitation and which form part of this Prospectus
“**Application List**”	:	The list of applications for subscription or purchase, as the case may be, of the Invitation Shares
“**Articles of Association**”	:	The articles of association of our Company

"**Associate**"	:	In relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:- (i) his immediately family; (ii) the trustees, acting in their capacity as such trustees, of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more of the aggregate of the nominal amount of all the voting shares; in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
"**ATM**"	:	Automated teller machine of a Participating Bank
"**Audit Committee**"	:	The audit committee of our Company
"**Board**" or "**Board of Directors**"	:	The board of directors of our Company as at the date of this Prospectus, unless otherwise stated
"**Bond Holders**"	:	Phillip Ventures Enterprise Fund Ltd, Kim Seng Holdings Pte. Ltd., Inkatha Group Limited, Venstar Investments Pte. Ltd., Huang Yupeng, Lim Joo Boon and Global Top Financial Group Limited, and each, a "**Bond Holder**"
"**CEO**"	:	Chief Executive Officer
"**Controlling Shareholder**"	:	A person who holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in our Company (unless determined otherwise by the SGX-ST), or in fact exercises control over our Company
"**Convertible Loan Agreement**"	:	The convertible loan agreement dated 4 May 2007 as supplemented by a supplementary agreement dated 2 September 2008 and a second supplementary agreement dated 13 July 2009, amongst our Company, Huang Yupeng and each of the Bond Holders pursuant to which the Bond Holders advanced convertible loans in the aggregate amount of S$8.0 million to our Company which would be automatically converted to Shares upon our Company delivering a conversion notice to the Bond Holders at any time after the date of receipt of the eligibility-to-list letter from the SGX-ST but not later than the date of registration of this Prospectus
"**Director**"	:	A director of our Company as at the date of this Prospectus, unless otherwise stated

"Electronic Applications"	:	Applications for the Offer Shares made through an ATM or the IB website of one of the relevant Participating Banks, subject to and on the terms and conditions of this Prospectus
"EPS"	:	Earnings per Share
"Executive Director"	:	An executive Director of our Company as at the date of this Prospectus, unless otherwise stated
"Executive Officer"	:	An executive officer of our Group as at the date of this Prospectus, unless otherwise stated
"FY"	:	Financial year ended or ending 31 December, as the case may be
"Hong Kong"	:	The Hong Kong Special Administrative Region of the PRC
"IB"	:	Internet banking
"Independent Director"	:	An independent Director of our Company as at the date of this Prospectus, unless otherwise stated
"Invitation Price"	:	S$0.29 for each Invitation Share
"Invitation Shares"	:	The 85,520,000 Shares which are the subject of the Invitation, comprising 70,000,000 New Shares and 15,520,000 Vendor Shares
"Invitation"	:	The invitation by our Company and the Vendors in Singapore for subscription for and/or purchase of the Invitation Shares subject to and on the terms and conditions of this Prospectus
"Latest Practicable Date"	:	15 September 2009, being the latest practicable date prior to the date of lodgement of this Prospectus with the Authority
"Listing Manual"	:	The listing manual of the SGX-ST, as amended, modified or supplemented from time to time
"Market Day"	:	A day on which the SGX-ST is open for trading in securities
"New Shares"	:	The 70,000,000 new Shares for which our Company invites applications to subscribe for pursuant to the Invitation, on the terms and subject to the conditions of this Prospectus
"Nominating Committee"	:	The nominating committee of our Company
"Non-Executive Director"	:	An non-executive Director of our Company as at the date of this Prospectus, unless otherwise stated
"NTA"	:	Net tangible assets
"Offer Shares"	:	The 2,000,000 Invitation Shares which are the subject of the Offer
"Offer"	:	The invitation by our Company and the Vendors in Singapore for subscription for and/or purchase of the Offer Shares at the Invitation Price, subject to and on the terms and conditions of this Prospectus

"**PBT**"	:	Profit before taxation
"**PER**"	:	Price earnings ratio
"**periods under review**"	:	The period which comprises FY2006, FY2007, FY2008 and 1Q2009
"**Placement Shares**"	:	The 83,520,000 Invitation Shares which are the subject of the Placement
"**Placement**"	:	The placement of the Placement Shares by the Joint Placement Agents on behalf of our Company and the Vendors for subscription and/or purchase at the Invitation Price, subject to and on the terms and conditions of this Prospectus
"**PRC**" or "**China**"	:	The People's Republic of China, excluding Hong Kong and the Macau Special Administrative Region for the purposes of this Prospectus and for geographical reference only
"**Prospectus**"	:	This prospectus dated 13 November 2009 issued by our Company in respect of the Invitation
"**R&D**"	:	Research and development
"**Remuneration Committee**"	:	The remuneration committee of our Company as at the date of this Prospectus, unless otherwise stated
"**Restructuring Exercise**"	:	The restructuring exercise undertaken in connection with the Invitation as described in the section "**Restructuring Exercise**"
"**Securities Account**"	:	The securities account maintained by a depositor with CDP but does not include a securities sub-account
"Service Agreement"	:	The service agreement entered into between our Company and Huang Yupeng on 11 November 2009
"**SFA**" and "**Securities and Futures Act**"	:	The Securities and Futures Act (Chapter 289) of Singapore, as amended, modified or supplemented from time to time
"**Shares**"	:	Ordinary shares in the capital of our Company
"**Shareholder**"	:	Registered holder of our Shares, except where the registered holder is CDP, the term "**Shareholder**" shall, in relation to such Shares, mean the Depositor whose Securities Account is credited with our Shares
"**Substantial Shareholder**"	:	A person who has an interest or interests in one or more voting shares in our Company, and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares of our Company
"**Vendor Shares**"	:	The 15,520,000 Shares for which the Vendors invite applications to purchase pursuant to the Invitation, subject to and on the terms and conditions of this Prospectus
"**Vendors**"	:	Phillip Ventures Enterprise Fund Ltd, Kim Seng Holdings Pte. Ltd., Inkatha Group Limited, Venstar Investments Pte. Ltd., Lim Joo Boon and Global Top Financial Group Limited, and each, a "**Vendor**"

CURRENCIES, UNITS AND OTHERS

"**%**" or "**per cent.**"	:	Per centum or percentage
"**€**"	:	The Euro
"**HK$**"	:	Hong Kong dollars
"**m²**" or "**sq m**"	:	Square metre
"**mu**"	:	亩, equivalent to approximately 667 m^2
"**RMB**" and "**RMB cents**"	:	The PRC Renminbi yuan and cents, respectively
"**S$**" or "**$**"and "**cents**"	:	Singapore dollars and cents, respectively
"**US$**"	:	United States dollars

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

The terms "**related corporation**", "**related entity**", "**subsidiary**", "**subsidiary entity**" and "**substantial interest-holder**" shall have the same meanings ascribed to them respectively in Section 1 of the Fourth Schedule of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Certain names with Chinese characters have been translated into English names. Such translations, which are provided solely for the convenience of Singapore-based investors, may not have been registered with the relevant PRC authorities and should not be construed as representations that the English names actually represent the Chinese characters.

Any discrepancies between the amounts listed and their totals in tables are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the amounts which precede them.

Any reference in this Prospectus, the Application Forms and/or the Electronic Applications to any statute or enactment is a reference to that statute or enactment as for the time being amended or re-enacted. Any word defined under the Act or the SFA and used in this Prospectus, the Application Forms and/or the Electronic Applications shall, where applicable or the context so requires, have the meaning assigned to it under the Act or the SFA, as the case may be.

Any reference in this Prospectus, the Application Forms and/or the Electronic Applications to shares being allotted to an applicant includes allotment and/or allocation to CDP for the account of that applicant.

Any reference to a time of day in this Prospectus, the Application Forms and/or the Electronic Applications shall be a reference to Singapore time, unless otherwise stated.

Any reference to "**we**", "**us**", "**our**", "**ourselves**" or their other grammatical variations is a reference to our Company, our Group or any member of our Group, as the context requires.

GLOSSARY OF TECHNICAL TERMS

To facilitate a better understanding of the business of our Group, we set out the following glossary on the explanation and description of certain terms and abbreviations used in this Prospectus. The terms and their assigned meanings should not be treated as being definitive of their meanings, and may not correspond to the standard industry or common meanings or usage, as the case may be, of these terms.

"**HACCP**"	:	Hazard Analysis Critical Control Points. HACCP is a systematic preventive approach to food safety, pharmaceutical safety, etc. that addresses physical, chemical and biological hazards as a means of prevention rather than finished product inspection. HACCP is used in the food industry to identify potential food safety hazards, so that key actions, known as Critical Control Points (CCP's) can be taken to reduce or eliminate the risk of the hazards being realised. The system is used at all stages of food production and preparation processes.
"**IFS**"	:	International Food Standard. The International Food Standard is a uniform tool used to ensure food safety and to monitor the quality level of producers of retailer branded food products. The standard can be applied to all food processing steps subsequent to agricultural production.

EXCHANGE RATES

The highest and lowest exchange rates between RMB and S$ for each of the past 6 months prior to the Latest Practicable Date were as follows:-

	RMB to S$1.00	
	Highest	**Lowest**
March 2009	4.530	4.399
April 2009	4.605	4.499
May 2009	4.732	4.604
June 2009	4.754	4.671
July 2009	4.747	4.667
August 2009	4.768	4.708

The following table sets forth, for the periods under review, the average and closing exchange rates between the RMB and the S$. The average exchange rates are calculated using the average of the closing exchange rates on the last day of each month during each financial period.

	RMB to S$1.00	
	Average	**Closing**
FY2006	5.019	5.088
FY2007	5.050	5.068
FY2008	4.919	4.760
1Q2009	4.525	4.487

As at the Latest Practicable Date, the closing exchange rate between RMB and the Singapore dollar is RMB4.812 to S$1.00.

The above exchange rates are quoted from Bloomberg L.P.[(1)] and should not be construed as representations that the RMB amounts actually represent such amounts or could be converted into Singapore dollar at the rate indicated, or at any other rate, or at all.

Where applicable, the exchange rates in these tables are used for our Company's financial information disclosed elsewhere in this Prospectus. In certain parts of this Prospectus, we have converted RMB amounts into S$ amounts for the convenience of the potential investors of our Company, as appropriate.

Note:-

(1) Bloomberg L.P. has not consented to the inclusion of the exchange rates quoted in this section and is thereby not liable for these statements under Sections 253 and 254 of the Securities and Futures Act. While we have taken reasonable actions to ensure that the information attributed to Bloomberg L.P. is reproduced in its proper form and context, and that the information is extracted accurately, we have not conducted an independent review of the information extracted or verified the accuracy of such information.

SELLING RESTRICTIONS

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase our Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. No action has been or will be taken under the requirements of the legislation or regulations of, or of the legal or regulatory authorities of, any jurisdiction, except for the lodgement and registration of this Prospectus in Singapore in order to permit a public offering of our Shares and the public distribution of this Prospectus in Singapore. The distribution of this Prospectus and the offering of our Shares in certain jurisdictions may be restricted by the relevant laws in such jurisdictions. Persons who may come into possession of this Prospectus are required by us, the Vendors, the Issue Manager, the Joint Underwriters and the Joint Placement Agents to inform themselves about, and to observe and comply with, any such restrictions at their own expense and without liability to us, the Vendors, the Issue Manager, the Joint Underwriters and the Joint Placement Agents.

Persons to whom a copy of this Prospectus has been issued shall not circulate to any other person, reproduce or otherwise distribute this Prospectus or any information in it for any purpose whatsoever nor permit or cause the same to occur.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

All statements contained in this Prospectus, statements made in press releases and oral statements that may be made by us, our Directors, Executive Officers or employees acting on our behalf or on the Vendors' behalf that are not statements of historical fact, constitute "forward-looking statements". You can identify some of these statements by forward-looking terms such as "anticipates", "believes", "could", "estimates", "expects", "intends", "may", "plans", "will" and "would" or similar words. However, you should note that these words are not exclusive means of identifying forward-looking statements. All statements regarding our expected financial position, business strategy, plans and prospects are forward-looking statements. These forward-looking statements, including statements as to:-

(a) our revenue and profitability;

(b) expected growth in demand;

(c) expected industry trends;

(d) anticipated expansion plans; and

(e) other matters discussed in this Prospectus regarding matters that are not historical facts

are only predictions. These forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. These risks, uncertainties and other factors include, amongst other things:-

(a) changes in political, social and economic conditions and the regulatory environment in Singapore and other countries in which we conduct business;

(b) changes in foreign exchange rates;

(c) our anticipated growth strategies and expected internal growth;

(d) changes in the availability and prices of raw materials we need for production;

(e) changes in customer demand;

(f) changes in competitive conditions and our ability to compete under these conditions;

(g) changes in our future capital needs and the availability of financing and capital to fund these needs; and

(h) other factors beyond our control.

These factors are discussed in greater detail in this Prospectus, in particular, but not limited to the discussions under the sections "**Risk Factors**" and "**Management's Discussion and Analysis of Financial Position and Results of Operations**". All forward-looking statements contained in this Prospectus are expressly qualified in their entirety by such factors. These forward-looking statements are applicable only as of the date of this Prospectus. Given the risks and uncertainties that may cause our actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Prospectus, we advise you not to place undue reliance on those statements. Neither we, the Vendors, the Issue Manager, the Joint Underwriters and the Joint Placement Agents nor any other person represents or warrants to you that our actual future results, performance or achievements will be as discussed in those statements.

Our actual future results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced by us. We, the Vendors, the Issue Manager, the Joint Underwriters and the Joint Placement Agents disclaim any responsibility to update any of these forward-looking statements or publicly announce any revisions to these forward-looking statements to reflect further developments, events or circumstances. However, pursuant to Section 241 of the SFA, if after this Prospectus is registered but before the close of the Invitation we become aware of (a) a false or misleading statement or matter in this Prospectus; (b) an omission from this Prospectus of any information that should have been included in it under Section 243 of the SFA; or (c) a new circumstance which has arisen since this Prospectus was lodged with the Authority and would have been required by Section 243 of the SFA to be included in this Prospectus, if it had arisen before this Prospectus was lodged and which is materially adverse from the point of view of an investor, our Company may lodge a supplementary or replacement prospectus with the Authority.

We are also subject to the provisions of the Listing Manual regarding corporate disclosure upon our admission to the Official List of the SGX-ST.

Where such changes occur and are material or are required to be disclosed by law, we will comply with the relevant provisions of the SFA and make an announcement of the same to the SGX-ST and the public and, if required, lodge a supplementary or replacement prospectus pursuant to the SFA. All applicants should take note of any such announcement, or supplementary or replacement prospectus and, upon the release of the same, shall be deemed to have notice of such changes.

LISTING ON THE SGX-ST

We have applied to the SGX-ST for permission to deal in, and for quotation of, all our Shares already issued (including the Vendor Shares) and the New Shares which are the subject of the Invitation. Such permission will be granted when we have been admitted to the Official List of the SGX-ST. Our acceptance of applications will be conditional upon, amongst other things, permission being granted by the SGX-ST to deal in, and for quotation of, all our existing issued Shares (including the Vendor Shares) as well as the New Shares which are the subject of the Invitation. If permission is not granted for any reason, monies paid in respect of any application accepted will be returned to you at your own risk, without interest or any share of revenue or other benefit arising therefrom, and you will not have any claim against us, the Vendors, the Issue Manager, the Joint Underwriters or the Joint Placement Agents. No Shares shall be allotted and/or allocated on the basis of this Prospectus later than 6 months after the date of registration of this Prospectus by the Authority.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Prospectus. Admission to the Official List of the SGX-ST is not to be taken as an indication of the merits of the Invitation, our Company, our subsidiaries, our Shares (including the Vendor Shares) or the New Shares.

A copy of this Prospectus has been lodged with and registered by the Authority on 25 September 2009 and 13 November 2009, respectively. The Authority assumes no responsibility for the contents of this Prospectus. Registration of this Prospectus by the Authority does not imply that the Securities and Futures Act, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of our Shares (including the Vendor Shares) or the New Shares, as the case may be, being offered for investment.

We are subject to the provisions of the SFA and the Listing Manual regarding corporate disclosure. In particular, pursuant to Section 241 of the SFA, if after this Prospectus is registered but before the close of the Invitation we become aware of (a) a false or misleading statement or matter in this Prospectus; (b) an omission from this Prospectus of any information that should have been included in it under Section 243 of the SFA; or (c) a new circumstance which has arisen since this Prospectus was lodged with the Authority and would have been required by Section 243 of the SFA to be included in this Prospectus, if it had arisen before this Prospectus was lodged and which is materially adverse from the point of view of an investor, our Company may lodge a supplementary or replacement prospectus with the Authority.

Where, prior to the lodgement of the supplementary or replacement prospectus, applications have been made under this Prospectus to subscribe for and/or purchase the Invitation Shares and:-

(a) where the Invitation Shares have not been issued and/or allocated to the applicants, our Company shall (for itself as well as on behalf of the Vendors) either:-

  (i) within 2 days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement prospectus, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary or replacement prospectus, as the case may be, and provide the applicants with an option to withdraw their applications, and take all reasonable steps to make available within a reasonable period the supplementary or replacement prospectus, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement prospectus; or

  (ii) within 7 days from the date of lodgement of the supplementary or replacement prospectus, provide the applicants with the supplementary or replacement prospectus, as the case may be, and provide the applicants with an option to withdraw their applications; or

  (iii) treat the applications as withdrawn and cancelled, in which case the applications shall be deemed to have been withdrawn and cancelled and our Company shall (for itself as well as on behalf of the Vendors) within 7 days from the date of lodgement of the supplementary or replacement prospectus, return all monies paid in respect of any application to the applicants, without interest or any share of revenue or other benefit arising therefrom and at their own risk, and the applicants will not have any claim against our Company, the Vendors, the Issue Manager, the Joint Underwriters and the Joint Placement Agents; or

(b) where the Invitation Shares have been issued and/or allocated to the applicants, our Company shall (for itself as well as on behalf of the Vendors) either:-

(i) within 2 days (excluding any Saturday, Sunday or public holiday) from the date of lodgement of the supplementary or replacement prospectus, give the applicants notice in writing of how to obtain, or arrange to receive, a copy of the supplementary or replacement prospectus, as the case may be, and provide the applicants with an option to withdraw their application to our Company, for Invitation Shares which applicants do not wish to retain title in, and take all reasonable steps to make available within a reasonable period the supplementary or replacement prospectus, as the case may be, to the applicants who have indicated that they wish to obtain, or who have arranged to receive, a copy of the supplementary or replacement prospectus; or

(ii) within 7 days from the date of lodgement of the supplementary or replacement prospectus, provide the applicants with the supplementary or replacement prospectus, as the case may be, and provide the applicants with an option to return to us (for ourselves and on behalf of the Vendors) the Invitation Shares which the applicants do not wish to retain title in; or

(iii) treat the issue and/or the allocation of the Invitation Shares as void, in which case the issue and/or the allocation shall be deemed void and our Company shall (for itself as well as on behalf of the Vendors) within 7 days from the date of lodgement of the supplementary or replacement prospectus, return all monies paid in respect of any application to the applicants, without interest or any share of revenue or other benefit arising therefrom and at their own risk, and the applicants will not have any claim against our Company, the Vendors, the Issue Manager, the Joint Underwriters or the Joint Placement Agents.

An applicant who wishes to exercise his option under paragraph (a)(i) or (a)(ii) to withdraw his application for the Invitation Shares shall, within 14 days from the date of lodgement of the supplementary or replacement prospectus, notify our Company (for ourselves and on behalf of the Vendors) of this, whereupon our Company shall within 7 days from the receipt of such notification, pay to him (for ourselves and on behalf of the Vendors) all monies paid by him on account of his application for those Invitation Shares without interest or any share of revenue or other benefit arising therefrom and at his own risk, and he will not have any claim against our Company, the Vendors, the Issue Manager, the Joint Underwriters or the Joint Placement Agents.

An applicant who wishes to exercise his option under paragraph (b)(i) or (b)(ii) to return the Invitation Shares issued and/or allocated to him shall, within 14 days from the date of lodgement of the supplementary or replacement prospectus, notify our Company (for ourselves and on behalf of the Vendors) of this and return all documents, if any, purporting to be evidence of title to those Invitation Shares to our Company (for ourselves and on behalf of the Vendors), whereupon our Company shall (for itself and the Vendors) within 7 days from the receipt of such notification and documents, if any, pay to him all monies paid by him for those Invitation Shares, without interest or any share of revenue or other benefit arising therefrom and at his own risk, and the issue and/or allocation of those Invitation Shares shall be deemed to be void, and he will not have any claim against our Company, the Vendors, the Issue Manager, the Joint Underwriters or the Joint Placement Agents.

Under the Securities and Futures Act, the Authority may, in certain circumstances, issue a stop order (the "**Stop Order**") to our Company after the registration of this Prospectus, directing that no or no further Invitation Shares to which this Prospectus relates, be allotted, issued or sold. Such circumstances will include a situation where:-

(a) the Authority is of the opinion that this Prospectus contains a false or misleading statement;

(b) there is an omission from this Prospectus of any information that is required to be included in it under Section 243 of the Securities and Futures Act; or

(c) the Authority is of the opinion that this Prospectus does not comply with the requirements of the Securities and Futures Act; or

(d) the Authority is of the opinion that it is in the public interest to do so.

In the event that the Authority issues a Stop Order and applications to subscribe for and/or purchase the Invitation Shares have been made prior to the Stop Order, then:

(a) where the Invitation Shares have not been issued and/or allocated to the applicants, (i) the applications shall be deemed to have been withdrawn and cancelled; and (ii) our Company shall (for ourselves and on behalf of the Vendors) within 14 days from the date of the Stop Order, pay to the applicants, at their own risk, all monies the applicants have paid on account of their applications for the Invitation Shares (without any interest or share of revenue or other benefit arising therefrom) and the applicants will not have any claim against our Company, the Vendors, the Issue Manager, the Joint Underwriters or the Joint Placement Agents; or

(b) where the Invitation Shares have been issued and/or allocated to the applicants, (i) the issue and/or allocation of the Invitation Shares shall be deemed to be void; and (ii) our Company shall (for itself and on behalf of the Vendors), within 14 days from the date of the Stop Order, pay to the applicants, at their own risk, all monies paid by them for the Invitation Shares (without any interest or share of revenue or other benefit arising therefrom) and the applicants will not have any claim against our Company, the Vendors, the Issue Manager, the Joint Underwriters or the Joint Placement Agents.

Neither our Company, the Vendors, the Issue Manager, the Joint Underwriters, the Joint Placement Agents, nor any other party involved in the Invitation is making any representation to any person regarding the legality of an investment in our Shares by such person under any investment or other laws or regulations. No information in this Prospectus should be considered as being business, legal or tax advice regarding an investment in our Shares. Each prospective investor should consult his own legal, financial, tax or other professional adviser regarding an investment in our Shares.

The Invitation Shares are offered for subscription and/or purchase solely on the basis of the information contained and the representations made in this Prospectus.

No person has been or is authorised to give any information or to make any representation not contained in this Prospectus in connection with the Invitation and, if given or made, such information or representation must not be relied upon as having been authorised by our Company, the Vendors, the Issue Manager, the Joint Underwriters or the Joint Placement Agents. Neither the delivery of this Prospectus and the Application Forms nor any document relating to the Invitation shall, under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in our affairs or in the statements of fact or information contained in this Prospectus since the date of this Prospectus. Where such changes occur and are material or are required to be disclosed by law, we will comply with the relevant provisions of the SFA and make an announcement of the same to the SGX-ST and the public and, if required, lodge a supplementary or replacement prospectus pursuant to the SFA. All applicants should take note of any such announcement, or supplementary or replacement prospectus and, upon the release of the same, shall be deemed to have notice of such changes.

Save as expressly stated in this Prospectus, nothing in this Prospectus is, or may be relied upon as, a promise or representation as to the future performance or policies of our Company or our subsidiaries. This Prospectus has been prepared solely for the purpose of the Invitation and may not be relied upon by any persons other than the applicants in connection with their application for the Invitation Shares or for any other purpose.

This Prospectus does not constitute an offer, solicitation or invitation to subscribe for and/or purchase the Invitation Shares in any jurisdiction in which such offer, solicitation or invitation is unlawful or is not authorised or to any person to whom it is unlawful to make such an offer, solicitation or invitation.

Copies of this Prospectus, the Application Forms and envelopes may be obtained on request, subject to availability, during office hours from:-

Collins Stewart Pte. Limited 77 Robinson Road #21-02 Singapore 068896	UOB Kay Hian Private Limited 8 Anthony Road #01-01 Singapore 229957

and where available, from members of the Association of Banks in Singapore, members of the SGX-ST and merchant banks in Singapore.

A copy of this Prospectus is also available on:-

(a) the SGX-ST website at http://www.sgx.com; and

(b) the Authority's website at http://masnet.mas.gov.sg/opera/sdrprosp.nsf.

The Application List will open at 10.00 am on 19 November 2009 and will remain open until 12.00 noon on the same day or for such further period or periods as our Directors and the Vendors may, in consultation with the Issue Manager, in their absolute discretion, decide, subject to any limitation under all applicable laws PROVIDED ALWAYS THAT where a supplementary or replacement prospectus has been lodged with the Authority, the Application List shall be kept open for at least 14 days after the lodgement of the supplementary or replacement prospectus.

Details of the procedures for applications to subscribe for and/or purchase for the Invitation Shares are set out in Appendix H: Terms and Conditions and Procedures for Application.

INDICATIVE TIMETABLE FOR LISTING

An indicative timetable is set out below for the reference of applicants:-

Indicative Time and Date	Event
12.00 noon on 19 November 2009	Close of Application List
20 November 2009	Balloting of applications, if necessary (in the event of over-subscription for the Offer Shares)
9.00 a.m. on 23 November 2009	Commence trading on a "ready" basis
26 November 2009	Settlement date for all trades done on a "ready" basis

The above timetable is only indicative as it assumes that the date of closing of the Application List will be 19 November 2009, the date of admission of our Company to the Official List of the SGX-ST will be 23 November 2009, the shareholding spread requirement will be complied with and the Invitation Shares will be issued and allotted or allocated (as the case may be) and fully paid-up prior to 23 November 2009.

The above timetable and procedures may be subject to such modification as the SGX-ST may, in its absolute discretion, decide, including the decision to permit trading on a "ready" basis and the commencement date of such trading.

Investors should consult the SGX-ST's announcement on the "ready" trading date on the Internet (at the SGX-ST's website http://www.sgx.com) or the newspapers, or check with their brokers on the date on which trading on a "ready" basis will commence.

We, with the agreement of the Vendors, the Issue Manager, the Joint Underwriters and the Joint Placement Agents, may at our discretion, subject to all applicable laws and regulations and the rules of the SGX-ST, agree to extend or shorten the period during which the Invitation is open.

In the event of any changes in the closure of the Application List or the time period during which the Invitation is open, we will publicly announce the same:

(a) through an SGXNET announcement to be posted on the internet at the SGX-ST's website at http://www.sgx.com; and

(b) in a local English newspaper.

We will publicly announce details of the results of the Invitation as soon as it is practicable after the closure of the Application List through the channels described in (a) and (b) above.

We reserve the right to reject or accept, in whole or in part, or to scale down or ballot any application for the Offer Shares, without assigning any reason therefore, and no enquiry and/or correspondence on our decision will be entertained. In deciding the basis of allocation, due consideration will be given to the desirability of allocating our Shares to a reasonable number of applicants with a view to establishing an adequate market for our Shares.

*The information contained in this summary is derived from and should be read in conjunction with the full text of this Prospectus. As it is a summary, it does not contain all the information that you should consider before investing in our Shares. You should read the entire Prospectus carefully, especially the matters set out under the section "**Risk Factors**", before deciding to invest in our Shares.*

OVERVIEW OF OUR GROUP

Our Company was incorporated in the Republic of Singapore on 20 April 2007 under the Act as a private company limited by shares under the name "Sino Grandness Food Industry Group Pte. Ltd.". We were converted into a public company limited by shares on 12 November 2009 and our name was changed to "Sino Grandness Food Industry Group Limited". Pursuant to the Restructuring Exercise, our Company became the holding company of our Group.

OUR BUSINESS

We are a manufacturer and supplier of canned fruits and vegetables, mainly for the export market. Our main products are canned asparagus, long beans and mushrooms and other products (including bamboo shoots, sweet corn, chillies and fruits, like lychees, pineapples and peaches). We currently have an annual production capacity of approximately 22,235 tonnes, at our 5 production facilities in different climatic regions across 4 provinces in the PRC, namely, Shandong, Shanxi, Yunnan and Sichuan Provinces.

Our market spans Europe, North America (namely Mexico) and Asia, and our major markets are Germany, France, Spain, the Netherlands, the Czech Republic, Russia, Mexico and Singapore. Our customers include reputable distributors and retailers in the European and North American markets.

Most of our products are branded under our customers' brands, including "Mikado", and housebrands of major supermarket chains in Europe including Lidl, Aldi, E.Leclerc (through Siplec), REWE, Carrefour, WalMart and Metro. We also sell our products domestically in China. In 2007, we started the production and sale of products using our brand names, namely "Dao Mei"（"刀妹"）for the PRC market and "Grandness" for the overseas market.

Further details are set out under the section "**Business Overview**".

OUR COMPETITIVE STRENGTHS

Our Directors believe that our key competitive strengths are as follows:-

- we have an established track record and market;
- we have a well-established network of distributors and reputable retailers with whom we enjoy a strong relationship;
- our canned fruits and vegetables are consistently of high quality;
- we possess good technical knowledge and have a team that is well informed of the latest cultivation and production techniques;
- we have an experienced and dedicated management team; and
- our production plants are strategically located in various provinces in the PRC.

Further details are set out under the section "**Competitive Strengths**".

OUR BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans are as follows:-

- increase our production and storage capacities;
- increase our sales and distribution network;
- intensify our efforts in product development; and
- make strategic acquisitions and investments.

Further details are set out under the section "**Business Strategies and Future Plans**".

WHERE YOU CAN FIND US

Our operations are mainly located in China. Our registered office in Singapore is at 80 Raffles Place, #25-01, UOB Plaza 1, Singapore 048624 and our headquarter is at Unit 2115-2120, 21st/F Tower B Southern International Plaza, No. 3013, Yitian Road, Futian District, Shenzhen, The People's Republic of China (中华人民共和国深圳市福田区益田路3013号南方国际广场B栋21楼2115-2120室). Our telephone and facsimile numbers are (86-755) 8282-8869 and (86-755) 8282-1934, respectively. Our Internet address is http://www.grandnessgroups.com. Information contained on our website does not constitute part of this Prospectus.

SUMMARY OF OUR FINANCIAL INFORMATION

You should read the following summary financial information in conjunction with the full text of this Prospectus, including ***Appendix A: Report of the Independent Auditor on the Combined Financial Statements of Sino Grandness Food Industry Group Limited for the Years Ended 31 December 2006, 2007 and 2008****,* ***Appendix B: Report from the Independent Auditor in relation to the Unaudited Review of the Interim Consolidated Financial Statements of Sino Grandness Food Industry Group Limited and its Subsidiaries for the Three Months ended 31 March 2009*** *and* ***Appendix C: Pro Forma Group Financial Statements of Sino Grandness Food Industry Group Limited for the Financial Year ended 31 December 2008 and the Three Months Ended 31 March 2009*** *and the section* ***"Management's Discussion and Analysis of Financial Position and Results of Operations".***

Selected Items from the Results of Operations of our Group(1)

	Audited			Unaudited		Pro Forma(2)	
(RMB'000)	**FY2006**	**FY2007**	**FY2008**	**1Q2008**	**1Q2009**	**FY2008**	**1Q2009**
Revenue	95,824	257,791	330,268	18,108	30,278	330,268	30,278
Gross profit	29,202	72,080	94,185	4,660	7,384	94,185	7,384
Profit before taxation	14,730	48,507	66,026(3)	619	3,057	64,085	1,365
Profit for the year/period attributable to Shareholders	11,018	40,789	52,720(3)	49	1,746	50,779	54
EPS(4) (RMB cents)	6.3	23.3	30.1	0.03	1.0	29.0	0.03
Adjusted EPS(5) (RMB cents)	4.5	16.6	21.5	0.02	0.7	20.7	0.02

Selected Items from the Financial Positions of our Group

(RMB '000)	Combined Audited As at 31 December 2008	Combined Unaudited As at 31 March 2009	Pro Forma[(6)] As at 31 December 2008	Pro Forma[(6)] As at 31 March 2009
Non-current assets	101,690	122,074	101,690	122,074
Current assets	161,439	135,922	161,441	135,924
Non-current liabilities	43,445	46,634	43,445	46,634
Current liabilities	134,956	124,908	96,718	88,362
Shareholders' equity	78,785	80,997	117,025	117,545
Minority interests	5,943	5,457	5,943	5,457
NTA per Share[(7)] (RMB cents)	45.0	46.2	66.8	67.1

Notes:-

(1) The financial results of our Group for the periods under review have been prepared on the basis that our Group has been in existence throughout. Please refer to **Appendix A: Report of the Independent Auditor on the Combined Financial Statements of Sino Grandness Food Industry Group Limited for the Years Ended 31 December 2006, 2007 and 2008** and **Appendix B: Report from the Independent Auditor in relation to the Unaudited Review of the Interim Consolidated Financial Statements of Sino Grandness Food Industry Group Limited and its Subsidiaries for the Three Months ended 31 March 2009** for the basis of preparation of the results.

(2) The pro forma financial results of our Group for FY2008 and 1Q2009 have been prepared on the assumption that the convertible loans of RMB40,178,840 (equivalent to S$8,000,000) were converted into new ordinary shares in the share capital of our Company as at the beginning of the balance sheet date under the Convertible Loan Agreement.

(3) Had the Service Agreement been in place with effect from 1 January 2008, the profit before taxation and profit for the year attributable to Shareholders for FY2008 would have been approximately RMB64,630,000 (equivalent to approximately S$13,139,000) and approximately RMB51,324,000 (equivalent to approximately S$10,434,000), respectively.

(4) For comparative purposes, EPS for the periods under review have been computed based on the profit for the year/period attributable to Shareholders and the pre-Invitation share capital of 175,172,414 Shares.

(5) For comparative purposes, Adjusted EPS for the periods under review have been computed based on the profit for the year/period attributable to Shareholders and the post-Invitation share capital of 245,172,414 Shares.

(6) The pro forma financial positions of our Group as at 31 December 2008 and 31 March 2009 have been prepared on a pro forma basis to show the effects of (i) the conversion of loans under the Convertible Loan Agreement; and (ii) the issuance of 30,768 Shares to Huang Yupeng and Huang Zhoupeng, subsequent to 31 March 2009, pursuant to the Restructuring Exercise.

(7) For comparative purposes, the NTA per Share as at 31 December 2008 and 31 March 2009 have been computed based on our pre-Invitation share capital of 175,172,414 Shares.

Invitation size	:	85,520,000 Invitation Shares comprising 70,000,000 New Shares and 15,520,000 Vendor Shares. The New Shares will, upon the allotment and issue, rank *pari passu* in all respects with our existing issued Shares.
Invitation Price	:	S$0.29 for each Invitation Share.
The Offer	:	The Offer comprises an invitation by our Company and the Vendors in Singapore for the subscription for and/or purchase of 2,000,000 Offer Shares, at the Invitation Price, subject to and on the terms and conditions of this Prospectus.
The Placement	:	The Placement comprises a placement of 83,520,000 Placement Shares for subscription and/or purchase, at the Invitation Price, subject to and on the terms and conditions of this Prospectus.
Purpose of the Invitation	:	Our Directors consider that the listing of our Company and the quotation of our Shares on the SGX-ST will:- (a) enhance our public image domestically and internationally; (b) enable us to tap the capital markets to fund our business growth; and (c) provide members of the public, our employees and our business associates and others who have contributed to the success of our Group with an opportunity to participate in the equity of our Company.
Listing status	:	Our Shares will be quoted in Singapore dollars on the SGX-ST, subject to admission of our Company to the Official List of the SGX-ST and permission for dealing in, and for quotation of, our Shares being granted by the SGX-ST and the Authority not issuing a Stop Order.

Prior to the Invitation, there has been no public market for our Shares. The Invitation Price is determined by us and the Vendors in consultation with the Issue Manager, the Joint Underwriters and the Joint Placement Agents after taking into consideration, amongst other things, prevailing market conditions and the estimated market demand for our Shares determined through a book-building process. The Invitation Price is the same for all Invitation Shares and is payable in full on application.

Offer Shares

The Offer Shares are made available to members of the public in Singapore for subscription and/or purchase at the Invitation Price. The terms, conditions and procedures for applications are described in **Appendix H: Terms and Conditions and Procedures for Application**. Pursuant to the terms and conditions contained in the Management and Underwriting Agreement signed between our Company, the Vendors, the Issue Manager and the Joint Underwriters dated 13 November 2009, the Issue Manager has agreed to manage the Invitation and the Joint Underwriters have agreed to underwrite the Offer Shares at the Invitation Price.

In the event of an under-subscription for the Offer Shares as at the close of the Application List, that number of Offer Shares not subscribed for and/or purchased shall be made available to satisfy excess applications for the Placement Shares to the extent there is an over-subscription for the Placement Shares as at the close of the Application List.

In the event of an over-subscription for the Offer Shares as at the close of the Application List and/or the Placement Shares are fully subscribed and/or purchased as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Company and the Vendors, after consultation with the Issue Manager, the Joint Underwriters and approved by the SGX-ST, if required.

Placement Shares

Application for the Placement Shares may only be made by way of Placement Shares Application Forms. The terms, conditions and procedures for applications are described in **Appendix H: Terms and Conditions and Procedures for Application**.

Pursuant to the terms and conditions in the Placement Agreement signed between our Company, the Vendors and the Joint Placement Agents dated 13 November 2009, the Joint Placement Agents have agreed to subscribe for and/or purchase, or procure subscriptions and/or purchases for the Placement Shares at the Invitation Price.

In the event of an under-subscription for the Placement Shares as at the close of the Application List, that number of Placement Shares not subscribed for and/or purchased shall be made available to satisfy excess applications for the Offer Shares to the extent that there is an over-subscription for the Offer Shares as at the close of the Application List.

Subscribers or purchasers of the Placement Shares may be required to pay a brokerage of up to 1.0% of the Invitation Price to the Joint Placement Agents, as well as stamp duties and any other similar charges.

Please refer to the section "**Management and Underwriting and Placement Arrangements**" for further details on the Management and Underwriting Agreement and Placement Agreement.

None of our Directors or Substantial Shareholders intends to subscribe for and/or purchase any Invitation Shares pursuant to the Invitation.

None of the members of our Company's management or employees intend to subscribe for and/or purchase 5% or more of the Invitation Shares pursuant to the Invitation.

PLAN OF DISTRIBUTION

To the best of our knowledge and belief, we are not aware of any person who intends to subscribe for and/or purchase 5% or more of the Invitation Shares. However, through a book-building process to assess market demand for our Shares, there may be person(s) who may indicate an interest to subscribe for and/or purchase 5% or more of the Invitation Shares. If such persons were to make an application for 5% or more of the Invitation Shares pursuant to the Invitation and subsequently be allotted and/or allocated such number of Shares, we will make the necessary announcements at an appropriate time. The final allotment and/or allocation of Shares will be in accordance with the shareholding spread and distribution guidelines as set out in Rule 210 of the Listing Manual.

No shares will be allotted and/or allotted on the basis of this Prospectus later than 6 months after the registration of this Prospectus by the Authority.

NET PROCEEDS FROM THE ISSUE OF THE NEW SHARES

The net proceeds from the issue of the New Shares, after deducting our share of the estimated expenses in relation to the Invitation of S$3.4 million, is estimated to be approximately S$16.9 million (equivalent to approximately RMB81.3 million[(1)]).

The allocation of each principal intended use of net proceeds from the issue of the New Shares and major expenses is set out below:-

Use of the net proceeds from the issue of the New Shares			(S$'000)	Estimated amount for each dollar raised from the Invitation (cents)
(a)	Expand our production and storage capacities			
	i.	Shanxi Grandness	1,400	6.90
		Purchase machinery and equipment and upgrade existing production facilities (via contributions of approximately S$1.2 million (equivalent to approximately RMB5.7 million) to the registered capital of Shanxi Grandness and a shareholder's loan of approximately S$0.2 million to Shanxi Grandness)		
	ii.	Shanxian Grandness	2,000	9.85
		Construct a second production plant and purchase machinery and equipment		
	iii.	Sichuan Grandness	1,000	4.93
		Construct an office building and an additional warehouse		
(b)	Expand our sales and distribution network		1,200	5.91
(c)	Product development		400	1.97
(d)	Strategic acquisitions and investments which might include the acquisition of the remaining equity interests in Sichuan Grandness and Yunnan Grandness		3,000	14.78
(e)	Working capital		7,900	38.92
Expenses				
(a)	Listing fees		56	0.28
(b)	Underwriting and placement commission and brokerage[(2)]		608	2.99
(c)	Professional fees[(3)]		1,950	9.60
(e)	Miscellaneous expenses		786	3.87
Gross proceeds			**20,300**	**100.00**

Notes:-

(1) Based on the exchange rate of RMB4.812 to S$1.00 as at the Latest Practicable Date.

(2) The aggregate underwriting and placement commissions and brokerages agreed between our Company, the Vendors, the Joint Underwriters and the Joint Placement Agents is 2.8% of the Invitation Price. Please refer to the section "**Management's Discussion and Analysis of Financial Position and Results of Operations**" for more details.

(3) Professional fees do not include fees payable to the Consultants as set out in the section "**Interested Person Transactions and Conflicts of Interest**".

Please refer to the section "**Business Strategies and Future Plans**" for further details on our plans above. In particular, our future plans may be funded, apart from the net proceeds from the issue of the New Shares, either through internally generated funds and/or external borrowings. No part of the net proceeds from the issue of the New Shares will be utilised to repay existing loans.

Pending the deployment of the net proceeds from the issue of the New Shares as aforesaid, the funds will be placed in short-term deposits with financial institutions, used to invest in short-term money market instruments and/or used for working capital requirements as our Directors may deem appropriate. We have undertaken to the SGX-ST to announce the use of the net proceeds from the issue of the New Shares periodically as and when these proceeds are materially disbursed, and that we will provide a status report on the use of the net proceeds from the issue of the New Shares in our annual report.

NET PROCEEDS FROM THE SALE OF THE VENDOR SHARES

The net proceeds attributable to the Vendors from the sale of the Vendor Shares after deducting the Vendors' share of the estimated expenses in relation to the Invitation of approximately S$0.1 million, are estimated to be approximately S$4.4 million.

Pursuant to the management and underwriting agreement dated 13 November 2009 ("**Management and Underwriting Agreement**") entered into between our Company, the Vendors, the Issue Manager and the Joint Underwriters, our Company and the Vendors have jointly appointed the Issue Manager to manage the Invitation, and the Joint Underwriters to underwrite the Offer Shares. The Issue Manager will receive a management fee from our Company for its services rendered in connection with the Invitation.

Pursuant to the Management and Underwriting Agreement, the Joint Underwriters agreed to underwrite the Offer Shares for a commission of 2.8% of the Invitation Price for each Offer Share, by subscribing for or purchasing or procuring subscribers for or purchasers of any Offer Shares not subscribed or purchased for pursuant to the Invitation and will pay or procure payment of the Invitation Price to our Company or the Vendors, as the case may be, for such Offer Shares. The underwriting commission will be paid by our Company and the Vendors in the proportion in which the number of Offer Shares offered by each of them bears to the total number of Offer Shares. The Joint Underwriters may, at their absolute discretion, appoint one or more sub-underwriters to underwrite the Offer Shares.

Pursuant to the placement agreement dated 13 November 2009 ("**Placement Agreement**") entered into between the Company, the Vendors and the Joint Placement Agents, the Joint Placement Agents agreed to subscribe for or purchase or procure subscriptions for or purchases of the Placement Shares for a placement commission of 2.8% of the Invitation Price for each Placement Share payable by our Company and the Vendors in the proportion in which the number of Placement Shares offered by each of them pursuant to the Placement bears to the total number of Placement Shares. The Joint Placement Agents may, at their absolute discretion, appoint one or more sub-placement agents for the Placement Shares.

Brokerage will be paid by our Company and the Vendors, out of the underwriting commission (except the minimum brokerage fee levied by DBS Bank), to members of the SGX-ST, merchant banks and members of the Association of Banks in Singapore (other than DBS Bank) in respect of accepted applications made on Application Forms bearing their respective stamps, or to Participating Banks (other than DBS Bank) in respect of successful applications made through Electronic Applications, at the rate of 0.25%, and in the case of DBS Bank, 0.50%, of the Invitation Price for each Offer Share in the proportion in which the number of Offer Shares offered by each of them pursuant to the Offer bears to the total number of Offer Shares. In addition, DBS Bank levies a minimum brokerage fee of S$10,000 that will be paid by our Company.

Subscribers and/or purchasers of the Placement Shares may be required to pay a brokerage of up to 1.0% of the Invitation Price to the Joint Placement Agents (including the prevailing Goods and Services Tax, if applicable).

Save for the fees payable to the Consultants as provided in the section "**Interested Person Transactions and Conflicts of Interest**", no commission, discount or brokerage, has been paid or other special terms granted within the 2 years preceding the Latest Practicable Date or is payable to any Director, promoter, expert, proposed director or any other person for subscribing for or purchasing or agreeing to subscribe for or purchase or procuring or agreeing to procure subscriptions for or purchases of any shares or debentures in our Company.

The Management and Underwriting Agreement may be terminated by the Issue Manager or the Joint Underwriters at any time:-

(a) on or before the close of the Application List if, amongst other things, there shall have been:

- (i) any adverse change, or any development involving a prospective adverse change, in the condition (financial or otherwise), performance or general affairs of our Company and/or our subsidiaries; or

(ii) any introduction or prospective introduction of or any change or prospective change in any legislation, regulation, order, policy, rule, guideline or directive in Singapore, the PRC or elsewhere (whether or not having the force of law) (including, without limitation, any directive or request issued by the Authority, the Securities Industry Council of Singapore or the SGX-ST or relevant authorities in PRC or elsewhere), or in the interpretation or application thereof by any court, government body, regulatory authority or other competent authority in Singapore, the PRC or elsewhere; or

(iii) any change, or any development involving a prospective change, in local, national, regional or international financial (including stock market, foreign exchange market, inter-bank market or interest rates or money market), political, industrial, economic, legal or monetary conditions, taxation or exchange controls (including without limitation, the imposition of any moratorium, suspension or restriction on trading in securities generally on the SGX-ST due to exceptional financial circumstances or otherwise, adverse changes in foreign exchange controls in Singapore and overseas or any combination of any such changes or developments or crises, or any deterioration of any such conditions); or

(iv) any imminent threat or occurrence of any local, national, regional or international outbreak or escalation of hostilities, insurrection terrorist attacks or armed conflict (whether or not involving financial markets) in any jurisdictions; or

(v) any breach of the warranties or undertakings in the Management and Undertaking Agreement; or

(vi) any occurrence of certain specified events which comes to the knowledge of the Issue Manager or the Joint Underwriters; or

(vii) any regional or local outbreak of diseases that may have an adverse effect on the financial markets;

(b) any other occurrence of any nature whatsoever, which event or events shall in the reasonable opinion of the Joint Underwriters (executed in good faith):-

(i) results or is likely to result in either a material adverse fluctuation or material adverse condition in the stock market in Singapore or elsewhere; or

(ii) is likely to materially prejudice the success of the offer of the Invitation Shares (whether in the primary market or in respect of dealings in the secondary market); or

(iii) makes it impracticable, inadvisable, inexpedient or uncommercial to proceed with any of the transactions contemplated in the Management and Underwriting Agreement; or

(iv) is likely to have a material adverse effect on the business, trading position, operations or prospects of our Company and/or our subsidiaries or of our Group as a whole; or

(v) is such that no reasonable underwriter would have entered into the underwriting obligations under the Management and Underwriting Agreement; or

(vi) results or is likely to result in the issue of a stop order by the Authority pursuant to the Securities and Future Act; or

(vii) makes it uncommercial or otherwise contrary to or outside the usual commercial practices of underwriters in Singapore for the Joint Underwriters to observe or perform or be obliged to observe or perform the terms of the Management and Underwriting Agreement; or

(c) without limiting the generality of the foregoing, if it comes to the notice of the Joint Underwriters that, amongst others:-

(i) at any time up to the commencement of the trading of our shares on the Official List of the SGX-ST, a stop order shall have been issued by the Authority in accordance with the Securities and Futures Act; or

(ii) at anytime after registration of this Prospectus with the Authority but before the close of the Application List, our Company and the Vendors fail and/or neglect to lodge a supplementary or replacement prospectus (as the case may be) if they become aware of:-

(1) a false or misleading statement or matter in this Prospectus;

(2) an omission from this Prospectus of any information that should have been included in it under Section 243 of the Securities and Futures Act; or

(3) a new circumstance that has arisen since this Prospectus was lodged with the Authority and would have been required by Section 243 of the Securities and Futures Act to be included in this Prospectus if it had arisen before this Prospectus was lodged, that is materially adverse from the point of view of an investor.

The Placement Agreement is conditional upon the Management and Underwriting Agreement not having been terminated or rescinded pursuant to the provisions of the Management and Underwriting Agreement and may be terminated on the occurrence of certain events, including those specified in the paragraph above.

Save as disclosed above, we do not have any material relationship with any of the Issue Manager, the Joint Underwriters or the Joint Placement Agents.

Prospective investors should carefully consider and evaluate each of the following considerations and all other information contained in this Prospectus before deciding to invest in our Shares. To the best of our Directors' knowledge and belief, all risk factors which are material to investors in making an informed judgment of our Group have been set out below. If any of the following considerations, uncertainties or material risks develops into actual events, our business, financial condition and/or results of operations could be materially and adversely affected. In such cases, the trading price of our Shares could decline due to any of these considerations, uncertainties or material risks, and investors may lose all or part of their investment in our Shares.

This Prospectus also contains forward-looking statements having direct and/or indirect implications on our future performance. Our actual results may differ materially from those anticipated by these forward-looking statements due to certain factors, including the risks and uncertainties faced by us, as described below and elsewhere in this Prospectus.

You should carefully evaluate each of the following considerations and all the other information set forth in this Prospectus before deciding to invest in the Invitation Shares. Before deciding to invest in our Shares, you should seek professional advice from the relevant advisers about your particular circumstances.

RISKS RELATING TO OUR INDUSTRY AND OUR BUSINESS

We will be affected by changes in consumer food preferences and dietary habits, and discretionary consumer spending

Our continued growth and success depends, in part, on the popularity of our canned products. Shifts in consumer preferences and dietary habits away from our canned products to other kinds of food products and/or canned products could adversely affect our business. In the event that we are not able to anticipate and react quickly and effectively to changes in consumer preferences and dietary habits, the demand for our products would decline and this would have an adverse impact on our business.

In addition, our continued success is generally dependent on the level of disposable consumer income and discretionary consumer spending in the markets which we export to. These are in turn affected by any changes in the economic conditions of the respective countries. In particular, we are vulnerable to the changes in economic conditions of Europe and North America, which contributed to approximately 83.0% and 12.0% of our revenue in FY2008, respectively.

Our failure to produce commercially viable new products to adapt to changes in consumer food preferences and dietary habits will adversely affect our financial performance and growth prospects

We continually invest in research and product development to develop new canned products and improve our production yield, production processes and technologies. The amount of expenditure incurred in relation to our research and product development, as a percentage of our total operating expenses, were approximately 1.6%, 2.0%, 2.5% and 2.5% in FY2006, FY2007, FY2008 and 1Q2009, respectively. However, there can be no assurance that our research and product development efforts will yield our desired results. Furthermore, given the long cycle and time involved in research and product development, a significant amount of time may have passed before we receive any related revenue. This would have an adverse impact on our profitability and prospects.

We conduct our research and product development in anticipation of developing new products that we believe have good prospects. In particular, we have developed a canned herbal beverage under our brand name, "Ba Xian V Dong Li" ("八仙V动力") for sale in the PRC market in the second half of 2009. There is no assurance that these new products, including the canned herbal beverage under our brand name, "Ba Xian V Dong Li" ("八仙V动力"), will be accepted by our customers or potential customers. A low level of acceptance of any of our new products may therefore not yield the financial results that we expect. Our profitability will be adversely affected by the costs incurred and efforts spent on our research and product development and the production of such new products without a commensurate increase in revenue.

We are susceptible to shortages and fluctuations in the prices of our raw materials and finished goods

The cost of raw materials accounted for approximately 77.9%, 80.1%, 21.5% and 23.1% of our cost of sales in FY2006, FY2007, FY2008 and 1Q2009, respectively. The cost of finished goods accounted for approximately 7.9%, 8.0%, 62.1% and 60.3% of our cost of sales in FY2006, FY2007, FY2008 and 1Q2009, respectively. Our main raw materials, such as asparagus, long beans and mushrooms, are purchased during their respective harvesting seasons from individual farmers and farming collectives in the PRC. Our production of canned fruits and vegetables during the harvesting seasons of our raw materials is highly dependent on there being a sufficient supply of raw materials during these periods. We are also affected by fluctuations in the prices of our raw materials which are determined by market conditions. A major shortage in the supply of raw materials due to adverse weather conditions and natural disasters will result in an increase in prices and affect our production output, which in turn will have an adverse effect on our business and results of operations. We have experienced shortage and price hikes in our raw materials during the periods under review. In FY2008, there was a shortage of asparagus due to adverse weather conditions and long beans as a result of the earthquake in Sichuan Province. In FY2007, the average cost of asparagus was exceptionally high, being an increase of 54.6% from FY2006. The average cost of long beans had also increased by 27.9% from FY2006 to 1Q2009.

We also purchase finished goods for resale to our customers and are affected by fluctuations in the supply and prices of the finished goods. The increase in purchases of finished goods resulted in a reduction in purchases of raw materials. This partially accounted for the reduction in the cost of raw materials as a proportion of our costs of sales in FY2008 and 1Q2009.

Should there be any significant increase in the price of raw materials or finished goods, there is no assurance that these increases in costs can be passed to our customers and/or consumers. As a consequence, such substantial increase in prices of raw materials or finished goods may adversely affect our profit margins and profitability.

We may be affected by an inability to source for sufficient labour

We are dependent on workers for our production process. Due to the seasonal nature of our products, we require a large number of temporary workers, particularly during the various production periods of our different canned products. If we are unable to source for sufficient labour to meet our anticipated production schedules, our production activities and results of operations would be adversely affected.

We may be affected by complaints, product liability claims from customers and negative publicity

We may, from time to time, be the subject of complaints from consumers of our products with regard to our product quality which will in turn affect our reputation. Negative publicity in connection with the recent tainted milk scandal in the PRC, where certain milk products were found to have been adulterated with melamine, would generally affect the demand for food products produced in the PRC or which ingredients are sourced from the PRC. Although our revenue has thus far not been affected by the tainted milk scandal, there is no assurance that we would not in the future be negatively affected by this or any other negative publicity in relation to food products produced in the PRC.

Further, our business may be adversely affected by negative publicity resulting from the publication of industry findings, research reports or health concerns in relation to canned products. There is no assurance that there will be no complaints or negative publicity in the future. Any such complaints and negative publicity, regardless of their validity, may result in lower demand for our products and hence a decline in the number of orders which we would otherwise receive from our customers. Our results of operations will therefore be adversely affected.

We are in the process of obtaining product liability insurance for our main products and for exports to our main markets. However, there is no assurance that the insurance coverage is sufficient. Any complaints on our products which escalate to become lawsuits against us, even where unsuccessful, would require us to divert resources to address these claims. In the event of any successful product liability claims against us in the future, our liabilities in respect of such claim would inevitably affect our financial condition and operating results.

We may not be successful in our future acquisitions and investments in companies and businesses

As part of our growth strategy, from time to time, we may make acquisitions and investments in companies or businesses. The success of our acquisition and investment strategy depends on a number of factors, including:-

- our ability to identify suitable opportunities for investment or acquisition;
- whether we are able to reach an acquisition or investment agreement on terms that are satisfactory to us;
- the extent to which we are able to exercise control over the acquired company or business;
- the economic, business or other strategic objectives and goals of the acquired company or business compared to those of our Group; and
- our ability to successfully integrate the acquired company or business with us.

If we are unsuccessful in our acquisitions and investments, our business, financial condition, results of operations and/or prospects may be materially and adversely affected.

Our business and financial performance are exposed to the uncertain economic outlook

Since the second half of 2008, disruption in the global credit markets and the general slowdown in the global economy have resulted in an increasingly difficult business environment with greater volatilities and tightening of the credit market. It is difficult to predict how long these conditions will continue and how our business will be affected. Accordingly, these conditions could adversely affect our future financial condition or results of operations. In addition, conditions in the capital markets could also adversely affect the Invitation and limit or reduce the number of investors in our Shares, thereby adversely affecting the liquidity and potentially the price of our Shares. Please refer to the section "**Risk Factors – There has been no prior markets for our Shares**" for further details.

In addition, as a result of the foregoing factors, there is a potential for new federal and state laws and regulations regarding lending and funding practices and liquidity standards, and bank regulatory agencies are expected to be very aggressive in responding to concerns and identified trends. Continued negative developments could restrict our business operations, including the ability of our Group as well as our customers and suppliers to obtain loans or credit facilities. This could adversely affect our results of operations and financial condition.

We are subject to risks relating to the economic, political, legal or social environments of the locations to which we export our products or in which we operate

Our products are mainly for the overseas market with some domestic sales in the PRC. Our export sales accounted for approximately 95.2% and 98.8% of our total revenue in FY2008 and 1Q2009, respectively. Our products are exported to various countries such as Germany, France, Spain, the Netherlands, the Czech Republic, Russia, Mexico and Singapore. Our business, earnings, prospects, asset values and the value of our Shares may be materially and adversely affected by developments in these countries relating to various matters including inflation, interest rates, currency fluctuations, government policies (including import restrictions like anti-dumping or "Green Barrier" policies), exchange control regulations, food industry laws and regulations, social instability and other political, legal, economic or diplomatic developments. "Green Barriers" are erected with the implementation of strict technical standards and quality certification requirements on imported goods on the grounds of the environment and public health issues. Presently, a majority of our canned products are exported and there is a risk that the target market countries may set up further import restrictions including trade barriers to prevent or reduce the import of our products. If this risk materialises, our overseas customers may reduce their orders and our profitability could be adversely affected. We have no control over such conditions and developments and can provide no assurance that such conditions and developments will not have a material adverse effect on our operations or the price of or market for our Shares.

In addition to the above, a recession in the global economy in the near future, for example, caused by the ongoing financial crisis in Europe and the United States of America could have an adverse impact on world trade and hence, the overall demand for our products which can then adversely affect our financial performance and results of operations. There is no assurance that the factors which have contributed to the success of our Group over the past years will continue to occur in the future. Our business performance, future plans and operations will inevitably be adversely affected if these conditions deteriorate in the future.

We are exposed to foreign currency risks

Our revenue is mainly denominated in US$ and €, with these currencies accounting for approximately 91.0% and 4.3% of our revenue in FY2008 and approximately 94.8% and 3.9% of our revenue in 1Q2009, respectively. Our purchases are mainly denominated in RMB. To the extent that our revenue and purchases are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and receipt of funds from our customers or payment to our suppliers, we are exposed to foreign exchange rate fluctuations which may result in foreign exchange losses that may adversely affect our financial results.

In FY2008 and 1Q2009, we have foreign exchange loss in relation to currency exposure in trading transactions denominated in US$ and € of approximately RMB0.1 million and foreign exchange gain of approximately RMB39,000, respectively, mainly as a result of the movement of the RMB *vis-à-vis* the US$ and €. We intend to implement certain hedging policies to manage our foreign exchange exposure subsequent to our admission to the Official List of the SGX-ST. However, our hedging policy does not completely eliminate our exposure to foreign exchange rate fluctuations and we may incur foreign exchange losses in the event of adverse fluctuations. Please refer to the section "**Foreign Exchange Exposure and Management**" for details.

We are exposed to liquidity risks which are caused by a mismatch of our credit periods for sales and purchases

We face liquidity risks due to the timing difference between our purchase of raw materials and sale of our products. Our purchase of raw materials is mainly made based on cash upon delivery at our factories during the respective harvesting seasons of the raw materials. As a result, our requirement for working capital is high during these purchasing periods. Due to the nature of our business, our cash conversion cycle, from the purchase of raw materials, production and sale of canned products to the collection of receivables from our customers typically range from 90 days for export sales to 150 days for domestic sales in the PRC. Please refer to the sections "**Inventory Management**" and "**Credit Policy**" for further details. Our operations therefore require a substantial level of working capital commitments as it will affect the amount of raw materials we can purchase during the harvesting seasons which will in turn affect our production and financial performance. In FY2007, we had additional working capital as a result of an advancement of funds from Huang Yupeng and Huang Zhoupeng. Please refer to the section "**Interested Person Transactions and Conflicts of Interest - Advances to and from Huang Yupeng and Huang Zhoupeng**" for details of such advances. We were thus able to increase purchases of raw materials for our production and substantially increased our production and utilisation rates of our production facilities, resulting in higher sales volume of canned asparagus and mushrooms in that year. Please refer to the section "**Production Facilities and Capacity**" for more details on our production rates. Our average trade receivables turnover days increased from 27 days in FY2006 to 81 days in FY2008 and to 151 days in 1Q2009 whereas our average trade payables turnover days decreased from 85 days in FY2006 to 61 days in FY2008 but increased to 138 days in 1Q2009. Please refer to the section "**Credit Policy**" for the reasons for the fluctuations. The above factors had resulted in longer cash conversion cycles in FY2008 and lower levels of cash and cash equivalents as at 31 December 2008. In the event that we are not able to maintain our sales or if we are unable to collect our trade receivables on a timely basis, within the credit terms granted by us or at all, our working capital and ability to purchase raw materials for our operations will be affected. Our cash and cash equivalents, and working capital were approximately RMB16.4 million and RMB11.0 million, respectively as at 31 March 2009. In view of the above, the level of working capital will affect the amount of raw materials we can purchase during the harvesting seasons which will in turn affect our production and financial performance.

We may require additional funding in the form of equity or debt for our future growth

We may pursue opportunities to grow our business through acquisitions, joint ventures, strategic investments or alliances, after the Invitation. However, there can be no assurance that we will be able to obtain additional funding on terms that are acceptable to us or at all. If we are unable to do so, our future plans and growth may be adversely affected.

An issue of Shares or other securities to raise funds will dilute Shareholders' equity interests and may, in the case of a rights issue, require additional investments by Shareholders. Further, an issue of Shares below the then prevailing market price will also affect the value of Shares then held by investors. Dilution in Shareholders' equity interests may occur even if the issue of Shares is at a premium to the market price. In addition, any additional debt funding may restrict our freedom to operate our business as it may have conditions that:-

- limit our ability to pay dividends or require us to seek consent for the payment of dividends;
- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a portion of our cash flow from operations to repayments of our debt, thereby reducing the availability of our cash flow for capital expenditures, working capital and other general corporate purposes; and
- limit our flexibility in planning for, or reacting to, changes in our businesses and our industry.

We operate in a competitive environment and if we are unable to maintain our competitive position, our results of operations may be adversely affected

We face intense competition and we cannot assure you that we will be able to compete successfully in the future. Our competitors may have substantially greater production, financial, R&D, marketing and other resources than we do. As a result, these companies may be able to compete more successfully over a longer period of time than we could. In addition, we may face competition from new entrants in the canned products markets.

Furthermore, we may not be able to offer any price advantage over our competitors because their cost structures may be more competitive due to their geographical locations or production technologies. Our inability to provide comparable or better products at a lower cost than our competitors or to retain existing or secure new customers may adversely affect our operating results and financial condition.

Our success depends in large part upon our Executive Directors, Executive Officers and other key personnel and our ability to attract and retain them

Our success to date has been largely due to the efforts of our management team comprising our Executive Directors, Executive Officers and other key personnel as well as our product development consultant, Zhao Wenxing. Our Chairman and CEO, Huang Yupeng, who has more than 20 years of experience in the canned products industry, has been instrumental in formulating our business strategies and spearheading the growth of our business while our Executive Director, Xu Xihua, is responsible for overseeing the marketing and sales of our products. Our Executive Officers, Huang Yongwen and Sun Yong, are also experienced in the canned food industry with 34 years and 4 years of experience in the industry, respectively. Please refer to the section "**Directors, Management and Staff**" for details of the qualifications and working experience of our management team. Zhao Wenxing is an expert in agricultural production and is instrumental to our business especially in the introduction of new crops for cultivation in the PRC. Please refer to the section "**Research and Product Development**" for our collaboration with Zhao Wenxing. Our continued success is dependent, to a large extent, on our ability to retain the services of our management team, who are responsible for charting and implementing the overall business strategy of our Group and our corporate development. The loss of the services of key members of our management team without suitable replacements may lead to the loss or deterioration of important business relations which would have an adverse impact on our business operations and the future prospects of our Group.

We will be affected by the outbreak of food-related diseases

The main raw materials for our canned food products are fruits and vegetables which may be subject to environmental hazards and epidemic diseases. Any outbreak of such diseases in our raw materials may render our products unsafe for consumption, affect the level of general public consumption of such products and may have a material adverse impact on our business. We are unable to predict future occurrences of such contamination, or whether there will be any outbreak of new diseases affecting the raw materials that we require for our canned products. Any such outbreak may also have a material adverse effect on the sources of supply of raw materials. Further, efforts to source for alternative sources for that particular raw material might be costly. These will have a negative impact on our financial results.

We may be affected by an outbreak of infectious diseases

An outbreak or a resurgence of any infectious or virulent diseases in the PRC including severe acute respiratory syndrome ("**SARS**") or the influenza A ("**H1N1**") could have a material adverse effect on our operations. The spread of SARS or H1N1 or any other infectious or virulent diseases may potentially affect our operations as well as the operations of our suppliers and/or customers. In the event that any of the employees in our facilities or the facilities of our suppliers and/or customers is infected with SARS or H1N1 or other infectious or virulent diseases, our suppliers and/or our customers or we may be required to shut down the affected facilities to prevent the spread of the disease. The temporary shut down of our facilities or the facilities of any of our suppliers or customers will have an adverse impact on our business and financial performance.

Fire, drought or other natural calamities might disrupt our operations and adversely affect our financial condition, results of operations and profitability

We have 5 factories located in 4 provinces in the PRC, namely Shandong, Shanxi, Yunnan and Sichuan Provinces. Natural calamities, such as drought, snowstorm, flood or other natural disasters, resulting in significant damage to any of our facilities, major disruptions to our production processes and damages to the infrastructure which affect the transport of raw materials and products to and from our factories, would have significant adverse effects on our business, financial condition and results of operations.

On 12 May 2008, a major earthquake with its epicentre in Wenchuan County, Sichuan Province, occurred. Infrastructure including the transportation network was affected by the earthquake. The earthquake has caused an increase in the cost of raw materials resulting from a shortage in supply and an increase in transportation costs in Sichuan Province. There can be no guarantee that a similar incident in future will not have a material adverse effect on our business, operating results and financial condition.

While we consider our insurance policies in respect of loss and/or damage to our production equipment and facilities as well as inventories to be adequate, such insurance may not be sufficient to cover all our potential losses. In the event that such losses exceed the insurance coverage or is not covered by the insurance policies we have taken up, we may be liable for the shortfall of the amounts claimed and would sustain financial losses, and may also incur additional costs in the event of increased insurance premiums payable in future.

A significant disruption or shortage in the supply of utilities at our production facilities would disrupt our operations and adversely affect our financial condition, results of operations and profitability

We require a large quantity of electricity and clean water in the production of our canned products. We currently do not have any long term contract for the supply of utilities to our production facilities. If our supply of electricity or clean water is affected or disrupted, and we are unable to secure alternative sources of such supply that meet our requirements at reasonable costs and sufficient quantity, and/or we are unable to pass on the increase in such costs to our customers, our business, financial condition and profitability will be adversely affected.

We are dependent on our major customers

Our major customers accounted for an aggregate of approximately 79.4%, 76.6%, 82.0% and 87.7% of our revenue in FY2006, FY2007, FY2008 and 1Q2009, respectively. In particular, sales to Lidl and Calkins accounted in aggregate for approximately 52.7% of our revenue in FY2008. Please refer to the section "**Major Customers**" for further details.

Purchases made by our customers are annual or seasonal confirmations. There is no assurance that we will continue to retain these customers or that they will continue to purchase our products at current levels in the future. In the event that these major customers cease or reduce significantly their purchases from us and we are unable to obtain substitute orders of comparable sizes, our revenue and profitability will be materially and adversely affected.

We may be affected should we fail to comply with the conditions stipulated in our licences or permits, or in the event any of our licences or approvals are revoked, not renewed or not extended

We have obtained various licences and permits such as the Hygiene Permit for Food (食品卫生许可证), the Hygiene Registration Certificates (卫生注册证书), the Production License of Industrial Products (全国工业产品 生产许可证) and the Contamination Discharge Permits (排放污染物许可证) in order to carry on the business of food production, processing and export in the PRC. We have also obtained BRC Global Standard, IFS and the HACCP certificates, which are necessary for the export of our products to certain countries. Please refer to the sections "**Awards and Certifications**" and "**Licenses and Permits**" for further details.

In the event any of the above licences, permits or export certifications is revoked, not renewed or not extended, we may not be able to carry on the business of food production and processing or to export some of our food products to certain countries and this will adversely affect our business, production and results of operations. In addition, our customers may lose confidence in us and we may face a decline in the number of orders for our products.

RISKS RELATING TO THE PRC

Our operations could be adversely affected by changes in the political and economic conditions in the PRC

Our production facilities are located in the PRC. We plan to explore, amongst other things, the PRC market, to expand our business. Accordingly, any significant slowdown in the PRC economy or decline in demand for our products from our customers in the PRC will have a negative impact on our business, financial conditions and results of operations. Furthermore, any unfavourable changes in the social and political conditions of the PRC may also adversely affect our business and operations.

Since the adoption of the "open door policy" in 1978 and the "socialist market economy" in 1993, the PRC government has been reforming and is expected to continue to reform its economic and political systems. Any changes in the political and economic policy of the PRC government may lead to changes in the laws and regulations or the interpretation of the same, as well as changes in the foreign exchange regulations, taxation and import and export restrictions, which may in turn adversely affect our financial performance. While the current policy of the PRC government seems to be one of encouraging foreign investments and greater economic decentralisation, there is no assurance that such a policy will continue to prevail in the future. Neither can there be any assurance that our operations will not be adversely affected should there be any policy changes.

We are subject to environmental laws and regulations in the PRC

We are subject to environmental laws and regulations in the PRC. Any failure by us to comply fully with such laws and regulations will result in us being subject to penalties and fines or being required to pay damages. Please refer to the section "**Environmental Protection**" under **Appendix G: Summary of PRC Laws and Regulations** for further details.

Any change in the environmental regulations may require us to incur additional capital expenditure or costs in order to comply with such regulations. Our profits will be adversely affected if we are unable to pass on such additional costs to our customers. Any failure by us to control the use of, or adequately restrict the discharge of wastes or hazardous substances could also subject us to liabilities in the future.

We are subject to food hygiene laws and regulations in the PRC

We are subject to food hygiene laws and regulations in the PRC. Any failure by us to comply fully with such laws and regulations will result in us being subject to penalties and fines or being required to pay damages.

As at the Latest Practicable Date, we have obtained various licences and permits required by food hygiene laws and regulations in the PRC, such as the Production License of Industrial Products (全国工业产品生产许可证), the Hygiene Permit for Food (食品卫生许可证) and the Hygiene Registration Certificates (卫生注册证书). Such permits and certificates may be renewed upon expiry. Under the licensing requirements, we are subject to regular inspection by CIQ. In addition, we are further subject to an annual inspection by the relevant Hygiene Bureau (卫生局). There is no assurance that we will be able to maintain or obtain these approvals in future. Any failure to maintain or renew governmental licences, permits and approvals could have a material adverse effect on our business, production and operating results.

Please refer to the sections "**Licenses and Permits**" and "**Food Hygiene**" under **Appendix G: Summary of PRC Laws and Regulations** for further details.

Introduction of new laws or changes to existing laws by the PRC government may adversely affect our business

Our operations in the PRC are subject to the laws and regulations promulgated by the PRC government. The PRC legal system is a codified system of written laws, regulations, circulars, administrative directives and internal guidelines. Unlike common law jurisdictions like the United Kingdom and Singapore, decided cases do not form part of the legal structure of the PRC and thus have no binding effect. As such, the administration of the PRC laws and regulations may be subject to a certain degree of discretion by the authorities. This has resulted in the outcome of dispute resolutions not having the level of consistency or predictability as in other countries with more developed legal systems. Furthermore, in line with its transformation from a centrally planned economy to a more free market oriented economy, the PRC government is still in the process of developing a comprehensive set of laws and regulations. As the legal system in the PRC is still evolving, laws and regulations or the interpretation of the same may be subject to change.

In particular, the acquisition of PRC domestic enterprises by affiliated foreign enterprises established or controlled by PRC domestic companies, enterprises or individuals are subject to the Regulations for the Acquisitions of Domestic Enterprises by Foreign Investors (关于外国投资者并购境内企业的规定) (the "**M&A Rules**") which were jointly promulgated by the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Tax Administration, the State Administration for Industry and Commerce ("**SAIC**"), the China Securities Regulatory Commission ("**CSRC**") and SAFE of the PRC on 8 August 2006 and came into effect on 8 September 2006 (and amended, re-promulgated and came into effect on 22 June 2009). Pursuant to Articles 39 and 40 of the M&A Rules, the listing of offshore special purpose vehicles ("**SPVs**"), which are directly or indirectly established or controlled by PRC entities or individuals, are subject to the prior approval from CSRC ("**CSRC Approval**"). On 21 September 2006, CSRC promulgated Guidelines on Domestic Enterprises Indirectly Issuing or Listing and Trading their Stocks on Overseas Stock Exchanges which provide that SPVs referred to in Articles 39 and 40 of the M&A Rules are subject to the CSRC Approval. Pursuant to Article 55 of the M&A Rules, the acquisition of equity interests held by shareholders of any foreign-invested enterprise ("**FIE**") in China by a foreign investor or subscription of increased capital of an FIE in China shall be governed by current laws and administrative regulations on FIEs and the provisions on change of equity interests of FIEs' investors. Any matters not provided for in such laws and regulations shall be handled with reference to the provisions of the M&A Rules. Further, merger or acquisition of a domestic enterprise through an FIE established in China by any foreign investor shall be governed by relevant current provisions on merger and acquisition of FIEs and stipulations on domestic investment by FIEs in China. Any matters not provided for in such provisions and stipulations shall be handled with reference to the provisions of the M&A Rules.

The Legal Advisers to our Company on PRC Law, GFE Law Office, have advised that the M&A Rules are not applicable in the acquisition of Shanxi Grandness by Hong Kong Grandness ("**Acquisition I**"), the acquisition of Shenzhen Grandness by Shanxi Grandness ("**Acquisition II**") and the acquisition of Shanxian Grandness by Shenzhen Grandness ("**Acquisition III**") (collectively, the "**Acquisitions**"). On 10 October 2007, GFE Law Office wrote to Shenzhen Bureau of Trade and Industry (深圳贸易工商局) ("**SBTI**") to confirm that SBTI had approved Acquisition II, and that Acquisition II did not require the approval of the Ministry of Commerce as stipulated in the M&A Rules. On 18 October 2007, SBTI issued such confirmation. Further, GFE Law Office also interviewed SBTI on 5 November 2007 and obtained further confirmation that Acquisition II did not require the approval of the Ministry of Commerce as stipulated in the M&A Rules. In addition, GFE Law Office is also of the opinion that the listing of our Company on the SGX-ST does not require the approval of CSRC under the M&A Rules. Please see the section "**Restructuring Exercise**" for further details. However, due to the uncertainty in relation to the interpretation of the M&A Rules, there is no assurance that other PRC authorities will have the same understanding as GFE Law Office and/or SBTI (as the case may be) on the Acquisitions or the listing of our Company on the SGX-ST, which may require our Group to obtain further approvals or handle supplemental procedures. Further, there is no assurance that the PRC authorities will not issue further directives, regulations, clarifications or implementation rules, which may require us to obtain further approvals with respect to our Restructuring Exercise or proposed listing on the SGX-ST.

There is no assurance that the introduction of new laws or regulations, changes to existing laws and regulations and the interpretation or application thereof or the delays in obtaining approvals from the relevant PRC authorities will not have an adverse impact on our business or prospects.

Cessation of income tax exemptions or incentives for our PRC subsidiaries will have an adverse impact on our profitability

In accordance with the Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (中华人民共和国外商投资企业和外国企业所得税法), Shanxi Grandness and Yunnan Grandness have obtained approval from the PRC tax authorities for full exemption from Enterprise Income Tax ("**EIT**") for the first 2 years and a 50% reduction in EIT for the next 3 years, commencing from the first profitable year (after deducting losses carried forward).

In March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Enterprise Income Tax of the PRC (中华人民共和国企业所得税法) ("**New Tax Law**") which took effect on 1 January 2008. Pursuant to the New Tax Law, the rate of EIT applicable to all resident enterprises, including FIEs and domestic companies in the PRC shall be 25%. According to the New Tax Law, any enterprise established prior to the promulgation of the New Tax Law and which enjoys tax incentives, is entitled to continue to enjoy such incentives for the rest of the tax incentive term, but if any enterprise starts to make profit later than 1 January 2008, the tax incentive term shall be regarded as starting from 1 January 2008.

Accordingly, Shanxi Grandness and Yunnan Grandness may enjoy tax incentives until 2009 and 2012, respectively. Further, Shenzhen Grandness will experience an increase in the rate of EIT over 5 years commencing from 1 January 2008, such that its EIT rate will be 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively.

The New Tax Law has been taken into consideration in our Group's FY2008 financial statements. However, as the tax laws and regulations in the PRC may be further reformed by the PRC government, we cannot assure you that we will continue to enjoy any of these special or preferential tax treatments or other incentives in the future. Any removal, loss, suspension or reduction of the above tax benefits or tax relief will have an adverse impact on our Group's profitability.

PRC foreign exchange control may limit our ability to utilise our cash effectively and affect our ability to receive dividends and other payments from our PRC subsidiaries

Some of our PRC subsidiaries, namely Shanxi Grandness and Yunnan Grandness, which are FIEs, are subject to PRC rules and regulations on currency conversion. In the PRC, SAFE regulates the conversion of RMB into foreign currencies. Currently, FIEs are required to apply to SAFE for Certificate of Foreign Exchange Registration (外汇登记证). With such registration certification (which have to be renewed annually), FIEs are allowed to open foreign currency accounts, being the "current account" and "capital account". Currently, transactions within the scope of the "current account" (for example, remittance of foreign currencies for payment of dividends) can be effected without SAFE approval. However, conversion of currency in the "capital account" (for example, for capital items such as direct investments, loans and securities) still requires SAFE approval. Shanxi Grandness and Yunnan Grandness have obtained their Certificate of Foreign Exchange Registration (外汇登记证), which are required to be renewed annually.

There is no assurance that the PRC regulatory authorities will not impose further restrictions on the convertibility of RMB. To date, our subsidiaries in the PRC have not repatriated any profit out of the PRC. In January and April 2005, SAFE promulgated certain regulations (the "**Circulars**") in relation to foreign exchange controls and registration of overseas investments by domestic residents in the PRC.

On 21 October 2005, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (国家外汇管理局关于境内居民通过境外特殊目的的公司融资及返程投资外汇管理有关问题的通知) (the "**Notice 75**"), and revoked the Circulars.

Under Notice 75, PRC residents, including PRC companies and PRC resident individuals, have to go through foreign exchange registration with the local SAFE prior to incorporating or taking control of a special purpose vehicle (the "**SPV**") and making a reverse investment in China via such SPV. Where a PRC resident contributes the assets or stock rights of a domestic enterprise it owns into a SPV, or engages in capital financing abroad after contributing assets or stock rights into the SPV, it has to register such change. Other than the abovementioned registration requirement, Notice 75 also requires PRC residents to register, modify or record with the local foreign exchange authority within 30 days from the date of any increase/decrease of capital, share transfer, mergers or division, change in long-term equity or debt investments and guarantees in or by the SPV. In addition, the proceeds from overseas listing of the SPV shall, according to the repatriation plan submitted to the foreign exchange administration for record, be repatriated according to current regulations for the administration of foreign exchange. In addition, the foreign exchange income from profit, bonus and capital change obtained by the PRC residents from the SPV shall be repatriated within 180 days.

Pursuant to Notice 75, Huang Yupeng and Huang Zhoupeng have completed the supplemental registration with the relevant foreign exchange authority of Shanxi Province in relation to their equity interests in our Company and in Shenzhen Grandness and have given an undertaking to comply with the above requirements in relation to the registration for modification or record with the local foreign exchange authority if any material changes should occur.

We cannot provide any assurance that the PRC regulatory authorities will not impose further restrictions on the convertibility of the RMB or issue new rules and regulations and/or further interpretations of the Notice 75 that will strengthen the foreign exchange control. As Shanxi Grandness and Yunnan Grandness generate a significant proportion of our revenue, any change in the relevant regulations that is to our Group's detriment may limit our ability to repatriate such profits earned in the PRC for the distribution of dividends to our Shareholders or for funding our other business activities outside the PRC.

Please refer to the section "**Foreign Exchange Control**" in **Appendix G: Summary of PRC Laws and Regulations** for further details.

We are unable to predict the outcome of disputes with our customers and suppliers, and may be unable to enforce legal judgments

The PRC legal system is made up of many written laws, regulations, circulars and directives. As the PRC government is still in the process of developing its legal system, some degree of uncertainty exists in the interpretation and application of the laws, regulations, circulars and directives. Precedents on interpretation, implementation and enforcement of the PRC laws and regulations are currently limited and the decisions of the PRC courts do not bind the PRC courts in subsequent cases. As a result, we are unable to predict to a reasonable degree of certainty the outcome of any dispute which we may have with our customers and/or suppliers. Even in cases where we are granted judgments in our favour, we may not be able to enforce them if the other party does not have the means to satisfy the judgment. In the event that we fail to obtain judgment or are unable to enforce judgments granted in our favour, we may not be able to recover the sums, which we would have otherwise been entitled to. In such event, our financial position and profitability may be materially and adversely affected.

A possible revaluation of the RMB would adversely affect our business

The PRC government has pegged its currency against the US$ since 1994. This currency peg was removed on 21 July 2005 and the RMB switched to a managed float system, under which the value of the RMB is allowed to fluctuate within an undisclosed band against an undisclosed basket of currencies. This may have an impact on exports and investment, as well as social and political consequences for the PRC.

As part of our business operations are in the PRC, we would be affected by the change in the PRC's currency regime. Any significant appreciation of the RMB will increase our costs of production and may reduce our profitability.

Expected increase in competition following the PRC's entry into the World Trade Organization ("WTO") may have an adverse effect on our business and financial performance

The PRC has gained entry into the WTO. Our Executive Directors believe that trade tariffs and import controls of foreign goods into the PRC may be lowered or removed over time pursuant to the entry. A lowering of import tariffs and barriers will intensify competition, in particular through the possibility of an increase in PRC-produced canned products manufactured with the assistance of foreign investment. Such increase in competition may force us to lower the prices of our products. In the event that we are forced to lower our prices, our profit margins will be reduced, and our operations and profitability will be adversely affected.

RISKS RELATING TO AN INVESTMENT IN OUR SHARES

The prices of our Shares may be adversely affected by any future sale of Shares by our Company or existing Shareholders

Any future sale or availability of Shares can have a downward pressure on our Share price. The sale of a significant amount of Shares in the public market after the Invitation, or the perception that such sales may occur, could adversely affect the market price of Shares. These factors also affect our ability to sell additional equity securities. Except as otherwise described under the section "**Moratorium**", there are no restrictions imposed on our existing Shareholders to dispose of their shareholdings in our Company.

Investors in our Shares would face immediate and substantial dilution to the book value per Share and may experience future dilution

The Invitation Price of our Shares is substantially higher than our Group's pro forma NTA per Share of approximately 17.6 cents as at 31 March 2009 after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-Invitation share capital. If we were liquidated immediately following the Invitation, each Shareholder subscribing to the Invitation would receive less than the price they paid for their Shares. Details of the immediate dilution of our Shares incurred by new investors are described under the section "**Dilution**".

Further, if we were to raise funds in the future by way of a placement of Shares or rights issue or other equity-linked securities, if any Shareholders are unable or unwilling to participate in such fund-raising, such Shareholders will suffer dilution in their shareholdings in our Company.

There has been no prior market for our Shares

Prior to this Invitation, there has been no public market for our Shares. There can be no assurance that an active trading market for our Shares will develop or, if developed, will be sustained, or that the market price for the Shares will not decline below the Invitation Price. Accordingly, you may be unable to sell your Shares at or above the Invitation Price. The Invitation Price may not be indicative of the market price for our Shares after the completion of this Invitation.

The prices of our Shares may be volatile, which could result in substantial losses for investors subscribing for or purchasing Shares in this Invitation

The market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, amongst other things, the following factors, some of which are beyond our control:-

(a) variations in our results of operations;

(b) success or failure of our management team in implementing business and growth strategies;

(c) gain or loss of an important business relationship;

(d) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(e) changes in conditions affecting the industry, the general economic conditions or stock market;

(f) sentiments or other events or factors;

(g) changes in market valuations and share prices of companies with similar businesses to our Company that may be listed in Singapore;

(h) additions or departures of key personnel;

(i) fluctuations in stock market prices and volume; or

(j) involvement in litigation.

Negative publicity, including those relating to any of our Directors, Substantial Shareholders or key personnel, may adversely affect our Share price

Any negative publicity or announcement relating to any of our Directors, Substantial Shareholders or key personnel may adversely affect the market perception of our Company or performance of our Share price, whether or not this is justifiable. Such negative publicity or announcement may include, amongst other things, involvement in insolvency proceedings, failed attempts in takeovers and joint ventures.

Huang Yupeng, our Substantial Shareholder, together with Huang Zhoupeng, will retain majority control over our Group after the Invitation, which will allow them to influence the outcome of matters submitted to Shareholders for approval

Upon the completion of the Invitation, Huang Yupeng and Huang Zhoupeng will beneficially own in aggregate approximately 50.3% of our Company's post-Invitation share capital. As a result, they will be able to exercise significant influence over all matters requiring Shareholders' approval, including the election of directors and the approval of significant corporate transactions. They will also have veto power with respect to any Shareholders' action or approval requiring a majority vote except where they are required by the rules of the SGX-ST Listing Manual to abstain from voting. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control of our Group, that could conflict with the interests of our public Shareholders.

We operate in the PRC through our subsidiaries and our Executive Directors are resident abroad

Our business operations and assets are primarily located in the PRC. In addition, all our Executive Directors are not residents of Singapore and their assets are mainly located outside of Singapore. As such, there may be difficulty for you to commence an action as service of process will have to be effected outside Singapore against our subsidiaries and our Executive Directors residing outside Singapore, or to enforce a judgment obtained in Singapore against our Group or our Directors.

Invitation Price	29.0 cents
NTA[1]	
NTA per Share based on the pro forma consolidated financial position of our Group as at 31 March 2009:-	
(a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-Invitation share capital of 175,172,414 Shares	15.0 cents
(b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-Invitation share capital of 245,172,414 Shares	17.6 cents
Premium of the Invitation Price over our Group's NTA per Share as at 31 March 2009:-	
(a) before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-Invitation share capital of 175,172,414 Shares	93.3%
(b) after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-Invitation share capital of 245,172,414 Shares	64.8%
EPS[2]	
Historical net EPS based on the pro forma consolidated financial results of our Group for FY2008 and the pre-Invitation share capital of 175,172,414 Shares	5.9 cents
Historical net EPS based on the pro forma consolidated financial results of our Group for FY2008 (assuming the Service Agreement had been in effect) and the pre-Invitation share capital of 175,172,414 Shares	5.7 cents
PER	
Historical PER based on the historical net EPS of our Group for FY2008	4.9 times
Historical PER based on the historical net EPS of our Group for FY2008 assuming the Service Agreement had been in effect	5.1 times
Net Operating Cash Flow[3]	
Historical net operating cash flow per Share of our Group for FY2008 based on the pre-Invitation share capital of 175,172,414 Shares	6.4 cents
Historical net operating cash flow per Share of our Group for FY2008 (assuming the Service Agreement had been in effect) and the pre-Invitation share capital of 175,172,414 Shares	6.2 cents
Price to Net Operating Cash Flow Ratio	
Invitation Price to historical net operating cash flow per Share of our Group for FY2008 based on the pre-Invitation share capital of 175,172,414 Shares	4.5 times
Invitation Price to historical net operating cash flow per Share of our Group for FY2008 (assuming the Service Agreement had been in effect), based on the pre-Invitation share capital of 175,172,414 Shares	4.7 times

Market Capitalisation

Based on the Invitation Price and our post-Invitation share capital of 245,172,414 Shares	S$71.1 million

Notes:-

(1) The NTA is computed based on the exchange rate of S$1.00 to RMB4.487, being the closing rate as at 31 March 2009.

(2) The earnings for FY2008 are computed based on the exchange rate of S$1.00 to RMB4.919, being the average rate for FY2008.

(3) Net operating cash flow is defined as profit for the year attributable to Shareholders with depreciation expenses and amortisation charges added back, being S$11.1 million (based on the exchange rate of S$1.00 to RMB4.919, being the average rate for FY2008).

DILUTION

Dilution is the amount by which the Invitation Price to be paid by the subscribers and/or purchasers of our Invitation Shares pursuant to the Invitation ("**New Investors**") exceeds the NTA per Share immediately after the Invitation. Our pro forma NTA per Share as at 31 March 2009, before adjusting for the estimated net proceeds from the issue of the New Shares and based on the pre-Invitation share capital of 175,172,414 Shares, was 15.0 cents.

Pursuant to the Invitation in respect of 70,000,000 New Shares at the Invitation Price, our pro forma NTA per Share as at 31 March 2009, after adjusting for the estimated net proceeds from the issue of the New Shares and based on the post-Invitation share capital of 245,172,414 Shares, would have been 17.6 cents. This represents an immediate increase in our pro forma NTA per Share of 2.6 cents to our existing Shareholders and an immediate dilution in our pro forma NTA per Share of 11.4 cents to New Investors.

The following table illustrates such dilution on a per Share basis:-

	Cents
Invitation Price	29.0
Pro forma NTA per Share as at 31 March 2009, based on the pre-Invitation share capital of 175,172,414 Shares(1)	15.0
Increase in pro forma NTA per Share attributable to existing Shareholders	2.6
Pro forma NTA per Share after the Invitation(2)	17.6
Dilution in pro forma NTA per Share to New Investors	11.4

Notes:-

(1) The pro forma NTA per Share is computed based on an exchange rate of S$1.00 to RMB4.487, being the closing rate as at 31 March 2009.

(2) The computed pro forma NTA does not take into account our actual financial performance from 1 April 2009 up to the Latest Practicable Date. Depending on our actual financial results, our NTA per Share may be higher or lower than the computed pro forma NTA.

The following table summarises the total number of Shares acquired by our Substantial Shareholders and Bond Holders (adjusted for the Restructuring Exercise) since the date of incorporation of our Company, the total consideration paid by them and the average effective cost per Share to our Substantial Shareholders, the Vendors and New Investors pursuant to the Invitation:-

	No. of Shares	**Consideration (S$)**	**Average effective cost per Share (cents)**
Existing Shareholders			
Huang Yupeng	117,448,280(1)	851,063	0.7
Huang Zhoupeng	6,000,000	18,476	0.3
Vendors	51,724,134(2), (3)	7,500,000	14.5
New Investors	85,520,000	24,800,800	29.0

Notes:-

(1) Comprises (i) 114,000,000 Shares acquired for a consideration of S$351,063; and (ii) 3,448,280 Shares pursuant to the conversion of convertible loans of S$500,000.

(2) This does not take into account the sale of 15,520,000 Vendor Shares at 29.0 cents each, pursuant to the Invitation.

(3) Includes 5,931,034 Shares held by Inkatha Group Limited, a company wholly-owned by our Non-Executive Director, Zhang Gongjun.

Save as disclosed above, no Director or Substantial Shareholder has acquired any Shares in our Company since the date of incorporation of our Company, being 20 April 2007.

The following table shows our cash and cash equivalents, capitalisation and indebtedness as at 31 July 2009:-

(a) based on our actual management accounts;

(b) as adjusted for the conversion of loans under the Convertible Loan Agreement and the issuance of 30,768 Shares to Huang Yupeng and Huang Zhoupeng, pursuant to the Restructuring Exercise; and

(c) as adjusted to reflect the issue of 70,000,000 New Shares pursuant to the Invitation and the application of the net proceeds from the issue of the New Shares.

You should read this table in conjunction with our pro forma combined financial statements and the related notes included in this Prospectus and the section "**Management's Discussion and Analysis of Financial Position and Results of Operations**".

(RMB'000)	**As at 31 July 2009**	**As adjusted for the Restructuring Exercise**	**As adjusted for the net proceeds from the issue of New Shares**
Cash and Cash Equivalents			
Cash and bank balances	7,212	7,214	88,537
Pledged deposits	700	700	700
	7,912	7,914	89,237
Indebtedness			
Current			
- Notes payable, secured	2,000	2,000	2,000
- Bank borrowings, secured and guaranteed	11,111	11,111	11,111
- Bank borrowings, unsecured but guaranteed	7,250	7,250	7,250
- Bank borrowings, secured but non-guaranteed	7,000	7,000	7,000
- Non-interest bearing loan(1)	39,322	–	–
	66,683	27,361	27,361
Non-current			
- Bank borrowings, secured and guaranteed	30,000	30,000	30,000
- Amount owing to Huang Yupeng and Huang Zhoupeng	43,456	43,456	43,456
- Amount owing to Financial Bureau of Qionglai City, Sichuan Province(2)	3,375	3,375	3,375
	76,831	76,831	76,831
Total Indebtedness	143,514	104,192	104,192
Total Shareholders' Equity			
Shareholders' equity	118,457	157,781	239,104
Minority interests	7,237	7,237	7,237
	125,694	165,018	246,341
Total Capitalisation and Indebtedness	269,208	269,210	350,533

Notes:-

(1) The amount relates to a convertible loan of S$8,000,000 extended by the Bond Holders pursuant to the Convertible Loan Agreement. Please refer to the section "**Restructuring Exercise**" for more information.

(2) The amount relates to an interest-free term loan for the period commencing 29 January 2009 and expiring on 30 October 2012 and 2013, from Financial Bureau of Qionglai City, Sichuan Province (四川省邛崍市财政局) to Sichuan Grandness. The loan is secured on a mortgage of 53,333 sq m of the land use rights located at Off Qiongxin Road, Linqiong Town, Qionglai City of Sichuan Grandness.

As at 31 July 2009, our notes payable amounted to approximately RMB2.0 million and were fully secured by our cash deposits of approximately RMB0.7 million.

As at 31 July 2009, our bank borrowings amounted to an aggregate of approximately RMB55.4million. Details of these bank borrowings are set out in the table in the section "**Borrowings**" below.

As at 31 July 2009, the amount owing by us to Huang Yupeng and Huang Zhoupeng amounted to approximately RMB43.5 million. This amount owing is on an unsecured and interest-free basis, and the net amount of RMB43.5 million as at the Latest Practicable Date will be repayable on a fixed-schedule basis, namely, 30%, 30% and 40% on the first, second and third anniversary, respectively, of the date of admission of our Company to the Official List of the SGX-ST. Such repayment shall be subject to the approval of our Audit Committee taking into account, amongst other things, our Group's working capital and gearing ratio. For further details, please refer to the section "**Interested Person Transactions and Conflicts of Interest**".

BORROWINGS

Details of our total banking facilities (utilised and unutilised) as at the Latest Practicable Date are as follows:-

Financial institution	Type/ tenure	Borrowing/ credit facilities amount	Amount outstanding as at Latest Practicable Date	Interest rate	Facility used by	Security
Shenzhen Ping An Bank Co., Ltd., Shenzhen Jingtian Branch (深圳平安银行股份有限公司，深圳景田支行)	Term loan for the period commencing 9 October 2008 and expiring on 9 October 2009	RMB18.0 million	RMB3.1 million	7.2%	Shenzhen Grandness	Corporate guarantee by SME Centre[(1)] Personal guarantee by Huang Yupeng
Citibank (China) Co., Ltd, Shenzhen Branch (花旗银行(中国)有限公司深圳行) ("**Citibank**")	Revolving trade facilities commencing 3 December 2008	(i) US$2.1 million	RMB1.4 million	London Inter-bank Offer Rate + 4%	Shenzhen Grandness	Corporate guarantees from Shanxi Grandness and Sichuan Grandness
		(ii) RMB7.0 million	Nil	7.0%	Shenzhen Grandness	Personal guarantee by Huang Yupeng Pledge of deposit and interest in the designated banking account maintained by Shenzhen Grandness with Citibank
China Construction Bank Co., Ltd. Shenzhen Branch (中国建设银行股份有限公司，深圳市分行)	Term loan for the period commencing 10 April 2009 and expiring on 9 April 2010	RMB8.0 million	RMB7.0 million	5.58%	Shenzhen Grandness	Corporate guarantee by Shenzhen High Tech Investment & Guaranty Co., Ltd (深圳市高新技术投资担保有限公司)[(2)] Personal guarantee by Huang Yupeng

Financial institution	Type/ tenure	Borrowing/ credit facilities amount	Amount outstanding as at Latest Practicable Date	Interest rate	Facility used by	Security
Bank of Communications Co., Ltd., Shenzhen Hailian Branch (交通银行股份有限公司，深圳海连支行)	Term loan for the period commencing 23 June 2009 and expiring on 10 June 2012	RMB40.0 million	RMB40.0 million	10.67%	Shenzhen Grandness	Personal Guarantee by Huang Yupeng Mortgage of West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County, the PRC (单县开发区园艺路南段路西) together with buildings thereon by Shanxian Grandness Mortgage of properties located on Unit 2115-2120, 21st/F Tower B Southern International Plaza No. 3013, Yitian Road, Futian District Shenzhen, PRC(3)
Agricultural Development Bank of China, Shizong County Branch (中国农业发展银行，师宗县支行)	Term loan for the period commencing 1 July 2009 and expiring on 29 June 2010	RMB7.0 million	RMB7.0 million	5.31%	Yunnan Grandness	Mortgage of land use rights and property located on Danfeng Town, Shizong County, Yunnan Province, by Yunnan Grandness

Notes:-

(1) Huang Yupeng and his wife, Zong Liping, together with Shanxian Grandness, Shanxi Grandness, Sichuan Grandness and Yunnan Grandness provided a guarantee to SME Centre on a joint and several basis. Further, Sichuan Grandness also provided a mortgage over its land use rights to SME Centre. In China, a financial institution will sometimes only accept mortgages on properties that are located in the province that the borrower is established. In the event that the borrower does not own any properties in that province, the financial institution may require a guarantee to be provided by a third party. In this case, the third party to provide the guarantee is SME Centre which is a credit guarantee organisation established by the Shenzhen municipal government. Sometimes the controlling shareholders of the borrower are required to in turn provide back-to-back corporate or personal guarantees to SME Centre. A fee of 2% of the total amount of loans or facilities guaranteed is payable to SME Centre.

(2) Huang Yupeng and his wife, Zong Liping, together with Shanxian Grandness, Shanxi Grandness, Sichuan Grandness and Yunnan Grandness have jointly and severally provided a counter guarantee to Shenzhen High Tech Investment & Guaranty Co., Ltd. Further, Huang Yupeng, Zong Liping, Huang Yushan, Fan Kunrong (Huang Yuqing's husband) and Huang Yuqing mortgaged their respective personal properties to Shenzhen High Tech Investment & Guaranty Co., Ltd.

(3) This property is registered in the name of Huang Yupeng and held in trust for Shenzhen Grandness. The property has been mortgaged to Bank of Communications Co., Ltd., Shenzhen Hailian Branch for the relevant term loan. The mortgage will be discharged upon the repayment of the term loan, which matures in June 2012. Huang Yupeng has undertaken to transfer the registration of the property to Shenzhen Grandness within 3 months after the discharge of the mortgage and, in any event, no later than 30 September 2012. Once the transfer is completed, our Company will announce the same to the public via SGXNET.

As at the Latest Practicable Date, our total banking facilities amounted to approximately RMB94.3 million, comprising utilised facilities of approximately RMB58.5 million and unutilised facilities of approximately RMB35.8 million. To the best of our Directors' knowledge, we are not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect our financial position and results or business operations, or the investments of our Shareholders.

Our Directors are of the opinion that, after taking into account our present banking facilities, our existing cash and cash equivalents, the cash flow generated from our operations and the net proceeds from the issue of the New Shares, we have adequate working capital for our present requirements and the repayment of borrowings that are due in 2009.

Huang Yupeng (our Chairman and CEO), Huang Yushan (our Executive Director), Huang Zhoupeng, Huang Yuqing (Huang Yupeng's, Huang Yushan's and Huang Zhoupeng's sister), Fang Kunrong (Huang Yuqing's husband), Huang Yuyin (Huang Zhoupeng's wife) and Lin Yuxi (Huang Yushan's husband) have provided securities and guarantees for certain banking facilities extended to our Group. Please refer to the section "**Interested Person Transactions and Conflicts of Interest**" for further details.

Save as disclosed under the sections "**Capital Expenditure, Divestments and Capital Commitments**" and "**Business Strategies and Future Plans**", we have no other material capital commitments as at the Latest Practicable Date.

CONTINGENT LIABILITIES

Save as disclosed above, we do not have any contingent liabilities as at the Latest Practicable Date.

DIVIDEND POLICY

Our Company has not declared nor paid any cash dividends since its incorporation on 20 April 2007. No dividends have been paid or proposed by our Company or our subsidiaries for the periods under review.

We currently do not have a dividend policy. The dividend that the directors of our Company may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other relevant factors deemed relevant by our Board:-

(a) the level of our cash and retained earnings;

(b) our actual and projected financial performance;

(c) our projected levels of capital expenditure and other investment plans; and

(d) restrictions on payment of dividends imposed on us by our financing arrangements (if any).

Any final dividends paid by us must be approved by an ordinary resolution of our Shareholders at a general meeting and must not exceed the amount recommended by our Board. Our Board may, without the approval of our Shareholders, also declare an interim dividend. We must pay all dividends out of profits or pursuant to the Companies Act.

No inference should or can be made from any of the foregoing statements as to our actual profitability or our ability to pay dividends in the future.

Our Directors intend to recommend and distribute at least 20% of our net profits attributable to Shareholders in FY2009 and FY2010 as dividends, subject to the factors outlined above. However, investors should note that the intention to recommend the aforesaid dividends should not be treated as a legal obligation of our Company nor should it be treated as an indication of future dividend policy of our Company. There can be no assurance that dividends will be paid in future or of the amount or timing of any dividends that will be paid in the future.

Information relating to taxes payable on dividends is set out in **Appendix D: Taxation**.

The following selected financial information should be read in conjunction with the full text of this Prospectus, including the following:-

(a) Appendix A: Report of the Independent Auditor on the Combined Financial Statements of Sino Grandness Food Industry Group Limited for the Years Ended 31 December 2006, 2007 and 2008;

(b) Appendix B: Report from the Independent Auditor in relation to the Unaudited Review of the Interim Consolidated Financial Statements of Sino Grandness Food Industry Group Limited and its Subsidiaries for the Three Months ended 31 March 2009; and

(c) Appendix C: Pro Forma Group Financial Statements of Sino Grandness Food Industry Group Limited for the Financial Year ended 31 December 2008 and Three Months Ended 31 March 2009.

RESULTS OF OPERATIONS OF OUR GROUP[1]

	Audited			Unaudited		Pro Forma[2]	
(RMB'000)	**FY2006**	**FY2007**	**FY2008**	**1Q2008**	**1Q2009**	**FY2008**	**1Q2009**
Revenue	95,824	257,791	330,268	18,108	30,278	330,268	30,278
Cost of sales	(66,622)	(185,711)	(236,083)	(13,448)	(22,894)	(236,083)	(22,894)
Gross profit	29,202	72,080	94,185	4,660	7,384	94,185	7,384
Other operating income	1,633	2,391	3,592	641	1,729	1,763	37
Distribution costs	(8,294)	(11,303)	(17,849)	(1,942)	(2,352)	(17,849)	(2,352)
Administrative expenses	(7,092)	(12,429)	(11,610)	(2,412)	(3,111)	(11,722)	(3,111)
Other operating expenses	(32)	(336)	–	–	–	–	–
Finance costs	(687)	(1,896)	(2,292)	(328)	(593)	(2,292)	(593)
Profit before taxation	14,730	48,507	66,026[3]	619	3,057	64,085	1,365
Taxation	(3,712)	(7,718)	(13,306)	(570)	(1,311)	(13,306)	(1,311)
Profit for the year/period attributable to Shareholders	**11,018**	**40,789**	**52,720[3]**	**49**	**1,746**	**50,779**	**54**
Attributable to:							
Equity holders of the parent	11,884	41,164	55,016	575	2,232	53,075	540
Minority interests	(866)	(375)	(2,296)	(526)	(486)	(2,296)	(486)
	11,018	**40,789**	**52,720[3]**	**49**	**1,746**	**50,779**	**54**
EPS[4] (RMB cents)	6.3	23.3	30.1	0.03	1.0	29.0	0.03
Adjusted EPS[5] (RMB cents)	4.5	16.6	21.5	0.02	0.7	20.7	0.02

Notes:-

(1) The financial results of our Group for the periods under review have been prepared on the basis that our Group has been in existence throughout. Please refer to **Appendix A: Report of the Independent Auditor on the Combined Financial Statements of Sino Grandness Food Industry Group Limited for the Years Ended 31 December 2006, 2007 and 2008** and **Appendix B: Report from the Independent Auditor in relation to the Unaudited Review of the Interim Consolidated Financial Statements of Sino Grandness Food Industry Group Limited and its Subsidiaries for the Three Months ended 31 March 2009** for the basis of preparation of the results.

(2) The pro forma financial results of our Group for FY2008 and 1Q2009 have been prepared on the assumption that the convertible loans of RMB40,178,840 (equivalent to S$8,000,000) were converted into new ordinary shares in the share capital of our Company as at the beginning of the balance sheet date under the Convertible Loan Agreement.

(3) Had the Service Agreement been in place with effect from 1 January 2008, the profit before taxation and profit for the year attributable to Shareholders for FY2008 would have been approximately RMB64,630,000 (equivalent to approximately S$13,139,000) and approximately RMB51,324,000 (equivalent to approximately S$10,434,000), respectively.

(4) For comparative purposes, EPS for the periods under review have been computed based on the profit for the year/period attributable to Shareholders and the pre-Invitation share capital of 175,172,414 Shares.

(5) For comparative purposes, Adjusted EPS for the periods under review have been computed based on the profit for the year/period attributable to Shareholders and the post-Invitation share capital of 245,172,414 Shares.

FINANCIAL POSITIONS OF OUR GROUP [1]

(RMB'000)	Combined Audited As at 31 December 2006	Combined Audited As at 31 December 2007	Combined Audited As at 31 December 2008	Combined Unaudited As at 31 March 2009	Pro Forma[2] As at 31 December 2008	Pro Forma[2] As at 31 March 2009
ASSETS						
Non-current						
Property, plant and equipment	36,321	44,935	100,886	121,303	100,886	121,303
Subsidy	1,072	938	804	771	804	771
Long-term investment	50	50	–	–	–	–
	37,443	45,923	101,690	122,074	101,690	122,074
Current						
Inventories	20,621	28,114	46,544	44,686	46,544	44,686
Trade and other receivables	45,180	117,000	89,234	63,924	89,234	63,924
Prepayments	239	3,377	10,009	10,942	10,009	10,942
Cash and cash equivalents	3,451	28,148	15,652	16,370	15,654	16,372
	69,491	176,639	161,439	135,922	161,441	135,924
Total assets	106,934	222,562	263,129	257,996	263,131	257,998
EQUITY AND LIABILITIES						
Capital and reserves						
Capital contribution	43,011	1,848	1,848	1,848	42,028	42,028
Retained profits	6,097	43,295	92,357	94,590	90,417	90,958
Other reserves	6,074	(21,374)	(15,420)	(15,441)	(15,420)	(15,441)
	55,182	23,769	78,785	80,997	117,025	117,545
Minority interests	8,541	8,239	5,943	5,457	5,943	5,457
	63,723	32,008	84,728	86,454	122,968	123,002
Non-current liabilities						
Bank borrowings	2,097	1,914	–	–	–	–
Amount owing to the then shareholders	–	48,911	43,445	43,259	43,445	43,259
Amount owing to a third party	–	–	–	3,375	–	3,375
	2,097	50,825	43,445	46,634	43,445	46,634
Current liabilities						
Trade and other payables	25,764	55,798	57,843	53,921	57,843	53,921
Note payables	–	11,600	1,950	3,650	1,950	3,650
Non-interest bearing loans	–	40,179	38,238	36,546	–	–
Current tax payable	5,335	11,442	5,925	1,310	5,925	1,310
Bank borrowings	10,015	20,710	31,000	29,481	31,000	29,481
	41,114	139,729	134,956	124,908	96,718	88,362
Total equity and liabilities	106,934	222,562	263,129	257,996	263,131	257,998
NTA per Share[3] (RMB cents)	31.5	13.6	45.0	46.2	66.8	67.1

Notes:-

(1) Our financial positions as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 March 2009 have been prepared on the basis that our Group has been in existence as at those dates. Please refer to **Appendix A: Report of the Independent Auditor on the Combined Financial Statements of Sino Grandness Food Industry Group Limited for the Years Ended 31 December 2006, 2007 and 2008** and **Appendix B: Report from the Independent Auditor in relation to the Unaudited Review of the Interim Consolidated Financial Statements of Sino Grandness Food Industry Group Limited and its Subsidiaries for the Three Months ended 31 March 2009** for the basis of preparation of the financial position.

(2) The pro forma financial positions of our Group as at 31 December 2008 and 31 March 2009 have been prepared on a pro forma basis to show the effects of (i) the conversion of loans under the Convertible Loan Agreement; and (ii) the issuance of 30,768 Shares to Huang Yupeng and Huang Zhoupeng, subsequent to 31 March 2009, pursuant to the Restructuring Exercise.

(3) For comparison purposes, the NTA per Share for the periods under review have been computed based on the pre-Invitation share capital of 175,172,414 Shares.

RESULTS BY PRODUCT SEGMENT

Revenue

	FY2006		FY2007		FY2008		1Q2008		1Q2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Asparagus	71,672	74.8	137,953	53.5	149,262	45.2	1,529	8.4	8,780	29.0
Long beans	18,816	19.6	27,812	10.8	80,235	24.3	2,650	14.6	6,997	23.1
Mushrooms	1,161	1.2	75,511	29.3	55,073	16.7	10,718	59.2	13,427	44.3
Others(1)	4,175	4.4	16,515	6.4	45,698	13.8	3,211	17.8	1,074	3.6
Total	**95,824**	**100.0**	**257,791**	**100.0**	**330,268**	**100.0**	**18,108**	**100.0**	**30,278**	**100.0**

Gross Profit

	FY2006		FY2007		FY2008		1Q2008		1Q2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Asparagus	21,507	73.6	34,063	47.3	45,738	48.6	394	8.5	1,978	26.8
Long beans	6,450	22.1	6,604	9.2	17,828	18.9	401	8.6	895	12.1
Mushrooms	208	0.7	25,450	35.3	16,360	17.4	2,693	57.8	4,254	57.6
Others(1)	1,037	3.6	5,963	8.2	14,259	15.1	1,172	25.1	257	3.5
Total	**29,202**	**100.0**	**72,080**	**100.0**	**94,185**	**100.0**	**4,660**	**100.0**	**7,384**	**100.0**

Gross Profit Margin

(%)	FY2006	FY2007	FY2008	1Q2008	1Q2009
Asparagus	30.0	24.7	30.6	25.8	22.5
Long beans	34.3	23.7	22.2	15.1	12.8
Mushrooms	17.9	33.7	29.7	25.1	31.7
Others(1)	24.8	36.1	31.2	36.5	23.9
Average	**30.5**	**28.0**	**28.5**	**25.7**	**24.4**

Note:-

(1) Others refer mainly to artichokes, sweet corn, chillies and fruits, like apples, oranges, peaches, pineapples and strawberries.

RESULTS BY GEOGRAPHICAL LOCATIONS(1) OF OUR CUSTOMERS

Revenue

	FY2006		FY2007		FY2008		1Q2008		1Q2009	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Europe(2)	95,460	99.6	203,833	79.1	274,321	83.0	11,825	65.3	16,870	55.7
North America(3)	–	–	34,187	13.2	39,773	12.0	5,815	32.1	12,906	42.6
China	364	0.4	19,771	7.7	15,815	4.8	306	1.7	369	1.2
Others(4)	–	–	–	–	359	0.2	162	0.9	133	0.5
Total	**95,824**	**100.0**	**257,791**	**100.0**	**330,268**	**100.0**	**18,108**	**100.0**	**30,278**	**100.0**

Notes:-

(1) Based on the destination of delivery of goods to our end customers.

(2) Includes sales to countries such as Germany, France, Spain, the Netherlands, the Czech Republic and Russia.

(3) Relates mainly to sales to Mexico.

(4) Relates to sales to Singapore and Turkey.

While it is possible to segment our revenue by geographical locations of our customers, the allocation of costs cannot be done in a similar manner with reasonable accuracy. We do not track the allocation of our cost of sales by geographical locations of our customers and any attempt to match these expenses to revenue to the various geographical locations of our customers is not meaningful.

The following discussion of our financial condition and results of operations should be read in conjunction with the combined financial statements as set out in "**Appendix A: Report of the Independent Auditor on the Combined Financial Statements of Sino Grandness Food Industry Group Limited for the Years Ended 31 December 2006, 2007 and 2008**" and "**Appendix B: Report from the Independent Auditor in relation to the Unaudited Review of the Interim Consolidated Financial Statements of Sino Grandness Food Industry Group Limited and its Subsidiaries for the Three Months ended 31 March 2009**" and the related notes included elsewhere in this Prospectus.

OVERVIEW

We are a manufacturer and supplier of canned fruits and vegetables, mainly for the export market.

We have 5 production facilities in different climatic regions across 4 provinces in the PRC, namely Shandong, Shanxi, Yunnan and Sichuan Provinces. Our headquarters is located in Shenzhen of Guangdong Province, the PRC.

Due to the seasonality of our raw materials, we purchase different types of raw materials for production and sale throughout the year. Generally, in line with the various harvest seasons, we produce asparagus between April and June, long beans between March and August, and between October and November, and mushrooms between September and March of the following year. Please refer to the section "**Business Overview**" for more information.

We generally enter into sales contracts with our customers prior to the harvesting seasons of the respective raw materials. Raw materials are then procured during their respective harvesting seasons, and unit cost of raw materials will be subject to the prevailing demand and supply conditions.

Our major markets are in Europe (namely Germany, France, Spain, the Netherlands, the Czech Republic and Russia) and North America (namely Mexico). We also sell our products in China and other countries such as Singapore and Turkey. Our customers include reputable distributors and retailers in the European and North American markets. Most of our products are branded under our customers' brands, including "Mikado" and housebrands of major supermarket chains in Europe including Lidl, Siplec, REWE, Carrefour, WalMart and Metro. We also sell our products under our own brands, "Dao Mei" ("刀妹") in the PRC since 2007, and "Grandness" in overseas markets such as the Czech Republic (since 2007) and Singapore (since March 2008). Drawing on our experience and expertise in manufacturing canned fruits and vegetables, we have also developed a canned herbal beverage, under our brand name, "Ba Xian V Dong Li" ("八仙V动力") for sale in the PRC market in the second half of 2009. Our Group intends to utilise approximately S$0.4 million of the net proceeds to further expand its sales and distribution network in the PRC. As at the Latest Practicable Date, our Group has incurred approximately RMB1.1 million in capital expenditure for the canned herbal beverage.

Revenue

Our revenue is derived from the sale of canned fruits and vegetables which can be categorised into 4 main product segments, namely asparagus, long beans, mushrooms and others. Revenue derived from asparagus, long beans and mushrooms accounted for an aggregate of approximately 95.6%, 93.6%, 86.2% and 96.4% of our revenue in FY2006, FY2007, FY2008 and 1Q2009, respectively. For the periods under review, sale of asparagus was our key revenue contributor which accounted for approximately 74.8%, 53.5%, 45.2% and 29.0% of our revenue in FY2006, FY2007, FY2008 and 1Q2009, respectively. In the third quarter of 2006, we successfully developed our canned mushrooms and this enabled us to diversify and expand our main product segments. Sales derived from mushrooms accounted for approximately 1.2%, 29.3%, 16.7% and 44.3% of our revenue in FY2006, FY2007, FY2008 and 1Q2009, respectively.

Our products are mainly for the overseas market with some local sales in the PRC. Our export sales accounted for approximately 99.6%, 92.3%, 95.2% and 98.8% of our total revenue in FY2006, FY2007, FY2008 and 1Q2009, respectively.

During the periods under review, our Group had also purchased canned products from third-party suppliers for sale to our customers. This was a result of (i) down-time in operations of approximately 60 days from March to May 2008 due to the relocation of our production facility from Shandong Grandness to Shanxian Grandness, both within Shandong Province; (ii) a shortage of raw materials at our production facilities in Shanxi and Shandong Provinces due to adverse weather conditions in FY2008; and (iii) disruption of the transportation network in Sichuan Province due to the major earthquake on 12 May 2008. In view of the aforementioned, we had increased purchases of canned products from third-party suppliers for resale to our customers, after assessing factors such as prices of such purchases as compared to our cost of production, ability to meet customers' requirements, delivery schedules and quality of products from our suppliers. Such purchases of canned products were mainly from third-party suppliers in Fujian Province which were able to offer cheaper sources of raw materials on the back of an abundant harvest of asparagus, long beans and mushrooms in that province due to favourable weather conditions. We purchased canned products instead of raw materials from third-party suppliers because of logistical constraints. Our Group processes its raw materials within 24 hours of delivery at the production facilities to ensure freshness of these raw materials. Due to the time required to transport such raw materials from Fujian Province to our production facilities in Shandong and Shanxi Provinces, which may take up to approximately 3 and 5 days respectively by land, the freshness of our raw materials will be compromised if we purchase raw materials from Fujian Province. Such raw materials will not be suitable for our Group's production. Furthermore, it is not economical for our Group to incur additional costs for the transportation of such raw materials from Fujian Province to our production facilities in Shanxi and Shandong Provinces when such production can take place at our Group's third party suppliers in Fujian Province. The revenue attributable to sale of canned products purchased from third-party suppliers accounted for 9.3%, 10.5%, 68.1% and 79.0% of our total revenue in FY2006, FY2007, FY2008 and 1Q2009 respectively. Such revenue had accounted for 39.5% of our total revenue for the period from 1 January 2009 up to the Latest Practicable Date. Our Executive Directors have affirmed their intentions to optimise the usage of our Group's expanded production capacity (as a result of investments in the new production facility at Shanxian Grandness), and barring unforeseen events such as unfavourable weather conditions in places where our Group acquires our raw materials, our Executive Directors expect our Group's sales to be largely satisfied by our available production capacity.

Our revenue is recognised when our products are delivered to and accepted by our customers and collectibility of the related receivables is reasonably assured. Our export sales are generally conducted on both Free on Board ("**FOB**") and Cost and Freight ("**CFR**") basis. Accordingly, for FOB sales, our revenue is recognised at the time when the goods depart the port in the PRC, and in the case of CFR sales, our revenue is recognised at the time when the goods arrive at the port of destination. We do not have any sales return policy and do not allow any sales returns by our customers unless these are due to material product quality matters. For the periods under review, we did not experience any sales returns by our customers arising from product quality matters.

Factors that can affect our revenue include the following:-

(a) Supply and pricing of raw materials. Our production volume is largely dependent on the supply of raw materials which we source from individual farmers and farming collectives in the PRC. Due to the seasonal nature of our raw materials such as asparagus, long beans and mushrooms, their supply are only available during certain periods of the year for our purchase for our production requirement. Should there be any shortage of such raw materials during the respective harvesting periods for any reason beyond our control, our business operations and revenue will be adversely affected. In addition, the level of supply of raw materials will affect the cost of our raw materials. The pricing of raw materials is determined by actual prevailing global demand and supply conditions. Supply is in turn affected by climate conditions and the occurrence of any natural disasters. In our negotiation with customers before the respective harvesting seasons of raw materials, we will take into consideration, *inter alia*, the general market pricing of our raw materials and adjust our selling prices accordingly, in turn affecting our revenue;

(b) Availability of sufficient working capital. Our purchase of raw materials is generally based on cash upon delivery at our factories during the respective harvesting seasons of each raw material. As such, the requirement for working capital is high during these purchasing periods of each raw material. Due to the nature of our business, our cash conversion cycle, from the purchase of raw materials, production and sales of the canned fruits and vegetables to the collection of receivables from our customers typically range from 90 days for export sales and 150 days for local sales in the PRC. Please refer to the sections "**Inventory Management**" and "**Credit Policy**" for more information. In view of the above, the level of working capital will affect the amount of raw materials we can purchase during the harvesting seasons which will in turn affect our production and revenue.

(c) Competition in our product and geographical markets. We face intense competition in the PRC food industry as there are currently many food processing companies in the PRC and we expect new food entrants into this industry. Our revenue is dependent on our ability to maintain our market position and enhance our competitiveness by delivering to customers high quality products in a price-competitive manner. Our selling prices may be affected if competition intensifies and our competitors adopt aggressive pricing strategies in order to gain market share or with the entrance of new players;

(d) General economic and/or socio-political environment in the countries which our customers operate, in particular, in Europe. Any changes in the economic and/or socio-political environment, in particular, the consumer disposable incomes, may lead to changes in, amongst other things, the level of consumer demand as well as an eventual impact on the demand of our products;

(e) Consumer preference of our products. A change in general consumer preferences, dietary habits and tastes for our products may affect the level of consumer demand and affect our revenue; and

(f) Our production capacity. Our ability to increase our sales volume is directly dependent on our existing production capacity and our ability to increase our production capacity to meet increased demand for our products. If we are unable to increase our production capacity through expansion of factory space or acquisition of additional plant and equipment, our revenue growth may be affected. Please refer to the section "**Production Facilities & Capacity**" for more information.

Please refer to the section "**Risk Factors**" for other factors that may affect our sales and financial performance.

Seasonality

Due to the seasonality of our raw materials, our production and sales are also seasonal in nature. In general, the main harvesting seasons for our raw materials are as follows:-

(a) Asparagus – between April and June;

(b) Long beans – between March and August, and between October and November; and

(c) Mushrooms – between September and March of the following year.

We set out the breakdown of our revenue by our product segments for the quarterly periods indicated, as a percentage of our total revenue for the respective product segments in the respective financial years/period, as follows:-

	FY2006					FY2007					FY2008				
(%)	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Asparagus	8.0	12.6	56.9	22.5	100.0	2.8	3.8	66.2	27.2	100.0	1.0	19.0	55.3	24.7	100.0
Long beans	4.4	4.6	48.5	42.5	100.0	5.2	1.3	42.1	51.4	100.0	3.3	5.0	30.3	61.4	100.0
Mushrooms	–	–	56.2	43.8	100.0	12.8	11.5	6.2	69.5	100.0	19.5	25.6	7.6	47.3	100.0
Total	**7.2**	**10.7**	**55.2**	**26.9**	**100.0**	**6.2**	**5.9**	**44.6**	**43.3**	**100.0**	**5.5**	**17.2**	**35.3**	**42.0**	**100.0**

As indicated in the table above, our sales are generally higher during the third and fourth quarters of the respective financial years, accounting for an aggregate of 82.1%, 87.9% and 77.3% of our total revenue in FY2006, FY2007 and FY2008, respectively. In addition, with regards to the product segments, we generally experience highest sales of asparagus in the third quarters of each year, which accounted for approximately 56.9%, 66.2% and 55.3% of our sales derived from asparagus in each of FY2006, FY2007 and FY2008, respectively. Further, we generally experience highest sales of long beans in the second half of each year, which accounted for approximately 91.0%, 93.5% and 91.7% of our sales derived from long beans in each of FY2006, FY2007 and FY2008, respectively. We started the production of mushrooms at the end of FY2006. Our Executive Directors believe that there is demand for canned mushrooms throughout the year. However, our sales of canned mushroom are dependent on the availability and supply of raw materials. Due to the availability of raw materials for mushrooms from September to March of the following year, we will typically experience higher sales of mushrooms in the first and fourth quarters of each year, which in aggregate accounted for approximately 82.3% and 66.8% of sales derived from mushrooms in FY2007 and FY2008, respectively. In FY2008, we experienced higher sales in the second quarter, compared to the first quarter as a result of customers requesting for previously ordered goods to be only delivered in the second quarter.

In view of the seasonality of our sales as set out above, our financial performance are, as a result, seasonal in nature. We set out a summary of our financial performance in each of the quarterly periods indicated, as follows:-

	FY2006					FY2007					FY2008					
(RMB'million)	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	1Q2009
Revenue	6.9	10.4	51.6	26.9	95.8	15.9	15.8	112.8	113.3[1]	257.8	18.1	56.3	119.1	136.7	330.2	30.3
Gross profit	1.0	2.3	19.3	6.6	29.2	2.6	1.3	35.1	33.1[1]	72.1	4.7	18.3	40.5	30.7	94.2	7.4
Profit before taxation	–	0.1	14.4	0.3	14.8	(0.2)	(2.0)	25.4	25.4[1]	48.6	0.6	11.8	30.2	23.4	66.0	3.0
Gross profit margin (%)	14.4	22.4	37.4	24.4	30.5	16.4	8.0	31.1	29.2	28.0	25.7	32.6	33.8	22.6	28.5	24.4

Note:

(1) The improved financial performance in the fourth quarter of 2007 was mainly attributable to the sale of RMB27.1 million of canned mushrooms to Calkins and RMB17.6 million of canned asparagus to Golden Gate in December 2007. Please refer to the section "**Review of Past Performance – FY2007 vs FY2006**" for further details.

As indicated in the table above, we generally record higher revenue in the second half of each year, in view of the peak season in sales of our canned asparagus and long beans. Sales generated in the second half of the year accounted for approximately 81.9%, 87.7% and 77.4% of our total revenue in FY2006, FY2007 and FY2008, respectively. Due to seasonality of the raw materials, our Group's production and sales are seasonal in nature. In view of lower sales generated in the first half of the year, the unit costs in Q1 and Q2 as compared to Q3 and Q4 of FY2006 and FY2007 were relatively higher mainly due to fixed production costs such as depreciation and amortization. However, the trend of the quarter on quarter production and sales, and in turn, the gross profit margins, in FY2008 was different from that in FY2006 and FY2007. In FY2008, the higher gross profit margins in Q2 and Q3 were mainly due to a high proportion of sales being contributed from the purchase of canned asparagus from third party suppliers in Fujian Province who were able to offer relatively cheap source of materials on the back of an abundant harvest of asparagus in the province due to favourable weather conditions. Our Group had increased our purchases from third-party suppliers in order to satisfy our sales requirements as the cost of asparagus in the northern region of China (including Shandong and Shanxi Provinces where 2 of our Group's production facilities are located) was adversely affected by bad weather conditions. Due to the higher prices of raw materials in Shandong and Shanxi Provinces, our Group would have incurred higher cost of sales if we had purchased raw materials instead of purchasing canned goods from our third party suppliers in Fujian Province. In addition, it is not economically feasible for our Group to transport the raw materials from Fujian Province to our production facilities in Shanxi and Shandong Provinces.

In FY2008, our Group had also purchased canned long beans from third party suppliers in Guangxi Province mainly as a result of a disruption of the transportation network in Sichuan Province due to the major earthquake on 12 May 2008 which affected the supply of raw materials. Such purchases were mainly made in Q4 of FY2008, and the gross profit margin of these was relatively lower as compared to our Group's own manufactured canned long beans. As such, the gross profit margin in Q4 of FY2008 was lower as compared to that in Q2 and Q3 of FY2008.

Cost of Sales

Our cost of sales accounted for approximately 69.5%, 72.0%, 71.5% and 75.6% of our revenue in FY2006, FY2007, FY2008 and 1Q2009, respectively.

Our cost of sales comprises mainly cost of direct materials. Other components of our cost of sales include direct labour costs and factory overheads. The breakdown of our cost of sales, as a percentage of total cost of sales, is as follows:-

(%)	FY2006	FY2007	FY2008	1Q2009
Direct materials	85.8	88.1	83.6	83.4
Direct labour	9.5	6.8	9.1	9.0
Factory overheads	4.7	5.1	7.3	7.6

Direct materials comprise mainly raw materials such as asparagus, long beans, mushrooms and other fruits and vegetables, and packaging materials such as glass bottles and bottle caps. The cost of direct materials also includes purchases of finished goods for resale to our customers. Our direct materials accounted for approximately 85.8%, 88.1%, 83.6% and 83.4% of our total cost of sales in FY2006, FY2007, FY2008 and 1Q2009, respectively. The fluctuations in cost of direct materials as a percentage of total cost of sales from FY2006 to 1Q2009 were mainly attributable to fluctuations in the cost of the raw materials. We purchase our raw materials from individual farmers and farming collectives in the PRC. We will generally enter into supply contracts with farming collectives around our production bases for the supply of a specified quantity of raw materials during the respective harvesting seasons. The prices of these raw materials are determined in accordance with the open prevailing market prices during the harvesting seasons of raw materials.

Direct labour costs include salaries and other related costs of production personnel. Our direct labour costs accounted for approximately 9.5%, 6.8%, 9.1% and 9.0% of our total cost of sales in FY2006, FY2007, FY2008 and 1Q2009, respectively.

Factory overheads comprise depreciation of property, plant and equipment, utility charges, maintenance cost and other indirect overheads. Our factory overheads accounted for approximately 4.7%, 5.1%, 7.3% and 7.6% of our total cost of sales in FY2006, FY2007, FY2008 and 1Q2009, respectively. The increase in the factory overheads as a percentage of total cost of sales from 4.7% in FY2006 to 7.6% in 1Q2009 was mainly attributable to higher depreciation charges for our production facility at Shanxian Grandness.

Factors that can affect our cost of sales include the following:-

(a) Cost of direct materials. We purchase raw materials such as asparagus, long beans and mushrooms from individual farmers and farming collectives in the PRC and finished goods from third party suppliers for resale to our customers. The prices of the raw materials and finished goods are primarily dependent on market demand and supply conditions. The average purchasing prices for each of our main raw materials and finished goods for the periods under review are set out below:-

(RMB'000 / tonne)	FY2006	FY2007	FY2008	1Q2009
Asparagus	9.7	15.0	10.8	11.5
Long beans	4.3	4.8	5.4	5.5
Mushrooms	6.6	6.2	6.5	6.7

The average cost of asparagus typically ranges from RMB9,000 per tonne to RMB11,000 per tonne, depending on the demand and supply conditions of the raw materials. However, in FY2007, the average cost of asparagus was exceptionally high at approximately RMB15,000 per tonne, representing an increase of 54.6% from FY2006. The substantial increase was mainly due to an increase in market demand for asparagus from the PRC, coupled with lower global supply from other asparagus producing countries such as Peru.

The average cost of long beans increased by 27.9%, from approximately RMB4,300 per tonne in FY2006 to approximately RMB5,500 per tonne in 1Q2009. The increase was mainly attributable to the increase in global market demand for long beans during the periods under review. In addition, the increase in the average cost of long beans was attributable to a shortage in supply as a result of the earthquake in Sichuan Province in 2008.

The average cost of mushrooms remained relatively stable during the periods under review.

(b) Cost of packaging materials. We purchase our packaging materials, such as glass bottles and bottle caps required for our production, from our local suppliers in the PRC. The costs of such materials are generally stable during the periods under review.

(c) Cost of direct labour. Our direct labour cost is dependent on the number of employees required for our production process, availability of labour supply in the market, and level of skills of production personnel.

(d) Depreciation. Our depreciation charges are affected by our expansion of production facilities. With our recent expansion of our production facilities at Shanxian Grandness in FY2007, and in accordance with our expansion plans, our depreciation charges are expected to increase in the future as we increase our property, plant and equipment in relation to our production. Please refer to the section "**Business Strategies and Future Plans**" for more details.

Other Operating Income

Other operating income relates mainly to government grants, profit from the sale of scrap, interest income on bank deposits and exchange gains. Government grants relate to money received from government-related agencies to support agricultural activities in the PRC.

Operating Expenses

Our operating expenses comprise distribution costs and administrative expenses, accounting for approximately 16.1%, 9.3%, 8.9% and 18.0% of our total revenue in FY2006, FY2007, FY2008 and 1Q2009, respectively.

Distribution costs accounted for approximately 8.7%, 4.4%, 5.4% and 7.8% of our total revenue in FY2006, FY2007, FY2008 and 1Q2009, respectively. The breakdown of our distribution costs for the periods under review is as follows:-

As a percentage of total distribution costs (%)	**FY2006**	**FY2007**	**FY2008**	**1Q2009**
Transportation	53.7	42.8	61.7	49.7
Packaging and consumables	26.0	30.0	16.7	23.8
Employee benefit costs	7.7	11.0	9.9	13.1
Others	12.6	16.2	11.7	13.4
Total	**100.0**	**100.0**	**100.0**	**100.0**

Distribution costs comprise mainly transportation costs, packaging and consumables expenses, employee benefit costs (including salaries and allowance for sales and marketing personnel) and other miscellaneous expenses incurred in carrying out our sales and marketing activities, such as entertainment and travelling expenses. Such expenses are affected by the number of sales and marketing staff employed, the sales volume achieved as well as the level of the marketing efforts undertaken by us.

Administrative expenses accounted for approximately 7.4%, 4.8%, 3.5% and 10.3% of our total revenue in FY2006, FY2007, FY2008 and 1Q2009 respectively. The breakdown of our administrative expenses for the periods under review is as follows:-

As a percentage of total administrative expenses (%)	**FY2006**	**FY2007**	**FY2008**	**1Q2009**
Employee benefit costs	34.8	27.2	33.7	33.0
Exchange losses	13.4	36.0	–	–
Entertainment and travelling expenses	4.0	4.1	6.6	13.8
Depreciation	13.8	9.1	16.3	31.8
Others	34.0	23.6	43.4	21.4
Total	**100.0**	**100.0**	**100.0**	**100.0**

Administrative expenses comprise mainly employee benefit costs (including salaries and salary-related costs) of our management, product development and administrative personnel, exchange losses, entertainment and travelling expenses, and depreciation expenses of office equipment and motor vehicles for administrative uses.

Finance Costs

Finance costs accounted for approximately 0.7%, 0.7%, 0.7% and 2.0% of our total revenue in FY2006, FY2007, FY2008 and 1Q2009, respectively. Finance costs mainly relate to interest charges on bank borrowings which bear interest rates (per annum) ranging from 6.8% to 7.4% in FY2006, 5.9% to 7.7% in FY2007, 6.5% to 7.9% in FY2008, and 4.8% to 8.4% in 1Q2009.

Taxation

Our Group's overall effective tax rates for FY2006, FY2007, FY2008 and 1Q2009 were 25.2%, 15.9%, 20.2% and 42.9%, respectively. The increase in our Group's overall effective tax rate from 20.2% in FY2008 to 42.9% in 1Q2009 was mainly due to an increase in tax rate of Shenzhen Grandness from 18% in FY2008 to 20% in 1Q2009.

Our profit is subject to the prevailing tax rates applicable to the respective jurisdictions in which we operate. The following table sets out a summary of the tax rates applicable to our subsidiaries for the periods under review:-

Subsidiary	**Tax rates in FY2006**	**Tax rates in FY2007**	**Tax rates in FY2008**[(1)]	**Tax rates in 1Q2009**[(1)]	**Basis**
Hong Kong Grandness	17.5%	17.5%	17.5%	16.5%	Full tax
Shenzhen Grandness[(2)]	15%	15%	18%	20%	Concessionary
Shanxi Grandness[(3)]	0%	15%	12.5%	12.5%	Concessionary
Yunnan Grandness[(3)]	15%	15%	0%	0%	Concessionary
Sichuan Grandness	33%	33%	25%	25%	Full tax
Chengdu Grandness	33%	33%	25%	25%	Full tax
Shandong Grandness	33%	33%	25%	n.a.[(4)]	Full tax
Shanxian Grandness	n.a.[(5)]	33%	25%	25%	Full tax

Notes:-

(1) In March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Enterprise Income Tax Law of the PRC ("**New Tax Law**") which took effect on 1 January 2008. Pursuant to the New Tax Law, the rate of Effective Income Tax ("**EIT**") applicable to all resident enterprises, including foreign investment enterprises and domestic companies, in the PRC shall be 25%. According to the New Tax Law, any enterprise established prior to the promulgation of the New Tax Law and which enjoys tax incentives, is entitled to continue to enjoy such incentives for the rest of the tax incentive term, but if any enterprise starts to make profit later than 1 January 2008, the tax incentive term shall be regarded as starting from 1 January 2008. Please refer to the section "**Taxation**" in **Appendix G: Summary of PRC Laws and Regulations** further information.

(2) Shenzhen Grandness enjoys a preferential tax rate of 15% from FY2006 to FY2007 as it is located in Shenzhen, a Special Economic Zone in the PRC, as designated by the PRC government. According to the New Tax Law, Shenzhen Grandness will experience an increase of its EIT rate over 5 years commencing from 1 January 2008, such that its EIT rate will be 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012, respectively.

(3) In accordance with the PRC's taxation law, any enterprise with foreign investment of a production nature scheduled to operate for a period of not less than ten years shall, from its first year of profitability, be exempted from income tax in the first and second years, and a 50% reduction in the third to fifth year. Shanxi Grandness has been granted the tax holiday exemption from the years 2005 to 2009. Yunnan Grandness has not utilised the tax holiday exemption yet as it has no taxable profits. In accordance with the New Tax Law, Yunnan Grandness will commence its tax holiday exemption with effect from 1 January 2008. Shanxi Grandness and Yunnan Grandness may enjoy tax incentives until 2009 and 2012, respectively.

(4) Not applicable as Shandong Grandness was de-registered on 22 December 2008.

(5) Not applicable as Shanxian Grandness was incorporated on 30 August 2007.

Inflation

We do not consider the impact of inflation on our financial performance for FY2006, FY2007, FY2008 and 1Q2009 to be significant.

REVIEW OF PAST PERFORMANCE

FY2007 vs FY2006

Revenue

Our revenue increased by 169.0% or RMB162.0 million, from RMB95.8 million in FY2006 to RMB257.8 million in FY2007.

The increase in revenue was mainly attributable to the increased sale from all of our product segments, with an increase of RMB66.3 million from sales of asparagus, RMB9.0 million from sales of long beans, RMB74.4 million from sales of mushrooms and RMB12.3 million from sale of other products. The increase in sales of asparagus was attributable to a 39% increase in the average selling price of asparagus and an increased sales volume in FY2007. Sales of mushrooms continued to increase in FY2007 on the back of higher average selling price of 17% and increased sales volume. The increase in the average selling prices of asparagus and mushrooms was mainly attributable to the increase in the average cost of raw materials as a result of increased market demand coupled with lower global supply. The sales volume of asparagus increased from 4,574 tonnes in FY2006 to 6,348 tonnes in FY2007 while the sales volume of mushrooms increased from 126 tonnes in FY2006 to 7,036 tonnes in FY2007. The increase in the sales volume of asparagus and mushrooms was made possible by an advancement of funds from Huang Yupeng and Huang Zhoupeng which enabled the increased purchase of raw materials for production. Please refer to the section "**Interested Person Transactions and Conflicts of Interest - Advances to and from Huang Yupeng and Huang Zhoupeng**" for details of such advances. The increase in revenue from sales of long beans was mainly attributable to higher sales volume. The increase in revenue from other products, such as canned bamboo shoots and canned lychees, was attributable to products marketed under our own brand names, "Dao Mei" ("刀妹") in the PRC and "Grandness" for export markets.

The European market continued to contribute to the increase in our revenue in FY2007, with an increase of RMB108.3 million or 113.5%, from RMB95.5 million in FY2006 to RMB203.8 million in FY2007. This increase was attributable mainly to increased orders secured from our existing major customers in Europe. In particular, we recorded increased sales of RMB88.1 million from our major customers, namely Lidl, Golden Gate, I Schmidt, Compare and REWE. Furthermore, in FY2007, we started the export of our canned products, namely mushrooms, carrying our "Grandness" brand for sale to the Czech Republic, amounting to RMB0.4 million.

In FY2007, we managed to break into the North American (namely Mexico) market with sales of RMB34.2 million as a result of our increased marketing efforts which saw the securing of Calkins as a customer for our mushroom products.

In FY2007, we commenced the sale of our canned products, mainly bamboo shoots, marketed under our "Dao Mei" ("刀妹") brand in the PRC market which amounted to RMB19.8 million in FY2007.

Gross profit

Largely in line with the increase in our sales, our gross profit increased by RMB42.9 million or 146.8%, from RMB29.2 million in FY2006 to RMB72.1 million in FY2007.

Our gross profit margin declined by 2.5 percentage points, from 30.5% in FY2006 to 28.0% in FY2007. The reduction of our gross profit margin was a result of the decline in gross profit margins of asparagus and long beans which were partially offset by the improvement in gross profit margins of mushrooms and other products.

Gross profit margin of asparagus declined from 30.0% in FY2006 to 24.7% in FY2007 as a result of the 54% increase in the cost of asparagus which we were unable to pass on entirely to our customers. Gross profit margin of long beans declined from 34.3% in FY2006 to 23.7% in FY2007, mainly due to lower average selling price. The average selling price for long beans decreased mainly due to abundant global market supply of long beans. Gross profit margin of mushrooms and other products improved from 17.9% and 24.8% in FY2006 to 33.7% and 36.1% in FY2007, respectively. These improvements were largely attributable to economies of scale, productivity and generally higher average selling prices.

Other operating income

Other operating income increased by RMB0.8 million or 46.4%, from RMB1.6 million in FY2006 to RMB2.4 million in FY2007. This was due mainly to the increase in profits from the sale of scrap and government grants.

Operating expenses

Distribution costs increased by RMB3.0 million or 36.3%, from RMB8.3 million in FY2006 to RMB11.3 million in FY2007. This was due mainly to an increase of RMB1.1 million in packaging costs, RMB0.7 million in employee benefit costs, RMB0.4 million in transportation costs and RMB0.5 million in marketing and related costs which were largely in line with our increased business activities in FY2007.

Administrative expenses increased by RMB5.3 million or 75.2%, from RMB7.1 million in FY2006 to RMB12.4 million in FY2007. This was mainly attributable to the increase of RMB3.5 million in exchange losses and RMB0.9 million in employee benefit costs.

Finance costs

Finance costs increased from RMB0.7 million in FY2006 to RMB1.9 million in FY2007. The increase in finance costs was mainly due to the increase in interest rates on our bank borrowings, coupled with the increase in bank borrowings which stood at RMB12.1 million as at 31 December 2006 compared to RMB22.6 million as at 31 December 2007.

Profit before taxation

Profit before taxation increased by RMB33.8 million or 229.3%, from RMB14.7 million in FY2006 to RMB48.5 million in FY2007. The increase was due to an increase in gross profit and other operating income, partially offset by an increase in our operating expenses and finance costs.

Taxation

Our income tax expenses were RMB3.7 million and RMB7.7 million, with effective tax rates of 25.2% and 15.9% in FY2006 and FY2007, respectively. The decrease in the effective tax rates was mainly due to an increase in non-taxable income and a decrease in non-deductible expenses and deferred tax asset not recognised in FY2007.

FY2008 vs FY2007

Revenue

Our revenue increased by RMB72.4 million or 28.1%, from RMB257.8 million in FY2007 to RMB330.2 million in FY2008.

The increase in revenue was attributable to the increase in sales of RMB11.3 million from sales of asparagus, RMB52.4 million from sales of long beans and RMB29.1 million from sales of other products, partially offset by a decrease of RMB20.4 million from sales of mushrooms. The increase in sales of asparagus was attributable to a 30% increase in sales volume which was partially offset by a decline of 17% in the average selling price in FY2008. The sales volume of asparagus increased from 6,348 tonnes in FY2007 to 8,269 tonnes in FY2008 as a result of an increase in global demand for canned asparagus. In FY2008, our production volume of canned asparagus decreased from FY2007 mainly as a result of (i) down-time in operations due to the relocation of our production facility from Shandong Grandness to Shanxian Grandness (both within Shandong Provinces); and (ii) a shortage of asparagus at our production facilities in Shanxi Province and Shandong Province due to adverse weather conditions. In view of the above, in order to meet the increased demand for canned asparagus in FY2008, we had increased purchases of canned asparagus from third-party suppliers in Fujian Province, namely Fujian Dongshan Dongqiang Canned Food Factory and Fujian Province Lixi Food Co., Ltd., for resale to our customers. These third-party suppliers in Fujian Province were able to offer cheaper source of materials on the back of an abundant harvest of asparagus in the province due to favourable weather conditions. We passed on the cost savings to our customers and accordingly, the average selling prices of asparagus in FY2008 decreased.

The increase in sales of long beans was attributable to a 149% increase in the sales volume coupled with a 16% increase in the average selling price of long beans in FY2008. The sales volume of long beans increased from 3,460 tonnes in FY2007 to 8,630 tonnes in FY2008 due mainly to an increase in global demand for canned long beans produced in the PRC, in view of shortage in supply in other long beans producing countries, in particular, Kenya. In FY2008, our production volume of canned long beans decreased from FY2007 mainly as a result of a disruption of the transportation network in Sichuan Province due to the major earthquake on 12 May 2008 which affected the supply of raw materials. In view of the above, in order to meet the increased demand for canned long beans in FY2008, we had increased purchases of canned long beans from a third-party supplier, Guangxi Yulin City Daziran Food Co., Ltd., for resale to our customers. The increase in the average selling prices of long beans was mainly attributable to the increase in the average cost of raw materials as a result of increased market demand.

The decrease in sales of mushrooms was mainly attributable to lower sales volume as its average selling price remained relatively stable in FY2008. The sales volume of mushrooms decreased from 7,036 tonnes in FY2007 to 5,127 tonnes in FY2008 as our customers had requested for delivery after FY2008 in view of the financial crisis in FY2008.

Other products also contributed to the increase in revenue in FY2008 mainly due to higher volume sold, as we continued to purchase canned products such as canned bamboo shoots from our major supplier, Zhangzhou Wanshili Canned Food Co., Ltd, for resale to our customers. This is in line with our strategy to increase our market share of other products mainly for the export market.

Our sales to the European market increased by RMB70.5 million, from RMB203.8 million in FY2007 to RMB274.3 million in FY2008. This increase was attributable mainly to increased orders secured from our existing customers, in particular, from Lidl and I Schmidt to whom we recorded an increase in sales of RMB71.3 million.

The North American (namely Mexico) market contributed to an increase of RMB5.6 million in sales in FY2008 as compared to FY2007 due to increased orders of mushrooms from Calkins.

In FY2008, our sales in China declined slightly by RMB3.9 million from FY2007. In addition, we commenced the export of our products to Singapore in March 2008 and Turkey in October 2008, with sales of our "Grandness" brand of mushrooms.

Gross profit

Largely in line with the increase in our sales, our gross profit increased by RMB22.1 million, from RMB72.1 million in FY2007 to RMB94.2 million in FY2008.

Our gross profit margin improved by 0.5 percentage points, from 28.0% in FY2007 to 28.5% in FY2008. The improvement in gross profit margins was a result of the improvement of gross profit margins of asparagus which were partially offset by the decline in gross profit margins of long beans, mushrooms and other products.

Gross profit margins of asparagus improved from 24.7% in FY2007 to 30.6% in FY2008 as a result of a higher rate of decrease in the unit cost as compared to the decrease in the average selling price of asparagus in FY2008. The decrease in the unit cost of asparagus was mainly due to increased purchase of canned asparagus from third-party suppliers in Fujian Province who were able to offer relatively cheap source of materials on the back of an abundant harvest of asparagus in the province due to favourable weather conditions. We had increased our purchases from third-party suppliers in order to satisfy our sales requirements as the unit cost of asparagus in the northern region of China (including Shandong and Shanxi Provinces where two of our production facilities are located) was adversely affected by bad weather conditions. Gross profit margins of long beans, mushrooms and other products declined from 23.7%, 33.7% and 36.1% in FY2007 to 22.2%, 29.7% and 31.2% in FY2008, respectively. The decline in the gross profit margins was mainly due to the increase in unit cost of raw materials which we were unable to pass on entirely to our customers.

Other operating income

Other operating income increased by RMB1.2 million or 50.0%, from RMB2.4 million in FY2007 to RMB3.6 million in FY2008. This was due mainly to exchange gain of RMB1.8 million in FY2008 and an increase in interest income of RMB0.3 million, which were partially offset by a decrease of RMB0.9 million in government grants.

Operating expenses

Distribution costs increased by RMB6.5 million or 57.9%, from RMB11.3 million in FY2007 to RMB17.8 million in FY2008. This was due mainly to an increase of RMB0.5 million in employee benefit costs, RMB6.2 million in transportation costs and RMB0.4 million in marketing and related costs which were largely in line with our increased business activities in FY2008. The increase in transportation costs was mainly due to higher oil prices and the earthquake in Sichuan Province in May 2008 which had affected the infrastructure in the province where Sichuan Grandness is located.

Administrative expenses decreased by RMB0.8 million or 6.6%, from RMB12.4 million in FY2007 to RMB11.6 million in FY2008. This was mainly due to exchange losses of RMB4.5 million in FY2007 which did not recur in FY2008. The decrease is offset by increases in depreciation charges of RMB0.8 million and other administrative expenses of RMB2.0 million.

Finance costs

Finance costs increased by RMB0.4 million, from RMB1.9 million in FY2007 to RMB2.3 million in FY2008. The increase was due mainly to a one-time fee of RMB0.6 million in relation to corporate guarantee provided by SME Centre in relation to loans obtained by our Group. The increase was partially offset by a decrease in interest on bank borrowings of RMB0.2 million, mainly as a result of lower bank borrowings during FY2008 as compared to FY2007.

Profit before taxation

Profit before taxation increased by RMB17.5 million or 36.1%, from RMB48.5 million in FY2007 to RMB66.0 million in FY2008. The increase was due to an increase in gross profit and other operating income, partially offset by an increase in our operating expenses and finance costs.

Taxation

Our income tax expenses were RMB7.7 million and RMB13.3 million, with effective tax rates of 15.9% and 20.2% in FY2007 and FY2008, respectively. The increase in the effective tax rates was mainly due to an increase in the EIT rate of Shenzhen Grandness from 15% in FY2007 to 18% in FY2008.

1Q2009 vs 1Q2008

Revenue

Our revenue increased by 67.2% or RMB12.2 million, from RMB18.1 million in 1Q2008 to RMB30.3 million in 1Q2009.

The increase in revenue was mainly attributable to increased sale from asparagus, long beans and mushrooms of RMB7.2 million, RMB4.3 and RMB2.7 million, respectively, partially offset by a decrease in sale of other products of RMB2.1 million. The increase in sales of asparagus and long beans was due to both increased average selling prices and sales volumes. In particular, the average selling prices of asparagus and long beans increased by approximately 33.7% and 8%, respectively, whereas the sales volumes increased by approximately 334% and 145%, respectively in 1Q2009. The increase in average selling prices of asparagus and long beans was possible as we experienced increased demand for such canned products in 1Q2009 and we were able to pass on part of the higher costs to our customers. The increase in the sales of mushrooms was attributable to an increase in sales volume of approximately 38% which was partially offset by a slight decline in the average selling price of approximately 9% in 1Q2009 in line with the lower costs due to an abundant supply. The sales volume of asparagus, long beans and mushrooms increased in 1Q2009 as compared to 1Q2008 as we experienced increased demand for our canned products due to favourable changes in consumer preferences towards canned products. We had increased our purchase of canned asparagus, long beans and mushrooms from third-party suppliers for resale to our customers to meet the increased demand for our canned products in 1Q2009 mainly because our production volume in FY2008 was adversely affected as a result of (i) down-time in operations due to the relocation of our production facility from Shandong Grandness to Shanxian Grandness (both within Shandong Provinces); (ii) a shortage of asparagus at our production facilities in Shanxi Province and Shandong Province due to adverse weather conditions; and (iii) a disruption of the transportation network in Sichuan Province due to the major earthquake on 12 May 2008 which affected the supply of raw materials. The decrease in the sales of other products was attributable to a decrease in sales volume by approximately 59.3% in 1Q2009.

The European and North American (namely Mexico) markets continued to contribute to the increase in our revenue in 1Q2009, with an increase of RMB5.0 million and RMB7.1 million or 42.7% and 121.9%, from RMB11.8 million and RMB5.8 million in 1Q2008 to RMB16.8 million to RMB12.9 million in 1Q2009, respectively. The increase was mainly attributable to increased orders secured from our existing major customers in Europe and North America (namely Mexico).

Our sales from the PRC and other countries remained relatively stable in 1Q2009 and 1Q2008.

Gross profit

Largely in line with the increase in our sales, our gross profit increased by RMB2.7 million or 58.5%, from RMB4.7 million in 1Q2008 to RMB7.4 million in 1Q2009.

Our gross profit margin declined by 1.3 percentage points, from 25.7% in 1Q2008 to 24.4% in 1Q2009. The decline of our gross profit margin was a result of the decline in gross profit margins of asparagus, long beans and other products which were partially offset by an improvement in gross profit margin of mushrooms.

Gross profit margins of asparagus and long beans declined from 25.8% and 15.1% in 1Q2008 to 22.5% and 12.8% in 1Q2009, respectively. These decreases were largely attributable to an increase in the cost of direct materials which we were unable to pass on entirely to our customers. Gross profit margin of mushrooms improved from 25.1% in 1Q2008 to 31.7% in 1Q2009 as a result of the 19.0% decrease in the cost of mushrooms which was higher than a 9.3% decrease in average selling price.

Other operating income

Other operating income increased by RMB1.1 million or 169.7%, from RMB0.6 million in 1Q2008 to RMB1.7 million in 1Q2009, mainly due to an increase in exchange gain of RMB1.2 million.

Operating expenses

Distribution costs increased by RMB0.4 million or 21.1%, from RMB1.9 million in 1Q2008 to RMB2.3 million in 1Q2009. This was due mainly to an increase of RMB0.6 million in transportation costs, attributable to our increased business activities in 1Q2009.

Administrative expenses increased by RMB0.7 million or 29.0%, from RMB2.4 million in 1Q2008 to RMB3.1 million in 1Q2009. This was mainly attributable to the increase of RMB0.2 million in employee benefit costs, RMB0.3 million in travelling and entertainment expenses and RMB0.7 million in depreciation expenses, offset by a decrease in other expenses of RMB0.5 million.

Finance costs

Finance costs increased from RMB0.3 million in 1Q2008 to RMB0.6 million in 1Q2009. The increase in finance costs was mainly due to higher bank borrowings in 1Q2009 as compared to 1Q2008.

Profit before taxation

Profit before taxation increased by RMB2.4 million or 393.9%, from RMB0.6 million in 1Q2008 to RMB3.0 million in 1Q2009. The increase was due to an increase in gross profit and other operating income, partially offset by an increase in our operating expenses and finance costs.

Taxation

Our income tax expenses were RMB0.6 million and RMB1.3 million, with effective tax rates of 92.1% and 42.9% in 1Q2008 and 1Q2009, respectively. The decrease in the effective tax rates was mainly due to (i) an increase in profit before taxation of Shenzhen Grandness in 1Q2009 as compared to 1Q2008; and (ii) losses suffered by certain of our subsidiaries but not allowed to be deducted against profits of our other subsidiaries as our Group had no group tax relief.

REVIEW OF FINANCIAL POSITIONS

Non-Current Assets

Our non-current assets comprise property, plant and equipment, subsidy and long-term investment. Non-current assets amounted to RMB37.4 million, RMB45.9 million, RMB101.7 million and RMB122.1 million as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 March 2009, respectively, representing 35.0%, 20.6%, 38.6% and 47.3% of our total assets, respectively.

Property, plant and equipment comprise factory and warehouse premises, land use rights, plant and machinery, construction-in-progress, motor vehicles, office units, renovation as well as office equipment.

Property, plant and equipment increased by RMB8.6 million in FY2007 mainly due to an addition of RMB11.3 million (comprising additions of factory and warehouse premises of RMB2.3 million, land use rights of RMB1.9 million, construction-in-progress of RMB3.2 million, plant and machinery of RMB3.1 million, renovation of RMB0.2 million, motor vehicles of RMB0.4 million and office equipment of RMB0.2 million), partially offset by a depreciation charge of RMB2.4 million and disposals of plant and machinery, motor vehicles as well as office equipment of RMB0.3 million in FY2007.

Property, plant and equipment increased by RMB56.0 million in FY2008 due mainly to an addition of RMB59.9 million (comprising additions of factory and warehouse premises of RMB1.1 million, additions of land use rights of RMB6.5 million, construction-in-progress of RMB48.7 million as well as plant and machinery of RMB3.0 million), partially offset by a depreciation charge of RMB3.9 million in FY2008.

Property, plant and equipment increased by RMB20.4 million in 1Q2009 mainly due to an addition of RMB21.7 million (comprising additions of construction-in-progress of RMB21.5 million) partially offset by a depreciation charge of RMB1.2 million in 1Q2009.

Subsidy relates to contributions received from the Qionglai City Long Beans Development Leadership Team（邛崍市刀豆产业领导小组）of Sichuan Province in 2005 which are to be used to render financial assistance and support to farmers.

Long-term investment relates to funds placed with a financial institution with annual interest rate at 3.87%.

Current Assets

Current assets comprise inventories, trade and other receivables, prepayments and cash and cash equivalents. Current assets amounted to RMB69.5 million, RMB176.6 million, RMB161.4 million and RMB135.9 million as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 March 2009, respectively, representing 65.0%, 79.4%, 61.4% and 52.7% of our total assets as at the respective dates.

Our inventories amounted to RMB20.6 million, RMB28.1 million, RMB46.5 million and RMB44.7 million as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 March 2009, respectively and accounted for 29.7%, 15.9%, 28.8% and 32.9% of current assets as at the respective dates. Inventories comprise finished goods, work-in-progress, packaging materials and raw materials. The increase in inventories over the periods under review was in line with our increased business activities. The value of our inventories as at the respective dates represented the costs, less write-offs for damage and loss and write-downs when the net realisable values of the inventories are lower than the costs. Our inventories, comprising products of various grades with different selling prices, are recorded based on standardised costing method. As such, during the end of each financial year, we will assess our costs of inventories and make the necessary write-down provisions. With effect from May 2008, we have implemented activity-based costing method for our inventories, taking into account, *inter alia*, varying grades and selling prices of inventories.

Trade and other receivables stood at RMB45.2 million, RMB117.0 million, RMB89.2 million and RMB63.9 million as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 March 2009, respectively, and accounted for 65.0%, 66.2%, 55.3% and 47.0% of current assets as at the respective dates. The increase in trade and other receivables was in line with our increased business activities. Trade and other receivables include trade receivables and other receivables such as advance payments to our suppliers, farmers, third parties, the then shareholders and directors, deposits and sundry receivables (such as VAT receivable and export tax refunds). Advances to suppliers, farmers, third parties and the then shareholders and directors were unsecured, interest-free and repayable on demand. As at 31 December 2006, trade and other receivables comprised mainly trade receivables of RMB9.1 million and other receivables including advances to the then shareholders and directors (mainly Huang Yupeng) of RMB29.6 million, VAT receivables of RMB2.7 million and export tax refunds of RMB1.1 million. As at 31 December 2007, trade and other receivables comprised mainly trade receivables of RMB88.9 million and other receivables including advances to third parties of RMB4.6 million, VAT receivables of RMB16.6 million and export tax refunds of RMB3.5 million. As at 31 December 2008, trade and other receivables comprised mainly trade receivables of RMB57.2 million and other receivables including advances to suppliers of RMB0.8 million, advances to third parties of RMB1.1 million, VAT receivables of RMB12.2 million and export tax refunds of RMB15.8 million. As at 31 March 2009, trade and other receivables comprised mainly trade receivables of RMB44.1 million and other receivables including advances to suppliers of RMB1.4 million, advance to third parties of RMB1.8 million, VAT receivables of RMB13.5 million and export tax refunds of RMB0.9 million.

Prepayments amounted to RMB3.4 million, RMB10.0 million and RMB10.9 million as at 31 December 2007, 31 December 2008 and 31 March 2009, respectively. The amount as at 31 December 2006 is negligible. These relate to expenses for the Invitation and other prepaid operating expenses.

Cash and cash equivalents comprise cash on hand and bank balances. Cash and cash equivalents stood at RMB3.4 million, RMB28.1 million, RMB15.7 million and RMB16.4 million as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 March 2009, respectively, and accounted for 5.0%, 15.9%, 9.7% and 12.0% of our current assets as at the respective date. The cash and cash equivalents of RMB28.1 million as at 31 December 2007, RMB15.7 million as at 31 December 2008 and RMB16.4 million in 31 March 2009 included amounts of RMB11.6 million, RMB 2.0 million and RMB2.4 million, respectively which related to deposits placed in banks for notes payable.

Non-Current Liabilities

Our non-current liabilities comprise the non-current portion of our bank borrowings and amount owing to the then shareholders, amounting to RMB2.1 million, RMB50.8 million, RMB43.4 million and RMB46.6 million as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 March 2009, respectively. These accounted for 4.9%, 26.7%, 24.4% and 27.2% of our total liabilities as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 March 2009, respectively.

The non-current portion of our bank borrowings amounted to RMB2.1 million and RMB1.9 million as at 31 December 2006 and 31 December 2007, respectively. The maturity dates of the bank borrowings fall more than one year after the respective dates. The non-current portion of our bank borrowings as at 31 December 2006 and 2007 were fully repaid as at 31 March 2009.

The amount owing to the then shareholders (referring to Huang Yupeng and Huang Zhoupeng) amounted to RMB48.9 million, RMB43.4 million and RMB43.3 million as at 31 December 2007, 31 December 2008 and 31 March 2009, respectively. Our Chairman and CEO, Huang Yupeng and his brother, Huang Zhoupeng, had from time to time, extended advances to us for our working capital requirements. These advances were made on a preferential basis as they were unsecured, interest-free and had no fixed terms of repayment. Please refer to the section "**Interested Person Transactions and Conflicts of Interest**" for more information.

Current Liabilities

Our current liabilities comprise of trade and other payables, note payables, non-interest bearing loans, current tax payable and bank borrowings. Current liabilities amounted to RMB41.1 million, RMB139.7 million, RMB135.0 million and RMB124.9 million as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 March 2009, respectively. These accounted for 95.1%, 73.3%, 75.6% and 72.8% of our total liabilities as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 March 2009, respectively.

Trade and other payables amounted to RMB25.8 million, RMB55.8 million, RMB57.8 million and RMB53.9 million as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 March 2009 respectively, and accounted for 62.7%, 39.9%, 42.9% and 43.2% of current liabilities as at the respective dates. Trade and other payables comprise trade payables, accruals and other payables such as amount owing to suppliers, contractors and third parties, VAT payables and sundry payables. As at 31 December 2006, trade and other payables comprised trade payables of RMB13.0 million, accruals for RMB2.8 million and other payables of RMB10.0 million. Other payables related mainly to advances of RMB4.0 million received from our customer in prior years, liability for land premium of RMB2.8 million for Yunnan Grandness and VAT payable of RMB0.9 million. For more details on the liability for land premium for Yunnan Grandness, please refer to the section "**Properties and Fixed Assets**". As at 31 December 2007, trade and other payables comprised trade payables of RMB39.4 million, accruals for RMB4.8 million and other payables of RMB11.6 million. Other payables related mainly to liability for land premium of RMB2.8 million for Yunnan Grandness and VAT payable of RMB6.5 million. As at 31 December 2008, trade and other payables comprised trade payables of RMB39.2 million, accruals for RMB3.5 million and other payables of RMB15.2 million. Other payables related mainly to amount payable to contractors of RMB5.0 million, liability for land premium of RMB2.8 million for Yunnan Grandness, amount payable to employees of RMB0.7 million and VAT payable of RMB0.5 million. As at 31 March 2009, trade and other payables comprised trade payables of RMB30.8 million, accruals for RMB3.5 million and other payables of RMB19.6 million. Other payables related mainly to amount payable to contractors of RMB4.7 million, liability for land premium of RMB2.8 million for Yunnan Grandness and amount payable to employees of RMB0.7 million.

Note payables amounted to RMB11.6 million, RMB2.0 million and RMB3.7 million as at 31 December 2007, 31 December 2008 and 31 March 2009, respectively, which accounted for 8.3%, 1.4% and 2.9% of current liabilities as at the respective dates. The note payables mature at varying dates between 19 April 2009 (the earliest date) and 15 June 2009 (the latest date).

Non-interest bearing loans amounted to RMB40.2 million, RMB38.2 million and RMB36.5 million as at 31 December 2007, 31 December 2008 and 31 March 2009 which accounted for 28.8%, 28.3% and 29.3% of current liabilities as at the respective dates. These related to funds received from Bond Holders of S$8.0 million pursuant to the Convertible Loan Agreement. Please refer to the section "**Restructuring Exercise**" for further details on the Convertible Loan Agreement.

Current tax payable stood at RMB5.3 million, RMB11.4 million, RMB5.9 million and RMB1.3 million as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 March 2009, respectively, accounting for 12.9%, 8.2%, 4.4% and 1.0% of current liabilities as at the respective dates.

The current portion of our bank borrowings amounted to RMB10.0 million, RMB20.7 million, RMB31.0 million and RMB29.5 million as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 March 2009, respectively, accounting for 24.4%, 14.8%, 23.0% and 23.6% of current liabilities as at the respective dates. These bank borrowings related to the short-term portion of our secured bank loan facilities repayable not later than one year.

Capital and Reserves

Capital and reserves comprised capital contribution, retained profits, other reserves and minority interests. These amounted to RMB63.7 million, RMB32.0 million, RMB84.7 million and RMB86.5 million as at 31 December 2006, 31 December 2007, 31 December 2008 and 31 March 2009, respectively.

Our capital and reserves decreased by RMB31.7 million, from RMB63.7 million as at 31 December 2006 to RMB32.0 million as at 31 December 2007, due mainly to the deemed distribution to the then shareholders pursuant to the Restructuring Exercise of RMB43.0 million and merger reserve arising from the Restructuring Exercise of RMB31.4 million which were partially offset by retention of net profit in FY2007 of RMB40.8 million and issue of shares amounting to RMB1.8 million.

Our capital and reserves increased by RMB52.7 million, from RMB32.0 million as at 31 December 2007 to RMB84.7 million as at 31 December 2008 due mainly to the retention of net profits in FY2008.

Our capital and reserves increased by RMB1.8 million, from RMB84.7 million as at 31 December 2008 to RMB86.5 million as at 31 March 2009 due mainly to the retention of net profits in 1Q2009.

LIQUIDITY AND CAPITAL RESOURCES

We set out below a net cash flow summary of our Group for the periods under review:-

(RMB'000)	FY2006	FY2007	FY2008	1Q2009
Net cash generated from/(used in) operating activities	6,985	(24,781)	50,128	20,998
Net cash used in investing activities	(9,171)	(10,948)	(59,501)	(21,638)
Net cash generated from financing activities	3,584	48,826	6,527	958
Net increase/ (decrease) in cash and cash equivalents	1,398	13,097	(2,846)	318
Cash and cash equivalents at the beginning of the year/period	2,053	3,451	16,548	13,702
Cash and cash equivalents at the end of the year/period	3,451	16,548	13,702	14,020

FY2006

In FY2006, we generated net cash from operating activities of RMB7.0 million. We generated net cash of RMB18.7 million from operating profit before working capital changes. Net cash used in working capital amounted to RMB11.0 million. This was due mainly to an increase of RMB5.8 million in inventories and operating receivables of RMB3.7 million, coupled with a decrease in operating payable of RMB1.5 million. Our operating cash flow from operations was reduced by interest and tax payments of RMB0.7 million.

We used net cash of RMB9.2 million for investing activities, mainly in relation to the purchase of property, plant and equipment in relation to our production bases at both Yunnan Grandness and Sichuan Grandness, and land use rights in relation to our factory at Yunnan Grandness.

We generated net cash from financing activities of RMB3.6 million, mainly from net bank loans obtained (less repayments) of RMB9.6 million, partly offset by advances to Huang Yupeng of RMB6.1 million.

FY2007

In FY2007, net cash used in operating activities amounted to RMB24.8 million. We generated net cash of RMB53.3 million from operating profit before working capital changes. Net cash used in working capital amounted to RMB74.6 million. This was due mainly to increases in operating receivables of RMB100.8 million (mainly due to sales of RMB44.7 million made to Calkins and Golden Gate in end 2007 for which payment were received only subsequent to FY2007) and inventories of RMB7.8 million, increase in deposits pledged with banks of RMB11.6 million, partly offset by an increase in operating payables of RMB45.6 million. Our operating cash flow from operations was reduced by interest and tax payments of RMB3.5 million.

We used net cash of RMB10.9 million for investing activities, mainly for the purchase of property, plant and equipment of approximately RMB11.3 million, partly offset by proceeds from sale of property, plant and equipment of approximately RMB0.3 million. The purchase of property, plant and equipment was mainly for our production bases at Yunnan Grandness, Shanxian Grandness, Sichuan Grandness and Shanxi Grandness.

We generated net cash from financing activities of RMB48.8 million, mainly from proceeds received from Bond Holders pursuant to the Convertible Loan Agreement of RMB40.2 million, net bank loans obtained (less repayments) of RMB10.5 million and advances from Huang Yupeng of RMB71.1 million, partly offset by deemed distribution to the then shareholders pursuant to the Restructuring Exercise of RMB43.0 million, merger reserves arising from the Restructuring Exercise of RMB31.4 million and repayment of advances to third parties of RMB7.7 million.

FY2008

We generated net cash in operating activities of RMB50.1 million. We generated net cash of RMB70.5 million from operating profit before working capital changes. Net cash generated from working capital amounted to RMB0.7 million. This was due mainly to decrease in operating receivables of RMB17.7 and deposits pledged with banks of RMB9.7 million, partly offset by an increase in inventories of RMB18.8 million coupled with a decrease in operating payables of RMB7.8 million. Our operating cash flow from operations was reduced by interest and tax payments of RMB21.1 million.

We used net cash in investing activities of RMB59.5 million, mainly for the purchase of property, plant and equipment for our new production base in Shanxian Grandness.

We generated net cash inflow from financing activities of RMB6.5 million, mainly from net bank loans obtained (less repayments) of RMB8.4 million and repayment of advances from third parties of RMB3.5 million, partly offset by repayment of advances from Huang Yupeng of RMB5.5 million.

1Q2009

We generated net cash in operating activities of RMB21.0 million. We generated net cash of RMB3.5 million from operating profit before working capital changes. Net cash generated from working capital amounted to RMB24.2 million. This was due mainly to a decrease in operating receivables of RMB26.1 and inventories of RMB1.8 million, partly offset by an increase in deposits pledged with banks of RMB0.4 million, coupled with a decrease in operating payables of RMB3.3 million. Our operating cash flow from operations was reduced by interest and tax payments of RMB6.4 million.

We used net cash in investing activities of RMB21.6 million, mainly for the construction in progress of property, plant and equipment for our new production bases in Shanxian Grandness, Sichuan Grandness and Shanxi Grandness.

We generated net cash inflow from financing activities of RMB1.0 million, mainly from advances from third parties of RMB3.4 million, partly offset by net bank loans repayment (less obtained) of RMB1.5 million and repayment of advances from third parties of RMB0.7 million.

CAPITAL EXPENDITURE, DIVESTMENTS AND CAPITAL COMMITMENTS

The majority of our capital expenditure comprised additions of property, plant and equipment. Our capital expenditure and divestments for the periods under review, and from 1 January 2009 up to the Latest Practicable Date were as follows:-

(RMB'000)	FY2006	FY2007	FY2008	1Q2009	1 January 2009 to the Latest Practicable Date
Capital Expenditure[(1)]					
Factory and warehouse premises	2,113	2,274	1,140	12	8,746
Land use rights	3,757	1,892	6,544	–	–
Construction-in-progress	2,022	3,192	48,734	21,512	31,345
Plant and machinery	446	3,082	3,035	76	1,725
Office units	–	–	–	–	–
Renovation	–	194	28	37	37
Motor vehicles	730	419	7	–	17
Office equipment	136	220	389	16	37
	9,204	11,273	59,877	21,653	41,907
Capital Divestment[(1)]					
Factory and warehouse premises	–	–	40	–	40
Land use rights	–	–	–	–	–
Construction-in-progress	–	–	–	–	–
Plant and machinery	–	227	8	–	–
Office units	–	–	–	–	–
Renovation	–	–	–	–	–
Motor vehicles	–	336	5	–	1
Office equipment	–	18	10	1	2
	–	581	63	1	43

Note:-

(1) These relate to the cost of property, plant and equipment acquired or disposed during the respective financial years/period.

The above capital expenditures were financed by internally generated funds.

In FY2006, our capital expenditure on factory and warehouse premises and construction-in-progress were mainly in relation to our production bases at both Yunnan Grandness and Sichuan Grandness. The capital expenditure on land use rights was in relation to our factory at Yunnan Grandness.

In FY2007, our capital expenditure on factory and warehouse premises was mainly in relation to our production base at Yunnan Grandness. The capital expenditure on land use rights was in relation to our new factory at Shanxian Grandness. The capital expenditure on construction-in-progress was in relation to Shanxian Grandness, Sichuan Grandness and Shanxi Grandness. The capital expenditure of plant and machinery was in relation to our production bases at Shanxi Grandness and Sichuan Grandness.

In FY2008, our capital expenditure on factory and warehouse premises was mainly in relation to our production base at Shanxian Grandness. The capital expenditure on land use rights was in relation to our new factory at Shanxian Grandness. The capital expenditure on construction-in-progress was mainly in relation of Shanxian Grandness and Sichuan Grandness. The capital expenditure of plant and machinery was in relation to our production bases at Shanxian Grandness, Shanxi Grandness, Yunnan Grandness and Sichuan Grandness.

In 1Q2009, our capital expenditure on construction-in-progress was mainly in relation to our production bases at Shanxian Grandness, Sichuan Grandness and Shanxi Grandness.

Capital and Lease Commitments

As at the Latest Practicable Date, we have the following outstanding lease commitments in relation to an operating lease of our factory at Shanxi Grandness:-

	As at the Latest Practicable Date (RMB'000)
Within one year	170
Within 2 to 5 years	680
After 5 years	2,060

FOREIGN EXCHANGE EXPOSURE AND MANAGEMENT

Our reporting currency is in RMB and our operations are primarily carried out in the PRC. Our export sales are mainly denominated in US$ and € while our local sales are denominated in RMB. Other than the operations of our Company, our purchases and expenses are denominated in RMB.

To the extent that our revenue, purchases and net expenses are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and collection/payment, we will be exposed to adverse fluctuations of US$ and € against the RMB, which would adversely affect earnings.

The proportion of our revenue denominated in US$, € and RMB for the periods under review were as follows:-

(%)	**FY2006**	**FY2007**	**FY2008**	**1Q2009**
Percentage of revenue denominated in:-				
US$	99.8	80.1	91.0	94.8
€	–	12.5	4.3	3.9
RMB	0.2	7.4	4.7	1.3
	100.0	100.0	100.0	100.0

Our net foreign exchange gains/(losses) for the periods under review were as follows:-

	FY2006	**FY2007**	**FY2008**	**1Q2009**
Foreign exchange gains/(losses) (RMB'000)	(951)	(4,473)	1,829	1,731
As a percentage of revenue (%)	(1.0)	(1.7)	0.6	5.7
As a percentage of profit before taxation (%)	(6.5)	(9.2)	2.8	56.7

The foreign exchange losses in FY2006 and FY2007 relate mainly to currency exposure in trading transactions denominated in US$ and €. The foreign exchange gains in FY2008 and 1Q2009 relate mainly to currency exposure in trading transactions denominated in US$ and € and translation of non-interest bearing loans denominated in S$.

During the periods under review, we do not have any hedging policy with respect to our foreign exchange exposure. Subsequent to our admission to the Official List of the SGX-ST, we intend to implement certain hedging policies to manage our foreign exchange exposure. The bulk of our sales are for the export market and are mainly denominated in US$ and €. As such, we will manage our foreign exchange risks arising from the sales in US$ and € with forward contracts (foreign exchange banking facilities) on the relevant currencies. For sales orders with a value of more than US$500,000 or €500,000, we will book a US$ or € forward contract (as the case may be) for an amount equivalent to approximately half the sales value when we deliver the goods. In the interim, between the time of delivery of goods to the receipt of payment from our customers, we will monitor the US$ or € exchange rate (as the case may be) and book additional forward contracts when the exchange rates are favourable. As a matter of policy, we will not book forward contracts exceeding the value of our sales or for periods exceeding 6 months. We will also not book any forward contracts in currencies other than the currency of our sales.

The above hedging policies shall be approved by our Board. The hedging policies will be supported by procedures proposed by the management of our Group for approval by our Board after review by our Audit Committee. All hedging transactions shall be monitored and proposed by our Financial Controller and approved by our Chairman and CEO. We will continue to monitor our foreign exchange exposure, if any, and will hedge any material transactions or manage our foreign currency exposure should the need arise in the future. Any change in our hedging policy shall be subject to review and approval by our Board prior to implementation. Our Audit Committee will review periodically all the foreign exchange exposure hedging transactions and any formal hedging policies and procedures of our Group.

SHARE CAPITAL

Our Company was incorporated in the Republic of Singapore on 20 April 2007 under the Act as a private company limited by shares under the name "Sino Grandness Food Industry Group Pte. Ltd.". As at the date of incorporation, the issued and paid-up share capital of our Company was S$2 comprising 2 Shares.

Pursuant to the Restructuring Exercise:-

(a) on 25 July 2007, an aggregate of 369,230 Shares at an issue price of S$1.00 per Share were issued, with 350,769 Shares to Huang Yupeng and 18,461 Shares to Huang Zhoupeng, whereupon our issued and paid-up share capital was increased to S$369,232.00 comprising 369,232 Shares; and

(b) Huang Yupeng and Huang Zhoupeng subscribed for 29,229 Shares and 1,539 Shares, respectively, at S$0.01 each. Upon the allotment and issue of the aggregate 30,768 Shares on 11 November 2009, our issued and paid-up capital was increased to S$369,539.68 comprising 400,000Shares.

At an extraordinary general meeting held on 11 November 2009, our Shareholders approved, amongst other things, the following:-

(a) the conversion of our Company into a public company limited by shares and the consequential change of name to "Sino Grandness Food Industry Group Limited";

(b) the adoption of a new set of Articles of Association of our Company with effect from 11 November 2009;

(c) the subdivision of every one (1) Share into 300 Shares, whereupon our issued and paid-up capital was changed to S$369,539.68 comprising 120,000,000 Shares;

(d) the allotment and issue of 55,172,414 Shares to the Bond Holders for the conversion of the convertible loans of aggregate S$8.0 million pursuant to the Convertible Loan Agreement, whereupon our issued and paid-up capital was changed to S$8,369,539.68 comprising 175,172,414 Shares;

(e) the issue of 70,000,000 New Shares pursuant to the Invitation. The New Shares, when allotted, issued and fully paid-up, will rank *pari passu* in all respects with the existing issued and paid-up Shares; and

(f) that authority be and is hereby given to our Directors to:-

(a) (1) issue Shares whether by way of rights (including renounceable and non-renounceable rights), bonus or otherwise; and/or

(2) 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) 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 our Directors may in their absolute discretion deem fit; and

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

provided that:-

(1) (subject to sub-paragraph (2) below pertaining to *pro rata* renounceable rights issue) the aggregate number of Shares to be issued pursuant to this resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the total number of issued Shares (excluding treasury Shares) (as calculated in accordance with sub-paragraph (3) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to Shareholders of our Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 20% of the total number of issued Shares (excluding treasury Shares) (as calculated in accordance with sub-paragraph (3) below);

(2) in relation to *pro rata* renounceable rights issue, the aggregate number of Shares to be issued pursuant to this resolution does not exceed 100% of the total number of issued Shares (excluding treasury Shares) (as calculated in accordance with sub-paragraph (3) below);

(3) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraphs (1) and (2) above, the percentage of issued share capital shall be based on the post-Invitation issued share capital of our Company immediately following the close of the Invitation, after adjusting for:-

(i) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this resolution is passed; and

(ii) any subsequent bonus issue or consolidation or subdivision of Shares;

(4) in exercising the authority conferred by this resolution, our Company shall comply with the provisions of the Listing Manual (including supplemental measures thereto) for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of our Company; and

(5) (unless revoked or varied by our Company in general meeting) the authority conferred by this resolution shall continue in force until the conclusion of the next annual general meeting of our Company or the date by which the next annual general meeting of our Company is required by law to be held, whichever is the earlier; and

(g) that contingent upon the passing of the above resolution, authority be and is hereby given to our Directors to issue Shares other than on a *pro rata* basis at a discount exceeding 10% but not more than 20%, which discount is calculated based on the weighted average price for trades done on the SGX-ST on the full market date on which the agreement relating to such issue of Shares is executed (or if trading is not available for a full market day, on the preceding market day up to the time such agreement is executed).

As at the date of this Prospectus, there is only one class of issued shares in the capital of our Company, being ordinary shares. The rights and privileges of our Shares are stated in our Articles of Association. There is no founder, management or deferred shares reserved for issuance for any purpose. No person has been, or is entitled to be, given an option to subscribe for or purchase any securities of our Company or our subsidiaries.

As at the date of this Prospectus, the issued and paid-up share capital of our Company is S$8,369,539.68 comprising 175,172,414 Shares. Upon the allotment and issue of the New Shares, the resultant issued and paid-up share capital of our Company will be S$26,269,539.68 comprising 245,172,414 Shares. Details of the changes in the issued and paid-up share capital of our Company from the date of this Prospectus and immediately after the Invitation are as follows:-

	No. of Shares	**Resultant issued and paid-up share capital (S$)**
Pre-Invitation issued and paid-up share capital	175,172,414	8,369,540
New Shares issued pursuant to the Invitation	70,000,000	26,269,540
Post-Invitation issued and paid-up share capital	245,172,414	26,269,540

The shareholders' equity of our Company as at 31 March 2009 and after adjustments to reflect the Restructuring Exercise and the Invitation are set out as follows:-

(S$)	**As at 31 March 2009**	**After the Restructuring Exercise**	**After the Invitation**
Share capital	369,232	8,369,540	26,269,540
Retained profits/ (Accumulated losses)	33,770	33,770	(966,230)[(1)]
Total shareholders' equity	403,002	8,403,310	25,303,310

Note:-

(1) This is a result of the charging of S$1.0 million of the estimated expenses in relation to the Invitation to the income statement in FY2009.

RESTRUCTURING EXERCISE

Pursuant to our Invitation, we undertook the following restructuring exercise:-

Incorporation of our Company

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

Acquisition of Shanxi Grandness by Hong Kong Grandness

On 23 May 2007, Hong Kong Grandness acquired 75% of the registered capital of Shanxi Grandness from Shenzhen Grandness for a cash consideration of RMB9.0 million. The acquisition consideration was determined based on 75% of the registered capital of Shanxi Grandness then. This resulted in Shanxi Grandness becoming a wholly-owned subsidiary of Hong Kong Grandness as the latter was already holding 25% of the registered capital of Shanxi Grandness.

Acquisition of Hong Kong Grandness by our Company

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

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

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

On 25 August 2008, Lin Junjin (林俊金) transferred all the registered capital in Shenzhen Yaxinda to Huang Yupeng at no consideration.

Acquisition of Shenzhen Grandness by Shanxi Grandness

On 14 September 2007, Shanxi Grandness acquired 90% of the registered capital of Shenzhen Grandness from Huang Yupeng and the remaining 10% of the registered capital from Huang Zhoupeng, for an aggregate cash consideration of RMB74,413,600. The aggregate acquisition consideration was equivalent to an independent valuation of Shenzhen Grandness as at 31 December 2006.

Acquisition of Shanxian Grandness by Shenzhen Grandness

On 12 December 2007, Shenzhen Grandness acquired 25% of the registered capital of Shanxian Grandness from Huang Yupeng for nil consideration. The parties had confirmed, via a letter of confirmation dated 1 September 2008, that the transfer of Shanxian Grandness had taken into account a set-off of an advance of RMB2.5 million extended to Huang Yupeng by Shenzhen Grandness.

Further subscription for Shares by Huang Yupeng and Huang Zhoupeng

On 11 November 2009, Huang Yupeng and Huang Zhoupeng subscribed for 29,229 Shares and 1,539 Shares, respectively, at S$0.01 each. In aggregate, they subscribed for 30,768 Shares for the aggregate subscription price of S$307.68. Upon the allotment and issue of the 30,768 Shares on 11 November 2009, our issued and paid-up capital was increased to S$369,539.68 comprising 400,000 Shares. As a result, Huang Yupeng and Huang Zhoupeng held 380,000 Shares (which comprised 95% of all the issued Shares) and 20,000 Shares (which comprised 5% of all the issued Shares) respectively.

Subdivision of one Share into 300 Shares

At an extraordinary general meeting held on 11 November 2009, our Shareholders approved the subdivision of every one (1) Share into 300 Shares, whereupon our issued and paid-up capital was changed to S$369,539.38 comprising 120,000,000 Shares. As a result, Huang Yupeng and Huang Zhoupeng held 114,000,000 Shares and 6,000,000 Shares, respectively.

Conversion of Convertible Loans from Bond Holders

We entered into the Convertible Loan Agreement with the Bond Holders. The aggregate convertible loan amount extended by the Bond Holders was S$8,000,000. The principal amount of the convertible loans is convertible into fully-paid Shares (the "**Conversion Shares**") at an issue price of 14.5 cents.

On 11 November 2009, our Company allotted and issued such number of Shares as set out below to the Bond Holders pursuant to the conversion of the convertible loans:-

Bond Holders	No. of Shares
Phillip Ventures Enterprise Fund Ltd ("**PVEF**")	27,448,275
Kim Seng Holdings Pte. Ltd. ("**Kim Seng Holdings**")	10,344,827
Inkatha Group Limited ("**Inkatha**")	5,931,034
Venstar Investments Pte. Ltd. ("**Venstar**")	5,310,344
Huang Yupeng ("**HYP**")	3,448,280
Lim Joo Boon ("**LJB**")	1,724,137
Global Top Financial Group Limited ("**Global Top**")	965,517
Total	**55,172,414**

On 13 November 2009, PVEF transferred 1,300,000 Shares to Lim Joo Boon at S$0.29 per Share, for an aggregate consideration of S$377,000. The resultant shareholdings of PVEF and Lim Joo Boon are 26,148,275 Shares and 3,024,137 Shares respectively, accounting for 14.9% and 1.7% respectively of the issued and paid-up share capital of our Company immediately before the Invitation.

The original convertible loan agreement (the "**Original Agreement**") was entered into, on 4 May 2007, amongst our Company, as borrower; PVEF, Kim Seng Holdings, SkyVen Growth Capital Fund Pte Ltd ("**SkyVen**"), Kenmoore Mezzanine Investments Ltd ("**Kenmoore**") and LJB, as lenders; and HYP as warrantor, under which the lenders would advance an aggregate sum of S$7.0 million as a convertible loan to our Company (the "**Original Loan**").

The parties to the Original Agreement and Inkatha, Global Top and Shenzhen Grandness entered into a supplemental agreement (the "**First Supplemental Agreement**") on 2 September 2008. The First Supplemental Agreement provided, amongst other things, that:-

(a) the following agreements were terminated:-

(i) the investment agreement ("**Inkatha Investment Agreement**") dated 14 April 2007 entered into amongst HYP, Shenzhen Grandness and Inkatha under which Inkatha advanced an aggregate sum of S$1.0 million as a convertible loan to Shenzhen Grandness (the "**Original Inkatha Loan**");

(ii) the supplemental agreement dated 14 November 2007 entered into amongst HYP, Shenzhen Grandness and Inkatha under which they amended the Inkatha Investment Agreement, in particular to assign and transfer S$140,000 of the Original Inkatha Loan; and

(iii) the investment agreement dated 14 November 2007 entered into amongst HYP, Shenzhen Grandness and Global Top under which Global Top advanced the sum of S$140,000 as a convertible loan to Shenzhen Grandness;

(b) in consideration of S$20,000 and certain undertakings by Kenmoore, PVEF assigned and transferred all its right, title and interest in and under the Original Agreement in respect of S$20,000 of the Original Loan to Kenmoore (the "**PVEF Assignment**");

(c) the Original Loan amount was increased from S$7.0 million to S$8.0 million;

(d) the lenders were changed to include Inkatha (for S$860,000) and Global Top (for S$140,000) and the loan amounts from Kenmoore and PVEF were varied taking into account the PVEF Assignment;

(e) under the Original Agreement, should the net profit after tax of our Group for FY2007 be less than RMB45 million, the lenders will be compensated (the "**Compensation**") by the allotment and issue of Shares by our Company, the Compensation be satisfied in cash instead;

(f) the number of Shares that each lender is entitled to sell at the listing of our Company was increased from 20% to 45%, and accordingly, the lender's moratorised Shares was decreased from 80% to 55%; and

(g) the long-stop date was extended to the earlier of 28 February 2009 or the date of the listing of our Company on the SGX-ST, whichever is earlier.

The parties to the First Supplemental Agreement (except for Shenzhen Grandness) and Venstar entered into an agreement on 13 July 2009 (the "**Second Supplemental Agreement**"). The Second Supplemental Agreement provided, amongst other things, that:-

(a) in consideration of S$612,180 and certain undertakings by HYP, SkyVen assigned and transferred all its right, title and interest in and under the Original Agreement in respect of S$500,000 of the Original Loan to HYP (the "**SkyVen Assignment**");

(b) in consideration of S$770,000 and certain undertakings by Venstar, Kenmoore assigned and transferred all its right, title and interest in and under the Original Agreement in respect of S$770,000 of the Original Loan to Venstar (the "**Kenmoore Assignment**");

(c) the lenders were changed to include HYP and Venstar, and to exclude SkyVen and Kenmoore, taking into account the SkyVen Assignment and the Kenmoore Assignment;

(d) the Compensation amount was reduced by 50% and payable to the lenders (excluding HYP) only if the listing of our Company on the SGX-ST does not occur by 31 December 2009;

(e) the number of Shares that each lender (excluding HYP) is entitled to sell at the IPO was changed to 30% and accordingly, his moratorised Shares was changed to 70%; and

(f) in consideration of a fee (the "**Extension Fee**") payable by our Company to the Bond Holders (save for Huang Yupeng) (the "**Secured Bond Holders**"), the parties to the Convertible Loan Agreement agreed to extend the Longstop Date to the earlier of (a) 28 February 2010; and (b) the date of listing of our Company on the SGX-ST. The Extension Fee payable to each Secured Bond Holder shall be computed based on the rate of 10% per annum on the principal amount of the convertible loan he had extended for the period commencing 1 March 2009 and ending on the later of (a) the conversion of the convertible loan, and (b) 1 March 2010, with annual rest and calculated based on a 365-days year.

The payment obligations of our Company to the Secured Bond Holders pursuant to the Convertible Loan Agreement are secured by a personal guarantee by Huang Yupeng in favour of the Secured Bond Holders. Huang Yupeng has also assigned, by way of security, 30% of the advances repayable by our Group to him, to the Secured Bond Holders. Please refer to the section "**Interested Person Transactions and Conflicts of Interest - Present and On-going Interested Person Transactions - Advances from our Interested Persons**" for more information on the advances repayable by our Group.

Pursuant to the Convertible Loan Agreement, the Bond Holders injected an aggregate amount of S$8.0 million (the "**Pre-IPO Funds**") to our Company in separate tranches of S$0.2 million, S$3.5 million, S$0.8 million and S$3.5 million in April 2007, June 2007, July 2007 and November 2007, respectively. Pursuant to the Restructuring Exercise whereby Shanxi Grandness acquired Shenzhen Grandness from Huang Yupeng and Huang Zhoupeng on 14 September 2007, the Pre-IPO Funds had been paid to Huang Yupeng and Huang Zhoupeng as consideration for the acquisition.

Huang Yupeng and Huang Zhoupeng subsequently advanced the Pre-IPO Funds to our Group in end 2007 for our working capital purposes. Details of such advances by Huang Yupeng and Huang Zhoupeng to our Group had been set out in the section "**Interested Person Transactions and Conflicts of Interest - Advances to and from Huang Yupeng and Huang Zhoupeng**".

PRC Legal Opinion

The acquisition of PRC domestic enterprises by affiliated foreign enterprises established or controlled by PRC domestic companies, enterprises or individuals are subject to the Regulations for the Acquisitions of Domestic Enterprises by Foreign Investors（关于外国投资者并购境内企业的规定）(the "**M&A Rules**") which were jointly promulgated by the Ministry of Commerce ("**MOC**"), the State Assets Supervision and Administration Commission, the State Tax Administration, the State Administration for Industry and Commerce ("**SAIC**"), China Securities Regulatory Commission ("**CSRC**") and SAFE of the PRC on 8 August 2006 and came into effect on 8 September 2006 (and amended, re-promulgated and came into effect on 22 June 2009).

Pursuant to Articles 39 and 40 of the M&A Rules, the listing of offshore special purpose vehicles ("**SPVs**"), which are directly or indirectly established or controlled by PRC entities or individuals, are subject to the prior approval from CSRC ("**CSRC Approval**"). On 21 September 2006, CSRC promulgated Guidelines on Domestic Enterprises Indirectly Issuing or Listing and Trading Their Stocks on Overseas Stock Exchanges which provide that SPVs referred to in Articles 39 and 40 of the M&A Rules are subject to the CSRC Approval.

Pursuant to Article 55 of the M&A Rules, the acquisition of equity interests held by shareholders of any foreign-invested enterprise ("**FIE**") in China by a foreign investor or subscription of increased capital of a FIE in China shall be governed by current laws and administrative regulations on FIEs and the provisions on change of equity interests of FIEs' investors. The M&A Rules are applicable to any matter not provided for in such laws and regulations. Further, merger or acquisition of a domestic enterprise through an FIE by any foreign investor governed by relevant current provisions on merger and acquisition of FIEs and stipulations on domestic investment by FIEs in China. The M&A Rules are applicable to any matter not provided for in such provisions and stipulations.

Our Legal Advisers on PRC Law, GFE Law Office, is of the opinion that:-

(i) For the acquisition of Shanxi Grandness by Hong Kong Grandness ("**Acquisition I**"), the M&A Rules are not applicable as Shanxi Grandness is not a domestic enterprise, but an FIE that was established on 26 November 1996 before the M&A Rules came into effect on 8 September 2006. Pursuant to Article 55 of the M&A Rules, Acquisition I is governed by the current laws and administrative regulations on FIEs and the provisions on change of equity interests of FIEs' investors. According to the Provisions for the Alteration of Investors' Equity Interests in Foreign-invested Enterprises（外商投资企业股权变更的若干规定）jointly promulgated by the Ministry of Foreign Trade and Economic Cooperation (later renamed as the Ministry of Commerce) ("**MFTEC**") and SAIC on 28 May 1997, the relevant department to examine and approve the alteration of the equities by an investor in an enterprise shall be the one that has approved the establishment of this enterprise. Accordingly, Acquisition I is required to be and has been duly approved by the Commerce Bureau of Yuncheng City, Shanxi Province, which is the approval authority for the establishment of Shanxi Grandness.

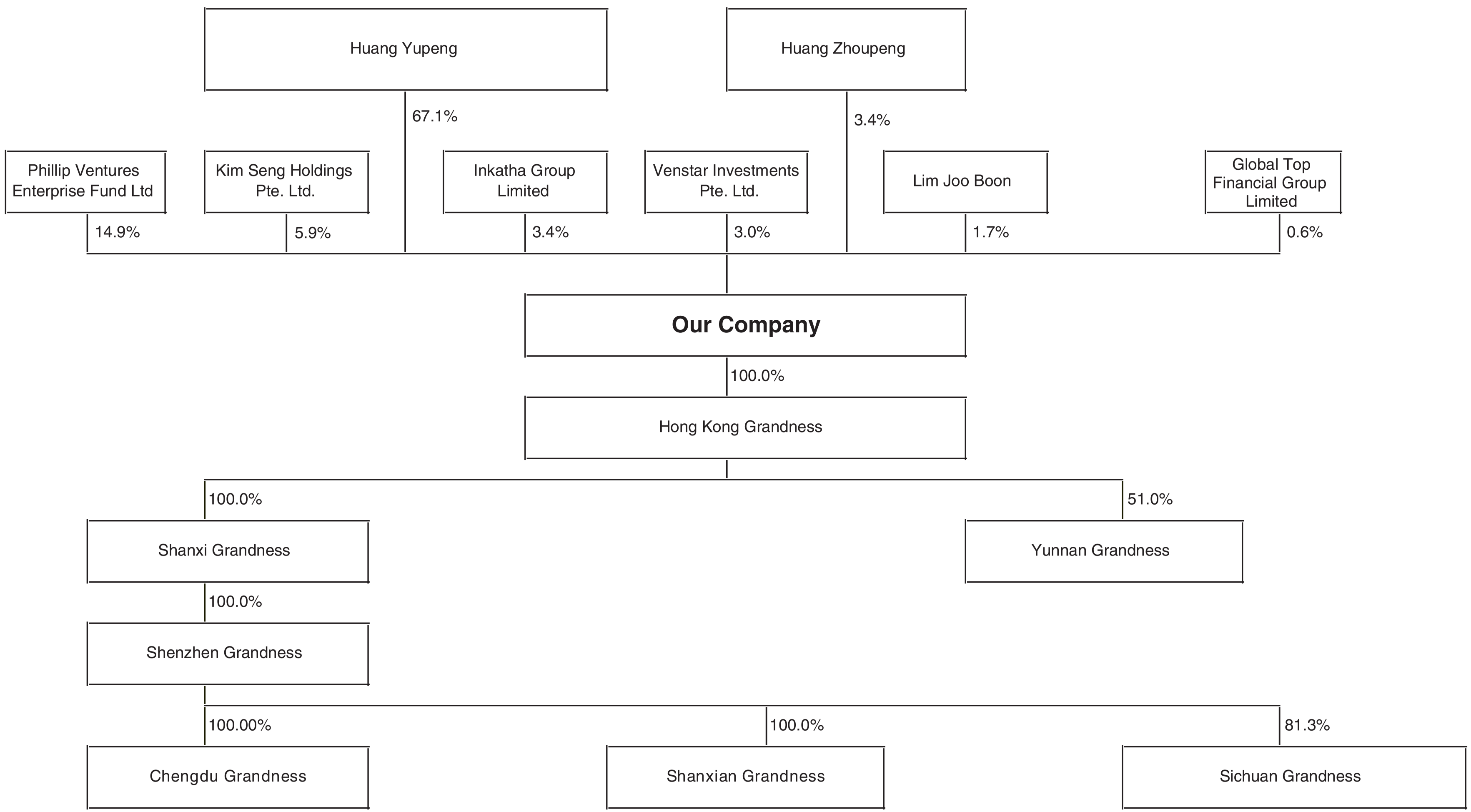
(ii) For the acquisition of Shenzhen Grandness by Shanxi Grandness ("**Acquisition II**"), the M&A Rules are not applicable as Shanxi Grandness is an existing FIE that was established before the M&A Rules came into effect on 8 September 2006 and at the same time, is not considered to be a foreign investor. Pursuant to Article 55 of the M&A Rules, Acquisition II shall be governed by relevant stipulations on domestic investment by FIEs in China. According to Provisional Regulations on Foreign-invested Enterprises' Investment within China (关于外商投资企业境内投资的暂行规定) jointly promulgated by MFTEC and SAIC on 25 July 2000, in the event that an FIE invests in and establishes a company in the restricted category, the FIE shall submit an application for approval to the provincial level authority for foreign trade and economic cooperation of the place where the said investee company is located. Accordingly, Acquisition II is required to be and has been duly approved by Shenzhen Bureau of Trade and Industry (深圳贸易工商局) ("**SBTI**"), which is the provincial level examination and approval authority where Shenzhen Grandness is located.

(iii) For the acquisition of Shanxian Grandness by Shenzhen Grandness ("**Acquisition III**"), the M&A Rules are not applicable as both said entities are domestic companies. Accordingly, Acquisition III is required to be and has been duly registered by Administration for Industry and Commerce of Shan County in compliance with the Company Law in the PRC (公司法) and other relevant regulations.

In view of the above, GFE Law Office confirms that the M&A Rules are not applicable to the Acquisition I, Acquisition II and Acquisition III (collectively, the "**Acquisitions**"), and that all PRC regulatory approvals required have been duly obtained. On 10 October 2007, GFE Law Office wrote to SBTI to confirm that SBTI had approved Acquisition II, and that Acquisition II did not require the approval of MOFCOM as stipulated in the M&A Rules. On 18 October 2007, SBTI issued such confirmation. Further, GFE Law Office also interviewed SBTI on 5 November 2007 and obtained further confirmation that Acquisition II did not require the approval of MOFCOM as stipulated in the M&A Rules. In addition, the listing of our Company on the Official List of the SGX-ST with our PRC subsidiaries does not require any approval from or registration with CSRC, the MOC or any other PRC authorities under PRC laws and regulations. However, due to the uncertainty in relation to the interpretation of the M&A Rules, there is no assurance that other PRC authorities will have the same understanding as GFE Law Office and/or SBTI (as the case may be) on the Acquisitions or the listing of our Company on the SGX-ST, which may require our Group to obtain further approvals or handle supplemental procedures. Further, there is no assurance that other PRC authorities will not issue further directives, regulations, clarifications or implementation rules, which may require us to obtain further approvals with respect to our Restructuring Exercise or proposed listing on the SGX-ST.

GROUP STRUCTURE

Our corporate and shareholding structure after the Restructuring Exercise and as the date of this Prospectus as follows:-



SUBSIDIARIES

Details of our subsidiaries as at the date of this Prospectus are as follows:-

Name	Principal activities	Date and place of incorporation / establishment	Effective equity held by Group (%)	Issued and paid-up capital/ registered capital
Hong Kong Grandness	Investment holding	21 December 1998 Hong Kong	100.00	HK$10,000
Shanxi Grandness	Production of canned products, in particular, asparagus and mushrooms	20 November 1996 PRC	100.00	RMB34,348,441[(1)]
Yunnan Grandness[(2)]	Production of canned products, in particular, long beans, artichoke, cucumber and sweet corn	24 March 2004 PRC	51.00	US$1,210,000
Shenzhen Grandness	Distribution of canned products	27 October 1997 PRC	100.00	RMB43,000,000
Chengdu Grandness	R&D	27 November 2006 PRC	100.00	RMB1,000,000
Shanxian Grandness	Production of canned products; in particular, asparagus, mushroom and yellow peach	30 August 2007 PRC	100.00	RMB10,000,000
Sichuan Grandness[(3)]	Production of canned products, in particular, long beans, mushroom and sweet corn	15 December 2004 PRC	81.33	RMB27,000,000

Notes:-

(1) The registered capital is RMB40 million, of which RMB34,348,440.75 has been paid up. The remaining RMB5,651,559 is due to be contributed by 23 November 2009. A portion of the net proceeds from the issue of the New Shares will be used in this regard. Please refer to the section "**Use of Proceeds from the Invitation and Expenses Incurred**".

(2) The balance of 49% is held by Fujian Province Chenggong Fruit and Vegetable Co., Ltd. (福建省成功果蔬食品有限公司), and its shareholders are not related to our Directors or Substantial Shareholders.

(3) The balance 18.67% is held by Zheng Lamei (郑腊梅) (11.11%) and Zheng Jiancheng (郑建成) (7.56%), who are not related to our Directors and Substantial Shareholders.

We have no associated companies and none of our subsidiaries are listed on any stock exchange.

SHAREHOLDERS

Our Shareholders and their respective shareholdings in our Company as at the date of lodgement of this Prospectus and immediately after the Invitation are set out below:-

	Before the Invitation				After the Invitation			
	Direct interest		Deemed interest		Direct interest		Deemed interest	
	Shares	%	Shares	%	Shares	%	Shares	%
Directors								
Huang Yupeng[(1)]	117,448,280	67.1	–	–	117,448,280	47.9	–	–
Huang Yushan[(1)]	–	–	–	–	–	–	–	–
Xu Xihua	–	–	–	–	–	–	–	–
Zhang Gongjun[(2)]	–	–	5,931,034	3.4	–	–	4,151,000	1.7
Soh Beng Keng	–	–	–	–	–	–	–	–
Lin Song	–	–	–	–	–	–	–	–
Shareholders								
Phillip Ventures Enterprise Fund Ltd[(3)]	26,148,275	14.9	–	–	18,303,000	7.5	–	–
Kim Seng Holdings Pte. Ltd.[(4)]	10,344,827	5.9	–	–	7,242,000	2.9	–	–
Tan Kim Seng[(4)]	–	–	10,344,827	5.9	–	–	7,242,000	2.9
Tan Fuh Gih[(4)]	–	–	10,344,827	5.9	–	–	7,242,000	2.9
Tan Hoo Lang[(4)]	–	–	10,344,827	5.9	–	–	7,242,000	2.9
Tan Wei Min[(4)]	–	–	10,344,827	5.9	–	–	7,242,000	2.9
Huang Zhoupeng[(1)]	6,000,000	3.4	–	–	6,000,000	2.4	–	–
Inkatha Group Limited[(2)]	5,931,034	3.4	–	–	4,151,000	1.7	–	–
Venstar Investments Pte. Ltd.[(5)]	5,310,344	3.0	–	–	3,717,000	1.5	–	–
Lim Joo Boon	3,024,137	1.7	–	–	2,115,500	0.9	–	–
Global Top Financial Group Limited[(6)]	965,517	0.6	–	–	675,634	0.3	–	–
Xiao Bo[(6)]	–	–	965,517	0.5	–	–	675,634	0.3
Song Ping[(6)]	–	–	965,517	0.5	–	–	675,634	0.3
Public	–	–	–	–	85,520,000	34.9	–	–
Total	175,172,414	100.0			245,172,414	100.0		

Notes:-

(1) Huang Yupeng, Huang Yushan and Huang Zhoupeng are siblings.

(2) Inkatha Group Limited is an investment holding company incorporated in the British Virgin Islands. It is wholly-owned by Zhang Gongjun, our Non-Executive Director. Zhang Gongjun is thus interested in the Shares held by Inkatha Group Limited.

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

(4) Kim Seng Holdings Pte. Ltd. ("**Kim Seng Holdings**") is a company incorporated in Singapore. Its shareholders are Tan Kim Seng, Tan Fuh Gih, Tan Hoo Lang, Tan Ah Ling, Loh Sok Beng, Tan Ah Moy and Tan Wei Min. Each of Tan Kim Seng, Tan Fuh Gih, Tan Hoo Lang and Tan Wei Min holds 20% or more of its issued and paid-up capital and is thus deemed interested in the Shares held by Kim Seng Holdings. The shareholders of Kim Seng Holdings are not related to any of our Directors, Executive Officers or Substantial Shareholders.

(5) Venstar Investments Pte. Ltd. ("**Venstar**") is a company incorporated in Singapore. It is a private equity investment company managed in Singapore by Venstar Capital Management Pte. Ltd.. The shareholders of Venstar comprise mainly local and foreign high networth individual investors and corporate investors. The shareholders of Venstar are not related to any of our Directors, Executive Officers or Substantial Shareholders. Venstar Capital Management Pte. Ltd. is deemed interested in the Shares held by Venstar.

(6) Global Top Financial Group Limited ("**Global Top**") is an investment holding company incorporated in the British Virgin Islands. Its shareholders are Xiao Bo and Song Ping, each holding 51% and 49%, respectively. Xiao Bo and Song Ping are thus interested in the shares held by Global Top. The shareholders of Global Top are not related to any of our Directors, Executive Officers or Substantial Shareholders.

Save as disclosed in the sections "**Directors, Management and Staff**" and "**Shareholders**", there are no family relationships amongst our Directors, Executive Officers and Substantial Shareholders.

The Shares held by our Directors and Substantial Shareholders do not carry different voting rights from the New Shares which are the subject of the Invitation.

Save as disclosed above, our Company is not directly or indirectly owned or controlled by another corporation, any government or other natural or legal person whether severally or jointly. There is no known arrangement, the operation of which may, at a subsequent date, result in a change in the control of our Company.

There has been no public take-over offer by third parties in respect of our Shares or by our Company in respect of the shares of other companies or the units of a business trust between the beginning FY2008 and the Latest Practicable Date.

VENDORS

Certain particulars of the Vendors and the Shares which they will offer pursuant to this Invitation are set out below:-

	Shares held immediately before the Invitation		Vendor Shares offered pursuant to the Invitation		Shares held after the Invitation	
Name / address	Number of Shares	% of pre-Invitation share capital	Number of Shares	% of pre-Invitation share capital	Number of Shares	% of post-Invitation share capital
Phillip Ventures Enterprise Fund Ltd 250 North Bridge Road #06-00, Raffles City Tower Singapore 179101	26,148,275	14.9	7,845,275	4.5	18,303,000	7.5
Kim Seng Holdings Pte. Ltd. No. 4 Tuas Avenue 5, Jurong Singapore 639331	10,344,827	5.9	3,102,827	1.8	7,242,000	2.9
Inkatha Group Limited P.O. Box 957 Offshore Incorporation Centre Road Town, Tortola The British Virgin Islands	5,931,034	3.4	1,780,034	1.0	4,151,000	1.7
Venstar Investments Pte. Ltd. 61 Robinson Road #13-03, Robinson Centre Singapore 068893	5,310,344	3.0	1,593,344	0.9	3,717,000	1.5
Lim Joo Boon 4 Grove Crescent Singapore 279149	3,024,137	1.7	908,637	0.5	2,115,500	0.9
Global Top Financial Group Limited P.O. Box 957 Offshore Incorporation Centre Road Town, Tortola The British Virgin Islands	965,517	0.6	289,883	0.2	675,634	0.3
Total	51,724,134	29.5	15,520,000	8.9	36,204,134	14.8

Inkatha Group Limited is wholly-owned by our Non-Executive Director, Zhang Gongjun. Save as disclosed, none of the Vendors are connected to our Directors, Executive Officers or Controlling Shareholders.

Save as disclosed above, each Vendor is not related (as a spouse, child, adopted child, step-child, sibling and/or parent) to any other Vendors, Directors or Controlling Shareholders. The Vendors do not hold the Shares or interest therein as nominees of or in trust for anyone.

MORATORIUM

To demonstrate their commitment to our Group, each of Huang Yupeng and Huang Zhoupeng who in aggregate hold 123,448,280 Shares, representing approximately 50.3% of our Company's enlarged issued and paid-up capital after the Invitation, have each undertaken not to sell, realise, transfer or otherwise dispose of any part of their respective interests in the issued share capital of our Company for a period of 2 years commencing from the date of admission of our Company to the Official List of the SGX-ST.

Each of the Bond Holders has undertaken not to dispose of or transfer any part of their direct and indirect interests in our Company (save for the Vendor Shares) (the "**Moratorised Shares**") for a period of 6 months from the date of our Company's admission to the Official List of the SGX-ST. Details of the Moratorised Shares are set out below:-

Bond Holders	**Number of Moratorised Shares**	**% of post-Invitation share capital**
Phillip Ventures Enterprise Fund Ltd	18,303,000	7.5
Kim Seng Holdings Pte. Ltd.	7,242,000	2.9
Inkatha Group Limited	4,151,000	1.7
Venstar Investments Pte. Ltd.	3,717,000	1.5
Lim Joo Boon	2,115,500	0.9
Global Top Financial Group Limited	675,634	0.3
Total	**36,204,134**	**14.8**

Each shareholder of each of the Other Corporate Bond Holders (as defined below) has undertaken not to dispose of or transfer any part of his direct or indirect interests in the relevant Other Corporate Bond Holder for a period of 6 months from the date of our Company's admission to the Official List of the SGX-ST. Kim Seng Holdings Pte. Ltd, Inkatha Group Limited and Global Top Financial Group Limited shall be collectively termed "**Other Corporate Bond Holders**".

The establishment of our Group can be traced back to the establishment of Shenzhen Grandness in 1997 by our Chairman and CEO, Huang Yupeng, and his brother, Huang Zhoupeng. Huang Yupeng drew on his experience and business network established over 10 years of working in a state-owned trading enterprise which had focused on exporting canned fruits and vegetables. In October 1997, Huang Yupeng established Shenzhen Grandness and was involved in the trading of canned fruits and vegetables to overseas markets. Huang Yupeng and Huang Zhoupeng held 90% and 10% of the equity interest of Shenzhen Grandness, respectively. By tapping on Huang Yupeng's business contacts, Shenzhen Grandness clinched Lidl as its first major customer in 1997.

In December 1997, Shenzhen Grandness acquired 60% of the shareholding in Shanxi Grandness, which primarily manufactures canned asparagus in Shanxi Province, from Grandfond International Limited. With the acquisition of Shanxi Grandness, our Group acquired downstream capability and was able to manufacture, sell and distribute canned fruits and vegetables. After the acquisition of Shanxi Grandness, we increased our production capacity from approximately 1,500 tonnes per annum in 1997 to approximately 4,500 tonnes per annum at the end of 1998 with the expansion of our existing production facilities.

In 1998, we secured our second major customer, Huepeden, and our canned asparagus were sold under Aldi's housebrand in Germany. Aldi is one of the largest discount retail chains in the world and is based in Germany. In December 1998, Huang Yupeng and Huang Zhoupeng established Hong Kong Grandness, as a platform for international trade for our Group.

In 1999, we started selling our canned asparagus to REWE. We were one of REWE's major suppliers of canned asparagus in 2006 and 2007. In 1999, Shanxi Grandness obtained ISO:9000 and HACCP certifications.

By 2000, our customer footprint in Europe was expanded beyond Germany and we started exporting to France and Spain. In August 2000, Hong Kong Grandness acquired the remaining 40% shareholding in Shanxi Grandness from Grandfond International Limited, and Shanxi Grandness became a wholly-owned subsidiary of Shenzhen Grandness and Hong Kong Grandness.

In 2001, we secured a new customer, I Schmidt, when it established a sourcing arm in the PRC. I Schmidt is a food retailer and distributor in Germany and our canned asparagus and long beans are sold under its label, "Mikado".

In 2004, we secured another customer, Siplec. Through Siplec, our canned asparagus are sold under the housebrand of E. Leclerc, "ECO+".

Due to the seasonal nature of the supply of our raw materials and in order to ensure production throughout the year, our Chairman and CEO, Huang Yupeng strategised to establish our production facilities across different climatic regions in the PRC. In line with this strategy, we expanded our production facilities beyond Shanxi Province, to Yunnan and Sichuan Provinces. In particular, in February 2004, Hong Kong Grandness entered into a joint venture with Fujian Province Chenggong Fruit and Vegetable Co., Ltd. (福建省成功果蔬食品有限公司), an unrelated PRC company, and established Yunnan Grandness with Hong Kong Grandness maintaining a majority equity interest of 51%. In December 2004, Shenzhen Grandness established Sichuan Grandness with an equity interest of 58% which was subsequently increased to 81.33% by way of an injection of registered capital. The other shareholders of Sichuan Grandness are Zheng Lamei (郑腊梅) (11.11%) and Zheng Jiancheng (郑建成) (7.56%). Along with these new production facilities, we expanded our product offering with Yunnan Grandness manufacturing canned long beans, artichoke, and sweet corn; whilst Sichuan Grandness manufactured canned mushrooms, long beans and mandarin oranges.

In mid-2006, Sichuan Grandness was named an “Outstanding and Leading Enterprise in Agricultural Industrialisation and Management (Provincial Level) (4^{th} Batch)” (第四批农业企业化经营省级重点龙头企业) by the CPC Sichuan Province Rural Leading Group (中共四川省委农村工作领导小组) and “Sichuan Province Outstanding Enterprise in Poverty Alleviation” (四川省扶贫龙头企业) which was jointly awarded by both the Sichuan Province Poverty Alleviation Office (四川省扶贫开发办公室) and the China Agricultural Bank (Sichuan Branch) (中国农业银行四川省分行). At the end of 2006, Shenzhen Grandness established Chengdu Grandness to undertake the development of new products, technological improvements to agricultural processes, and provide technical support to our Group. The research and product development capabilities of Chengdu Grandness are led by our Executive Officer, Huang Yongwen, who is in charge of quality assurance and technical development.

We started exporting our products carrying our “Grandness” brand of canned products to the Czech Republic in 2007 and to Singapore in 2008. In 2007, we also commenced the sale and distribution of our products bearing our “Dao Mei” (“刀妹”) brand in the PRC.

In 2007, we managed to break into the North American (namely Mexico) market as a result of our increased marketing efforts which saw us securing Calkins as a new customer for our canned mushrooms.

In 2007, upon completion of certain shareholding changes in Shanxi Grandness, Shenzhen Grandness and Hong Kong Grandness now hold 75% and 25% of the equity interests in Shanxi Grandness, respectively. Further, pursuant to the Restructuring Exercise, Shenzhen Grandness transferred its 75% shareholding in Shanxi Grandness to Hong Kong Grandness. Thereafter, Shanxi Grandness became a wholly-owned subsidiary of Hong Kong Grandness. Also in that year, Shanxi Grandness increased its production capabilities by setting up its second production facility in Shanxi Province.

With our increased production capacities, we undertook extensive marketing of our own brand names. In August 2007, we established Shanxian Grandness which specialises in the production of canned asparagus and canned mushrooms. In December 2008, Shandong Grandness was de-registered and our production facility was relocated from Shandong Grandess to Shanxian Grandness, both within Shandong Province.

Over the years, we have grown from a trader of canned products to become a reputable manufacturer and supplier of canned fruits and vegetables, in particular, canned asparagus, long beans and mushrooms. As an export-oriented supplier, our customer base has expanded from various countries in Europe to North America (namely Mexico).

Drawing on our experience and expertise in manufacturing canned fruits and vegetables, we have developed a canned herbal beverage under our brand name, “Ba Xian V Dong Li” (“八仙V动力”).

In addition, we have also increased our production capacities over the years, from an annual production capacity of approximately 11,626 tonnes in FY2006 to approximately 22,235 tonnes in FY2008. Further, in the first half of 2009, we obtained licenses for the production and sale of canned beverage in China, and have commenced test marketing of our canned herbal beverage, “Ba Xian V Dong Li” (“八仙V动力”), in China.

INDUSTRY OVERVIEW

There are various types of canned food products such as canned fruits, canned vegetables, canned fish and canned meat. These are packaged in various forms such as glass bottles and tins. These are generally known as "convenience" food and our Directors believe that, with increasing urbanisation, changes in lifestyle and strong economic development, canned food products are fast gaining acceptance and popularity. The global canned food market is estimated at US$48.4 billion in 2007 and is projected to grow by 11.3% by 2011 to US$56.7 billion (at 19.7 billion kilograms).(1)

Our Directors believe that China is one of the top canned food producing countries in the world. The market for canned food in China grew at an average annual rate of 7.8% between 2002 and 2007. In 2007, the value of the canned fruits and vegetables market in China is estimated to be approximately US$3.1 billion (equivalent to RMB30.1 billion) and is projected to increase to approximately US$5.4 billion (equivalent to RMB42.4 billion) by 2012.(2)

Market for asparagus

There are 2 main types of asparagus, namely white asparagus and green asparagus, with both varieties sold in fresh, processed (canned, including bottled) and frozen forms. China is the leading exporting country in both processed and fresh asparagus, followed by Peru. In 2005, China ranked as the largest exporting country accounting for approximately 39% of the total world exports, followed by Peru with 32%. Among the importing countries, Spain leads the list, followed by Germany and France.(3)

The principal asparagus-producing regions in China are concentrated within Shanxi, Shandong and Fujian Provinces. Most of the asparagus produced in China are of the white variety and are exported as a processed product, while green asparagus are produced in limited quantities. Asparagus is harvested in both the spring and fall seasons, although the heaviest production occurs in the spring season. China exports processed asparagus to more than 50 countries, but its main markets are within the European Union. The exports of canned asparagus by China amounted to approximately 305,000 tonnes, with a value of approximately US$279.2 million, in 2008.(2)

Market for long beans

The main long beans producing countries are Kenya and China. In China, long beans are mainly produced in Yunnan and Sichuan Provinces. The exports of canned long beans by China amounted to approximately 266,700 tonnes, with a value of approximately US$248.0 million, in 2008.(2)

Market for mushrooms

Mushrooms can be divided into 2 main categories, namely cultivated mushrooms and wild mushrooms. Production of mushrooms worldwide has been steadily increasing, mainly due to contributions from developing countries such as China and India.

In China, mushrooms are mainly produced in Fujian, Sichuan and Shandong Provinces. The exports of canned mushrooms by China amounted to approximately 441,300 tonnes, with a value of approximately US$732.1 million, in 2008.(2)

Notes:-

(1) Research report on "Canned Food: Global Industry Guide" dated 28 February 2008 on the website of Market Research.com. Market Research.com has not consented to the inclusion of the information in this section for the purposes of section 249 of the SFA, and is thereby not liable for the information included herein under sections 253 and 254 of the SFA. Our Directors are aware that Market Research.com does not guarantee or assume responsibility that the information on its website is accurate, current or reliable, or may be used for any purpose other than for general reference. While we have included such information in its proper form and context in this Prospectus, we have not verified the accuracy of the contents of the relevant information.

(2) "Industry Report on Canned Fruits and Vegetables in the PRC" (中国果蔬罐头行业市场研究咨询报告) by Beijing Hua Jing Zong Heng Information Centre ("**Beijing Hua Jing**") (北京华经纵横经济信息中心). Beijing Hua Jing has not consented to the inclusion of the information in this section for the purposes of section 249 of the SFA, and is thereby not liable for the information included under sections 253 and 254 of the SFA. Our Directors are aware that Beijing Hua Jing does not guarantee or assume responsibility that the information in its report is accurate, current or reliable, or may be used for any purpose other than for general reference. While we have included such information in its proper form and context in this Prospectus, we have not verified the accuracy of the contents of the relevant information.

(3) Article entitled "Agro-industries characterization and appraisal: Asparagus in Peru" by Luz Diaz Rios of Food and Agricultural Organization of the United Nations (Agricultural Management, Marketing and Finance Service – Rural Infrastructure and Agro-Industries Division), from the website *http://www.fao.org/ag/Ags/publications/docs/AGSF_WorkingDocuments/agsfwd23.pdf*. The author has not consented to the inclusion of the information in this section for the purposes of section 249 of the SFA, and is thereby not liable for the information included under sections 253 and 254 of the SFA. Our Directors are aware that the author does not guarantee or assume responsibility that the information in his report is accurate, current or reliable, or may be used for any purpose other than for general reference. While we have included such information in its proper form and context in this Prospectus, we have not verified the accuracy of the contents of the relevant information thereof.

BUSINESS OVERVIEW

We are a manufacturer and supplier of canned fruits and vegetables mainly for the export market. Our main products are canned asparagus, long beans and mushrooms and other products (including bamboo shoots, sweet corn, chillies and fruits, like lychees, pineapples and peaches). We currently have an annual production capacity of approximately 22,235 tonnes, at our 5 production facilities in different climatic regions across 4 provinces in the PRC, namely, Shandong, Shanxi, Yunnan and Sichuan Provinces. We have commenced test marketing of canned herbal beverage for the local PRC market in 2009 with a view to its commercial production in the second half of 2009.

In view of the seasonal nature of our raw materials, our production of different canned fruits and vegetables are conducted during the respective raw materials' harvesting seasons. The production periods for each of our major product at our production bases are as follows:-

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Shanxi(1)				α	α	α			Π	Π	Π	
Shandong		Π(2)	Π	α	α	α			Π	Π	Π	
Sichuan	Π	Π	Π		β	β	β	β		Π	Π	Π
Yunnan			β	β	β	β	β	β		β	β	

Legend:-

"α" represents the production period of asparagus.

"β" represents the production period of long beans.

"Π" represents the production period of mushrooms.

Notes:-

(1) Commenced production of mushrooms in September 2007.

(2) Commenced production of mushrooms at Shanxian Grandness in 2009.

Our major markets are in countries such as Germany, France, Spain, the Netherlands, the Czech Republic, Russia, Mexico and Singapore. Our customers include reputable distributors and retailers in the European and North American (namely Mexico) markets. Most of our products are branded under our customers' brands, including "Mikado" and housebrands of major supermarket chains in Europe including Lidl, Aldi, E. Leclerc (through Siplec), REWE, Carrefour, WalMart and Metro. We also sell our products domestically in China. In 2007, we started the production and sale of products using our brand names, namely "Dao Mei" ("刀妹") for the PRC market and "Grandness" for the overseas market.

PRODUCTION PROCESS

Generally, our products undergo the following production processes:-

Raw Materials Procurement → Washing → Peeling & Trimming → Pre-cooking → Canning & Sterilisation → Cleaning & Warehousing

Raw Materials Procurement

Upon receiving annual or seasonal confirmation from our customers, we will purchase our raw materials from individual farmers and farming collectives in the PRC. We will generally enter into corresponding annual or seasonal supply contracts with various farming collectives around our production bases for the supply of fruits and vegetables. We have long-established relationships with these collectives and we continually assess their quality of the supplies they provide us and also other qualitative indicators, like the timeliness of their deliveries.

To ensure the quality of our supplies, we have a collaborative relationship with the farmers and we are involved in every step of the farming process including advising them on the appropriate use of organic fertilisers and pesticides to ensure crop quality and the standardisation and proper use of pesticide. We also train new farmers or farmers who have worked with us to produce new produce for us. The farmers are constantly observed so that we can keep track of the growth process. After each harvesting session, we, in conjunction with the relevant domestic authorities, conduct a briefing session for the farmers to review the results of the harvest and explore improvements to be made when planning for the coming harvest.

Prior to the harvest, farmers are informed of our requirement as to sizes of the various fruits and vegetables. Once the fruits and vegetables are harvested, they are despatched to our production bases. Upon their arrival at our production bases, a quality analysis team conducts sample on the produce. The raw materials are measured for compliance to size requirements and checked for residual pesticides. They are then weighed to determine the payment to the farmers. The prices of raw materials fluctuate within a pre-agreed range provided in the agreements with the farmers and are dependent on prevailing market conditions and the quality of the produce.

To maintain their optimal freshness, the fruits and vegetables are then conveyed to specially designed storage facilities. For example, asparagus are sprayed with water and kept at a specified temperature, and mushrooms are immersed in flowing water.

The raw materials are processed within 24 hours of delivery at our production bases to ensure freshness and thus our inventory levels for raw materials are minimal.

Due to the seasonality of the produce, we purchase different types of produce throughout the year depending on the seasonality of each raw material. Please refer to the section "**Business Overview**" for more details.

Our inventories of finished products are managed on a "first-in first-out" basis whereby the raw materials received first at our production base will be the first to be used for our manufacturing processes.

Washing

Before production, the fruits and vegetables are machine washed to remove foreign matter and soaked in various solutions, according to the product's characteristics. For example, asparagus are washed in water and soaked in a sodium hydrochloride bath for 10 minutes to maintain its freshness whereas long beans are soaked in a salt bath for at least 15 minutes to expel pests.

Peeling and Trimming

The fruits and vegetables are then peeled, trimmed or stringed and sorted according to size and graded. This is an essential part of the quality control process which is further enhanced by another round of sampling checks by our quality control team.

Pre-cooking

Thereafter, the raw materials are pre-cooked by boiling in plain or pH-controlled water. Our quality team checks the temperature of the boiling liquid and also checks samples of the pre-cooked produce.

Once cooked, the fruits and vegetables are further washed with water to remove any remaining foreign matter.

Canning and Sterilisation

Bottles and cans when received from the suppliers are inspected for cracks and to ensure that they are of the appropriate weight. Cans are checked to ensure it is adequately coated. Bottles and cans are sterilised and cleaned by water spray at high heat and force.

The fruits and vegetables are placed into their appropriate cans or bottles after weighing. The quality team checks samples of filled cans or bottles to ensure quantity and weight.

The cans and bottles will be filled with brine or syrup, capped or sealed and samples mechanically tested to ensure that the seals are firm. The cans and bottles are then placed in a pressure cooker for pasteurisation. The sterilisation process involves placing the cans under the extreme heat of 120 degree Celsius and then subsequently cooled with water to maintain the colour of the fruits and vegetables contained within.

Cleaning and Warehousing

The cans and bottles are then manually dried by our workers and brought to the warehouse where it will be stamped with the date of production, labelled and stored for subsequent distribution or export.

The entire process from receiving the raw materials to the finished products will not exceed 15 hours in normal circumstances.

PRODUCTION FACILITIES & CAPACITY

We have 5 production facilities located in 4 provinces in the PRC, namely Shandong, Shanxi, Yunnan and Sichuan Provinces. Our aggregate annual production capacity is approximately 22,235 tonnes in FY2008. We produce different types of canned products at the factories located at each province, in different months of the year, depending on the availability of the raw materials. Please refer to the section "**Business Overview**" for more details.

Production base/ products	Maximum production capacity[1] (tonnes)			Actual production output (tonnes)			Utilisation rate (%)		
	FY2006	FY2007	FY2008	FY2006	FY2007	FY2008	FY2006	FY2007	FY2008
Shandong[2]									
- Total	–	2,895	3,290	–	2,513	1,318	–	86.8	40.1
- Asparagus	–	1,102	1,497	–	963	560	–	87.4	37.4
- Mushroom	–	1,793	1,793	–	1,550	758	–	86.4	42.3
Shanxi									
- Total	6,278	7,334	7,334	4,044	6,620	4,361	64.4	90.3	59.5
- Asparagus	6,278	5,990	5,990	4,044	5,417	3,276	64.4	90.4	54.7
- Mushroom[3]	–	1,344	1,344	–	1,203	1,085	–	89.5	80.7
Yunnan									
- Total	1,642	3,187	3,187	1,184	1,449	1,355	72.1	45.5	42.5
- Long bean	1,642	3,187	3,187	1,184	1,449	1,355	72.1	45.5	42.5
Sichuan									
- Total	3,706	8,424	8,424	2,307	6,975	4,330	62.2	82.8	51.4
- Long bean	2,208	2,074	2,074	928	1,346	1,163	42.0	64.9	56.1
- Mushroom[4]	1,498	6,350	6,350	1,379	5,629	3,167	92.1	88.6	49.9
Group Total	11,626	21,840	22,235	7,535	17,557	11,364	64.8	80.4	51.1

Notes:-

(1) Maximum production capacities are estimated based on the following assumptions:-

(i) Production machinery run for 8 hours per day; and

(ii) Number of production days per year at each of the production bases:-

Production base	Production period	Number of days per year
Shandong		
- Asparagus	April – June	90
- Mushroom	September – November	90
Shanxi		
- Asparagus	April – June	90
- Mushroom	September – November	90
Yunnan		
- Long bean	March – August October – November	240
Sichuan		
- Long bean	May – August	120
- Mushroom	October – March	180

(2) In FY2007, this relates to our production base of Shandong Grandness which commenced production in April 2007 and ceased production in end 2007. In FY2008, this relates to our production base of Shanxian Grandness which commenced production in May 2008.

(3) Shanxi Grandness commenced production of mushroom in September 2007.

(4) Sichuan Grandness commenced production of mushroom in end 2006.

The utilisation rate of our production base in Shanxi Province for the production of asparagus increased from 64.4% in FY2006 to 90.4% in FY2007 due mainly to an increase of our actual production of asparagus in FY2007. This was made possible by an advancement of funds from Huang Yupeng and Huang Zhoupeng which enabled the increase in purchase of raw materials for our production. Please refer to the section "**Interested Person Transactions and Conflicts of Interest – Advances to and from Huang Yupeng and Huang Zhoupeng**" for details of such advances.

In FY2007, we substantially increased our production capacity in our production base in Yunnan Province for the production of long beans in the last quarter of the year and as such, our utilisation rate for the production of long beans declined from 72.1% in FY2006 to 45.5% in FY2007 despite an increase in our actual production of long beans in FY2007.

In FY2007, our utilisation rate of our production base in Sichuan Province for the production of long beans increased from 42.0% in FY2006 to 64.9% in FY2007 as we substantially increased our actual production output, made possible by an advancement of funds from Huang Yupeng and Huang Zhoupeng which allowed us to increase our purchase of raw materials for our production. Please refer to the section "**Interested Person Transactions and Conflicts of Interest – Advances to and from Huang Yupeng and Huang Zhoupeng**" for details of such advances.

In FY2008, the utilisation rates at all our production bases decreased as compared to FY2007. This was mainly due to lower production as a result of (i) down-time in operations of approximately 60 days due to the relocation of our production facility from Shandong Grandness to Shanxian Grandness, both within Shandong Province; (ii) a shortage of raw materials at our production facilities in Shanxi and Shandong Provinces due to adverse weather conditions; and (iii) disruption of the transportation network in Sichuan Province due to the major earthquake on 12 May 2008. In view of the aforementioned, we had increased purchases of canned products from third-party canned food suppliers for resale to our customers, after assessing factors such as prices of such purchases as compared to our cost of production, ability to meet customers' requirements, delivery schedules and quality of products from our suppliers. Such purchases of canned products were mainly from third-party suppliers in Fujian Province which were able to offer cheaper sources of raw materials on the back of an abundant harvest of asparagus, long beans and mushrooms in that province due to favourable weather conditions.

Our Group had undertaken an internal restructuring to re-locate our production facilities in Shandong Province from Shandong Grandness to Shanxian Grandness. Prior to its de-registration in December 2008, Shandong Grandness had operated on leased properties in Liangshan County, Shandong Province. In end 2007, our Group was granted an opportunity to acquire the land use rights at Shan County, Shandong Province and our Group established a wholly-owned subsidiary, Shanxian Grandness, to acquire the abovementioned land use rights. The cost of the land use right and the cost of constructing the production facilities was approximately RMB8.4 million and RMB35.1 million respectively. The cost of relocation was approximately RMB100,000. Following the relocation, our Group's total production capacity increased from approximately 21,840 tonnes in FY2007 to 22,235 tonnes in FY2008. The construction of the production facility in Shandong Province was completed in approximately 6 months in April 2008 and production commenced in May 2008.

We have not experienced any disruption of water supply. For electricity, our Group had not experienced any disruption for more than 3 hours consecutively. Each of our production plants is equipped with standby power generators to mitigate the risk of any disruption in power supply.

There are no regulatory requirements that may materially affect the utilisation of our tangible property, production bases and machinery for the purposes of our Group.

QUALITY CONTROL AND ASSURANCE

We are committed to providing quality products and services. Our Directors recognise the importance of providing and maintaining a high level of quality assurance and product quality to our customers and end-consumers. We have established a stringent quality management system for the entire production process of our various food products. In recognition of our commitment to quality control, our quality system has been certified to comply with the requirements of ISO9001:2000, HACCP and IFS.

We monitor product quality at every stage of our production chain from the receipt of raw materials, materials processing to finished products before packing. We carry out quality control procedures in accordance with our internal quality control guidelines, which specify the various quality control checks that should be undertaken during each stage of the production process.

With regard to our Group's purchase of finished goods, a quality control personnel of our Group will be stationed at the production plants of the third party suppliers. During harvesting and production periods, the quality control personnel will also inspect the raw materials used by the third party suppliers before they are accepted for production. During the production, the quality control personnel would monitor each production stage in accordance with the Group's internal quality control guidelines, which specify the various quality control checks that should be undertaken during each stage of the production process to ensure compliance of the international accreditation such as HACCP, IFS and BRC. The monitoring results are recorded for subsequent inspection and reported to our Group on a daily basis.

Incoming Quality Control

To ensure the quality of our raw materials, we maintain a collaborative relationship with the farmers. We maintain a close working relationship with the farmers and in particular, we provide the seeds to the farmers for the growing of long beans and mushrooms and specify to farmers which organic fertilisers to use for their asparagus crops. Further, with all our raw materials, we provide the pesticides to the farmers at no charges to encourage standardisation and prevent pesticide misuse. We also provide training and support to new farmers who are undertaking the task of producing raw materials for us whilst observing other farmers who are already in collaboration with us to keep track of the growth process of the harvest. After each harvesting session, a briefing session is also conducted with the farmers and the relevant government authorities to provide a review of the results of the harvest and explore the improvements to be made when planning for the next harvest and the areas which can be improved.

We also adhere strictly to a set of quality inspection procedures and internal controls to ensure quality in all raw materials and supplies delivered to our production bases. Prior to the harvest process, the farmers are informed of the required sizes of the various fruits and vegetables. Once the fruits and vegetables are harvested, the farmers will deliver the harvest to our production bases. Upon their arrival at our production bases, a quality analysis team conducts a check to ensure the produce is of a reasonable quality. The produce are measured on a sample basis for compliance and checked for residual pesticides.

In-progress Quality Control

All new employees (including temporary workers) will have to go through hygiene training before commencement of work. The training covers the area of proper attire of uniforms, gloves and hats and knowledge of the relevant rules and regulations such as the requirement that all workers should not put on any make-up in the course of their work. Only staff that have completed the relevant training are allowed to work on our production equipment. All production staff are required to attend periodic training programmes to update and improve their skills and standards before the commencement of each production season. The production team leader is responsible for checking on the production processes for quality control purposes.

Each factory has its own dedicated quality control department. As at the Latest Practicable Date, we have a total of approximately 20 quality control staff which is headed by our Executive Officer, Huang Yongwen. The quality control staff will monitor compliance with both internal quality control standards as well as industry quality control standards required within the PRC. This is done by carrying out random sampling of the products from every batch produced. We have also established in-process quality control at various stages of the production.

Final Quality Control

All our products undergo final quality inspection immediately after being produced, packaged and labelled to ensure that all products and packaging fulfil our quality criteria established by our quality control department. Our finished products are stored in our various warehouses for at least 7 days, before delivery to customers in accordance with CIQ requirements. During that period, our quality control department continues to monitor and check our products. Thereafter, our quality control department does sample testing of the products, including tasting.

The continual monitoring facilitates prompt identification and analysis of the cause of any problems. Rectifications and/or production changes can therefore be taken during the various stages of production.

As a testament to our commitment to quality control, we have not experienced any product returns or adverse claims by our customers due to sub-standard food products during the periods under review.

MARKETING AND DISTRIBUTION

Our Directors believe that we have a strong and dedicated marketing and sales team which is responsive to market developments and the needs of our customers. Our marketing and sales team is helmed by our Chairman and CEO, Huang Yupeng so as to tap on his experience in the industry and his vast business contacts. Huang Yupeng is assisted by our Executive Director, Xu Xihua and a logistics manager who are in charge of the marketing and sales department and logistics department, respectively.

As at the Latest Practicable Date, our marketing and sales department comprises 35 marketing and sales support personnel. The marketing and sales team are divided according to our various products so as to offer specialised and dedicated services to our clients.

As at the Latest Practicable Date, our logistics department comprises 3 personnel.

Our products are mainly sold to reputable distributors and retailers in the European and North American (namely Mexico) markets. We have built long-term strategic relationships with international food distributors such as Huepeden and I Schmidt. I Schmidt is an importer and exporter of canned and frozen food and has an established house brand, “Mikado” which is sold in various countries in Europe through supermarkets such as Metro and Aldi. Likewise, we enjoy a long term relationship with supermarkets such as Lidl, REWE, WalMart and Carrefour. Lidl is a European discount supermarket chain of German origin that operates approximately 5,000 stores.

Sales contracts with these customers are annual contracts. Our Group had built its business relationships with our major customers such as Lidl, Aldi, Huepeden and REWE from 1997 to 1999. These business relationships are of a decade or more. In addition, our Group had successfully built its business relationships with I Schmidt, Metro, Walmart and Carrefour from 2001 to 2006.

We place great importance and efforts in our branding, advertising and promotion programs. We carry out the following marketing and sales activities, in order to expand our distribution network to new geographical regions and to increase market penetration in the existing geographical regions.

As part of our wholesale export marketing and sales strategy, we also participate in trade fairs together with our customers, for example, the world’s largest food fair, ANUGA, and the Russian Food Fair, to launch and promote new products and to increase the exposure and awareness of our brands in the industry. Such trade fairs provide us with a platform to collate relevant market information and trends and further provide us with an opportunity to meet potential export customers.

We continually visit our customers on a regular basis to receive feedback on our products and service. These visits also allow us to understand, first hand, any emerging needs of our customers such as the demand for new products to which we will seek to provide.

RESEARCH AND PRODUCT DEVELOPMENT

We are committed to consistently deliver quality food products to our customers and maintaining our competitiveness. To this end, we place emphasis on R&D to improve the quality of our existing products, develop new products, improve production technique and process; and improve agricultural production techniques. Our research and product development is conducted by our subsidiary, Chengdu Grandness, and is led by Huang Yongwen, our Executive Officer in charge of quality assurance and technical development. Huang Yongwen is assisted by a team of 4 specialists. We ensure the proper and successful implementation of our agricultural production techniques through the close coordination with and supervision of the farmers in various regions by approximately 60 support personnel stationed in our various production bases.

Our research and product development specialists interact actively with our marketing and sales team to obtain feedback to understand market demand and product specification to ensure that we keep up with the latest technological developments and consumer preferences, and translate such developments and preferences into successful canned products in the marketplace. We also conduct research on product characteristics so as to enable us to find ways to improve on existing products. Based on these feedback, we have continually increased our product offering, including our preserved bamboo shoot product which was introduced in 2007.

To tap into the expertise of external professionals and experts, Chengdu Grandness has established a cooperative partnership relationship with Chengdu Municipal First Institute of Agricultural Science (成都市农科一所) and, Fujian Agricultural University (福建农林大学漳州分校). Our areas of cooperation are mainly:-

(a) import of various types of seedlings and determination of their suitability for cultivation in relation to the domestic environment;

(b) R&D on the use of fertilisers and pesticides to aid in the growth of our produce; and

(c) R&D on new or improved cultivation techniques for our produce.

We have also engaged Zhao Wenxing as our product development consultant. Zhao Wenxing is an expert in agricultural production who advises us on agricultural production techniques including soil condition, growing technique and crop suitability particularly when dealing with crops like long beans and mushrooms. Working with Zhao Wenxing and our various suppliers to understand the agricultural issues, we were able to introduce new products which were previously limited to the United States of America and Spain. Further, we have successfully improved upon the cultivation techniques for mushrooms allowing for greater productivity and lower production costs.

We are continually looking out for technological updates and new developments in the international and domestic markets which would allow us to keep abreast of the latest developments in the food processing industry. In addition, from time to time, our production workers contribute innovate ideas to improve our production methods, production efficiency, product quality and decrease our production costs. We believe that our product development capabilities allow us to preserve our overall competitive strength and contribute to our future growth.

For FY2006, FY2007, FY2008 and 1Q2009, we incurred R&D expenditure of approximately RMB0.2 million, RMB0.5 million, RMB0.7 million and RMB0.1 million, respectively, representing approximately 0.3%, 0.2%, 0.2% and 0.4% of our revenue in FY2006, FY2007, FY2008 and 1Q2009, respectively.

AWARDS AND CERTIFICATIONS

Our commitment to excellence is evidenced by the following awards and certifications which we have received:-

Date of issue	Received by	Award/Certification	Issuing authority
1997	Shanxi Grandness	Excellent Export and Foreign Currency Earning Enterprise (出口创汇先进企业)	Yongji Municipal Finance and Trade Commission (永济市财经贸易委员会)
1998	Shanxi Grandness	Superior Export and Foreign Currency Earning Enterprise (出口创汇红旗单位)	Yongji Municipal Finance and Trade Commission (永济市财经贸易委员会)
1998	Shanxi Grandness	Enterprise of Outstanding Contributions (贡献突出企业)	CPC Yongji Municipal Party Committee and Yongji Municipal Government (中共永济市委、市政府)
1999	Shanxi Grandness	Enterprise of Outstanding Contributions (1st class) (贡献突出一等奖)	CPC Yongji Municipal Party Committee and Yongji Municipal Government (中共永济市委、市政府)
2000	Sichuan Grandness	Leading Poverty Aiding Enterprise in Sichuan Province (四川省扶贫龙头企业)	Sichuan Province Poverty Aid Development Office and China Agriculture Bank (Sichuan Branch) (四川省扶贫开发办公室，中国农业银行四川省分行)
2001	Shanxi Grandness	Model of Tax-payers (模范纳税户)	Yongji Municipal Government (永济市人民政府)
2002	Shanxi Grandness	Outstanding Enterprise (优秀龙头企业)	CPC Yongji Municipal Party Committee and Yongji Municipal Government (中共永济市委、市政府)
2002	Shanxi Grandness	Superior Tax-payer (纳税大户)	CPC Yongji Municipal Party Committee and Yongji Municipal Government (中共永济市委、市政府)
2004	Yunnan Grandness	Provincial Outstanding and Leading Enterprise in Agricultural Industrialization (农业产业化市级重点龙头企业)	Qujing Municipal Government (曲靖市人民政府)
2005	Yunnan Grandness	Outstanding and Leading Enterprise in Agricultural Industrialisation (农业产业化经营重点优秀龙头企业)	CPC Qionglai Municipal Party Committee and Qionglai Municipal Government (中共邛崃市委、市政府)
2005	Shanxi Grandness	Outstanding Enterprise (优秀龙头企业)	CPC Yongji Municipal Party Committee and Yongji Municipal Government (中共永济市委、市政府)
2005	Shanxi Grandness	Enterprise of Outstanding Contributions in Economic Development (经济发展突出贡献奖)	CPC Yongji Municipal Party Committee and Yongji Municipal Government (中共永济市委、市政府)

Date of issue	Received by	Award/Certification	Issuing authority
2006	Sichuan Grandness	Outstanding Enterprise to Promote the Employment (促进城市充分就业工作先进单位)	CPC Qionglai Municipal Party Committee and Qionglai Municipal Government (中共邛崃市委、市政府)
2006	Sichuan Grandness	Chengdu Municipal Outstanding and Leading Enterprise in Agricultural Industrialization (成都市农业产业化经营重点龙头企业)	Chengdu Municipal Government (成都市人民政府)
2006	Sichuan Grandness	Provincial Outstanding and Leading Enterprise in Agricultural Industrialization (农业产业化经营省级重点龙头企业)	Leading Group for Work in Rural Areas under CPC Sichuan Provincial Party Committee (中共四川省委农村工作领导小组)
2006	Yunnan Grandness	Municipal Outstanding and Leading Enterprise in Agricultural Industrialization (农业产业化市级重点龙头企业)	Qujing Municipal Government (曲靖市人民政府)
2007	Yunnan Grandness	Provincial Outstanding and Leading Enterprise in Agricultural Industrialisation (农业产业化经营省级重点龙头企业)	Yunnan Agricultural Industrialisation and Management and Agricultural Produce Value-add Leadership Team (云南省农业产业化经营与农产品加工领导小组)
2008	Shenzhen Grandness	Top 100 Guangdong Province Manufacturing Enterprises (广东省制造企业100强)	Guangdong Province Enterprise Association (广东省企业联合会) and Guangdong Province Entrepreneurs Association (广东省企业家协会)
2008	Shenzhen Grandness	China Famous Brand (中国著名品牌)	China Brand and Creditworthiness Supervisory Management Committee (中国品牌信誉监督管理委员会), China Strategies for Commercial Brands Management Committee (中国市场品牌战略管理委员会) and China Consumer Rights Protection and Improvement Association (中国消费者权益保护促进会)
2008	Shenzhen Grandness	Guangdong Province Model Enterprise for Trustworthiness 广东省诚信示范企业	Guangdong Province Enterprise Association (广东省企业联合会) and Guangdong Province Entrepreneurs Association (广东省企业家协会)
2008	Shanxi Grandness	Abiding Tax-payerCreditworthy Unit (依法纳税诚信单位)	Shanxi Province Yongji City Local Tax Bureau (山西省永济市地方税务局)

Date of issue	Received by	Award/Certification	Issuing authority
2008	Shanxi Grandness	Superior Tax-payer 纳税大户	CPC Yongji Municipal Party Committee and Yongji Municipal Government (中共永济市委、市政府)
2008	Shanxi Grandness	Outstanding Factory Manager 优秀厂长经理	CPC Yongji Municipal Party Committee and Yongji Municipal Government (中共永济市委、市政府)
2008	Shanxi Grandness	Outstanding Enterprise (优秀龙头企业)	CPC Yongji Municipal Party Committee and Yongji Municipal Government (中共永济市委、市政府)
2009	Sichuan Grandness	Provincial Outstanding and Leading Enterprise in Agricultural Industrialization (农业产业化经营省级重点龙头企业)	Leading Group for Work in Rural Areas under CPC Sichuan Provincial Party Committee (中共四川省委农村工作领导小组)

The certifications obtained or standards passed by our Group are as follows:-

Date	Company	Certification/standard	Award authority
2004	Shanxi Grandness	HACCP	CQC
2006	Sichuan Grandness	HACCP	CQC
2008	Shanxian Grandness	HACCP	Moody International Certification Ltd.
2007	Shanxi Grandness	ISO 9001:2000	BCC
2008	Shanxi Grandness	IFS	ISACert
2008	Sichuan Grandness	IFS	ISACert
2008	Yunnan Grandness	IFS	ISACert
2008	Sichuan Grandness	BRC Global Standard	International Technology (HK) Ltd

LICENCES AND PERMITS

The following is a description of the material licences and permits, other than those pertaining to general business registration requirements, issued to our Group in order for us to carry out our operations:-

Licence/Permit	Issuing authority	Period of validity	Company
Hygiene Permit for Food (食品卫生许可证)	Health Bureau of Yongji City (永济市卫生局)	28 March 2008 to 27 March 2012	Shanxi Grandness
Hygiene Permit for Food (食品卫生许可证)	Health Bureau of Yongji City (永济市卫生局)	20 March 2008 to 19 March 2012	Shanxi Grandness
Contamination Discharge Permit (排放污染物许可证)	Environmental Protection Bureau of Yongji City (永济市环境保护局)	19 June 2008 to 19 June 2011	Shanxi Grandness
Contamination Discharge Permit (排放污染物许可证)	Environmental Protection Bureau of Yongji City (永济市环境保护局)	11 June 2008 to 11 June 2011	Shanxi Grandness
Hygiene Registration Certificate (卫生注册证书)	Certification and Accreditation Administration of the PRC (国家认证认可监督管理委员会)	26 July 2007 to 26 July 2010	Shanxi Grandness
Hygiene Registration Certificate (卫生注册证书)	Certification and Accreditation Administration of the PRC (国家认证认可监督管理委员会)	31 July 2007 to 30 July 2010	Shanxi Grandness
Production License of Industrial Products (全国工业产品生产许可证)	General Administration of Quality Supervision, Inspection and Quarantine of the PRC (国家质量监督检验检疫总局)	2 March 2009 to 1 March 2012	Shanxi Grandness
Production License of Industrial Products (全国工业产品生产许可证)	General Administration of Quality Supervision, Inspection and Quarantine of the PRC (国家质量监督检验检疫总局)	20 July 2009 to 19 July 2012	Shanxi Grandness
Hygiene Permit for Food (食品卫生许可证)	Health Bureau of Shan County (单县卫生局)	4 July 2008 to 3 July 2009[1]	Shanxian Grandness

Certificate	Issuing authority	Period of validity	Company
Hygiene Registration (卫生注册证书)	Certificate Certification and Accreditation Administration of the PRC 国家认证认可监督管理委员会	27 May 2009 to 26 May 2012	Shanxian Grandness
Contamination Discharge Permit (排放污染物许可证)	Environmental Protection Bureau of Shan County (单县环境保护局)	1 June 2008 to 31 May 2009[(1)]	Shanxian Grandness
Hygiene Permit for Food (食品卫生许可证)	Health Bureau of Shenzhen City (深圳市卫生局)	10 January 2008 to 9 January 2012	Shenzhen Grandness
Contamination Discharge Permit (排放污染物许可证)	Environmental Protection Bureau of Qionglai City (邛崃市环境保护局)	10 June 2009 to 9 June 2012	Sichuan Grandness
Hygiene Permit for Food (食品卫生许可证)	Health Bureau of Qionglai City (邛崃市卫生局)	9 October 2006 to 8 October 2010	Sichuan Grandness
Hygiene Registration Certificate (卫生注册证书)	Certification and Accreditation Administration of the PRC (国家认证认可监督管理委员会)	19 July 2008 to 18 July 2011	Sichuan Grandness
Hygiene Permit for Food (食品卫生许可证)	Health Bureau of Shizong County (师宗县卫生局)	7July 2008 to 6 July 2010	Yunnan Grandness
Contamination Discharge Permit (排放污染物许可证)	Environmental Protection Bureau of Shizong County (师宗县环境保护局)	3 April 2008 to 28 February 2012	Yunnan Grandness
Hygiene Registration Certificate (卫生注册证书)	Certification and Accreditation Administration of the PRC (国家认证认可监督管理委员会)	14 August 2008 to 13 August 2011	Yunnan Grandness

Note:-

(1) Shanxian Grandness is in the process of applying for the renewal of the relevant permits.

Shanxian Grandness has applied for the Hygiene Permit for Food and the Contamination Discharge Permit. Pending approval, it is permitted to continue its production. Save as disclosed above, as at the Latest Practicable Date, our business or profitability is not materially dependent on any other licences and permits.

MAJOR SUPPLIERS

Our raw materials comprise asparagus, long beans and mushrooms and other fruits and vegetables, and packaging materials such as glass bottles and bottle caps. In addition, we also purchase canned products from third-party suppliers for sale to our customers.

We purchase our raw materials from a group of more than 300 individual farmers and farming collectives in the PRC. The following table sets out the number of individual farmers, farming collectives and third party suppliers that we purchased from during the periods under review:-

Type of Supplier	FY2006	FY2007	FY2008	1Q2009
Individual Farmers	10	20	40	40
Farming collectives	153	180	250	253
Third party suppliers	7	10	10	7

The purchases of raw materials from individual farmers are generally made based on cash upon delivery whereas purchases from farming collectives are generally made on credit terms of up to 60 days. The prices of these raw materials are determined in accordance with the open prevailing market prices during the harvesting seasons of raw materials.

We do not depend on a single supplier for our raw materials and we do not enter into long-term supply contracts for the purchase of raw materials. Upon receiving annual or seasonal purchase confirmations from our customers, we will generally enter into corresponding annual or seasonal supply contracts with the various farming collectives for the supply of raw materials. In addition to our major suppliers as set out in the table below, our Directors believe that the raw materials supplied by our major suppliers can be easily sourced from other individual farmers and farming collectives in the PRC. We purchase from suppliers who are able to offer us the required quality at the most competitive prices.

The following table sets out our major suppliers which accounted for 5.0% or more of our total purchases during the periods under review:-

		As a percentage of our total purchases			
Supplier	**Products**	**FY2006 (%)**	**FY2007 (%)**	**FY2008 (%)**	**1Q2009 (%)**
Zhangzhou Wanshili Canned Food Co., Ltd ("**Zhangzhou Wanshili**") 漳州万士利食品罐头有限公司	Canned mushrooms, canned bamboo shoots and canned products	1.3	6.5	14.1	39.3
Wang Zhonghu 王中虎	Asparagus	1.5	5.3	0.2	–
Fujian Dongshan Dongqiang Canned Food Factory ("**Fujian Dongshan**") 福建省东山县东强罐头厂	Canned asparagus	3.2	–	16.6	14.6
Guangxi Yulin City Daziran Food Co., Ltd. ("**Guangxi Yulin**") 广西玉林市大自然食品有限公司	Canned long beans	–	3.3	25.6	25.7
Fujian Province Lixi Food Co., Ltd. ("**Fujian Lixi**") 福建省丽西食品有限公司	Canned asparagus	–	–	14.9	–
Wuxi Huapeng Jiaduobao Cap Co., Ltd ("**Wuxi Huapeng**") 无锡华鹏嘉多宝瓶盖有限公司	Bottle caps	6.1	3.9	0.3	–
Total		**12.1**	**19.0**	**71.7**	**79.6**

We purchase canned products from Zhangzhou Wanshili, Guangxi Yulin, Fujian Dongshan and Fujian Lixi for resale to our customers. Purchases of canned products from these third-party suppliers had increased from FY2007 to FY2008 as a result of lower production at our production facilities due to (i) down-time in operations of approximately 60 days as we relocated our production facility from Shandong Grandness to Shanxian Grandness, both within Shandong Province; (ii) a shortage of raw materials at our production facilities in Shanxi and Shandong Provinces due to adverse weather conditions; and (iii) disruption of the transportation network in Sichuan Province due to the major earthquake on 12 May 2008. Due to the unfavourable weather conditions (snow storms in certain parts of China in early 2008), there was scarcity of asparagus in the northern region of China, including Shandong and Shanxi Provinces where 2 of our Group's productions facilities are located. As a result of this, pricing anomalies arose between those affected regions (such as above) and the unaffected regions (such as Fujian Province), where asparagus from affected regions became more expensive. To satisfy customers' orders in a cost effective manner, our Group decided to purchase the shortfall in asparagus from third party suppliers in FY2008 and 1Q2009, rather than to bid for the northern crops at higher cost. The year-to-year fluctuations in our purchases from amongst these suppliers were due mainly to requirements as to specifications and pricing.

We purchase our raw materials from various suppliers, including Wang Zhonghu (a farming collective), for asparagus.

We purchase bottle caps from Wuxi Huapeng and our purchases, as a percentage of our total purchases and in absolute terms, decreased from FY2006 to FY2008. This is in line with our strategy to reduce our dependency on a single supplier as we were able to obtain alternative supplies of bottle caps from other suppliers.

None of our Directors or Substantial Shareholders or any of their Associates has any interest, direct or indirect, in any of our major suppliers mentioned above.

MAJOR CUSTOMERS

Our products are mainly for the export markets including countries such as Germany, France, Spain, the Netherlands, the Czech Republic, Russia, Mexico and Singapore. Our customers include reputable distributors and retailers in the European and North American (namely Mexico) markets and most of our products are branded under our customer's brands. We also sell our products in China. In 2007, we started the production and sale of products using our brand names, namely "Dao Mei" ("刀妹") for the PRC market and "Grandness" for the overseas market.

The following table sets out our major customers who accounted for 5.0% or more of our total revenue during the periods under review:-

		As a percentage of our total revenue			
Customer	**Main canned product(s)**	**FY2006 (%)**	**FY2007 (%)**	**FY2008 (%)**	**1Q2009 (%)**
Lidl	Asparagus, long beans and lychees	45.2	31.7	40.8	7.8
Siplec (France)	Asparagus	8.0	2.3	0.9	2.9
Calkins	Mushrooms	–	13.3	11.9	41.8
REWE (Germany)	Asparagus	5.2	4.6	4.2	7.6
Compare (Spain)	Asparagus	2.6	3.8	2.1	6.3
Golden Gate (Germany)	Asparagus	1.8	8.5	6.6	–
Huepeden (Germany)	Asparagus, long beans, mushrooms and fruits	10.3	4.1	3.5	8.2
I Schmidt (Germany)	Asparagus, long beans and mushrooms	6.3	8.3	12.0	13.1
Total		**79.4**	**76.6**	**82.0**	**87.7**

The absolute value of our sales to Lidl increased from FY2006 to FY2008, although as a percentage of our total revenue, our sales decreased from FY2006 to FY2007, and increased in FY2008. The increase in sales value was mainly attributable to increased sales of asparagus and long beans over these years. In 1Q2009, our sales to Lidl declined in line with the seasonal nature of our business.

In FY2007 and FY2008, our sales of asparagus to our major customers continued to fluctuate due to changes in our allocation of resources towards the fulfilment of orders for asparagus amongst our customers. Such allocation of resources will depend on, amongst others, our relationship with such customers, negotiation in terms of pricing and credit terms, and volume of purchase from such customers. Our sales to Golden Gate, as a percentage of our total revenue increased substantially from 1.8% in FY2006 to 8.5% in FY2007 mainly due to a large order received from Golden Gate for asparagus amounting to approximately RMB17.6 million in December 2007. Our sales to Golden Gate remained relatively stable in FY2008 in absolute terms although as a percentage of our total revenue, it declined to 6.6%. Our sales to Siplec, as a percentage of our total revenue, decreased from 8.0% in FY2006 to 2.3% in FY2007 and further to 0.9% in FY2008. Our sales to REWE increased in absolute value from FY2006 to FY2008 although it declined as a percentage of our total revenue. Our sales to Compare, as a percentage of total revenue, increased from 2.6% in FY2006 to 3.8% in FY2007 and then declined to 2.1% in FY2008.

In FY2007, we started our sales of mushrooms to Calkins in Mexico and such sales, in absolute value, increased from FY2007 to FY2008. Our sales to Calkins as a percentage of total revenue increased from 11.9% in FY2008 to 41.8% in 1Q2009 mainly as a result of the seasonal nature of our business.

The absolute value of our sales to Huepeden increased from FY2006 to FY2008, although as a percentage of our total revenue, our sales decreased from 10.3% in FY2006 to 3.5% in FY2008. The increase in sales value in FY2007 was mainly attributable to increased sales of asparagus and newly introduced mushrooms, which partially offset the decreased sale of long beans. The increase in sales value in FY2008 was mainly attributable to increased sales of mushrooms and fruits, which partially offset the decreased sales of asparagus. Sales to Huepeden, as a percentage of our total revenue, increased from 3.5% in FY2008 to 8.2% in 1Q2009 due mainly to increased sales of asparagus, partially satisfied from the purchase of finished goods from third-party suppliers.

Our sales to I Schmidt, both as a percentage of our total revenue and in absolute value, increased from FY2006 to FY2008. The increase in sales value in FY2007 was mainly attributable to increased sales of mushrooms whereas the increase in sales value in FY2008 was mainly attributable to increased sales of asparagus and long beans. In 1Q2009, our sales to I Schmidt, as a percentage of our total revenue increased from 12.0% in FY2008 to 13.1% in 1Q2009. The change in sales product mix was mainly due to changes in demand from our customer.

None of our Directors or Substantial Shareholders or any of their Associates has an interest, direct or indirect in any of our major customers mentioned above.

CREDIT POLICY

Sale of Products

Payment for our export sales is generally against sight letter of credit (L/C) and document against payment (D/P). We grant credit terms of up to 60 days, depending on the credit worthiness and payment track records of our customers. For our domestic sales in the PRC, we generally grant credit terms of 90 days to 120 days.

We minimise our credit risk exposure through credit assessment, taking into consideration the payment track records of our customers, size of their business, market reputation and the duration of their business relationships with us.

Our average trade receivables turnover for FY2006, FY2007, FY2008 and 1Q2009 were as follows:-

	FY2006	FY2007	FY2008	1Q2009
Average trade receivables turnover(1) (days)	27	69	81	151

Note:-

(1) Average trade receivables turnover are computed as follows:-

(Average trade receivables/revenue) x number of days

Where:

"Average trade receivables" is the average of the opening and closing amounts of the relevant financial year/period.

"Number of days" is the number of calendar days in the relevant financial year/period.

Trade receivables turnover increased from 27 days in FY2006 to 69 days in FY2007. This was mainly due to increased export sales of an aggregate of approximately RMB44.7 million to 2 of our major customers in December 2007 and such trade receivables were due and payable in early 2008. These trade receivables had been collected as at May 2008. In addition, we commenced sales domestically in the PRC in FY2007 and such domestic customers are generally granted longer credit terms.

Trade receivables turnover increased from 69 days in FY2007 to 81 days in FY2008 as a result of slower payment by our customers in view of the recent financial crisis. In addition, we granted a longer credit term of 90 days to one of our major customers in order to secure a purchase contract with it. As at the Latest Practicable Date, approximately 99.9% of our trade receivables as at 31 December 2008 had been collected.

Trade receivables turnover increased from 81 days in FY2008 to 151 days in 1Q2009 mainly due to the fact that a significant amount of sales were generally made at the end of 1Q2009. Such trade receivables were due and payable after 1Q2009.

We have not made any provision for impairment on trade receivables for the periods under review.

The ageing for our trade receivables as at 31 March 2009 is as follows:-

	0 to 30 days	31 to 60 days	61 to 90 days	91 to 120 days	> 120 days
Trade debtors ageing (%)	29.9	15.4	18.4	35.5	0.8

As at 31 March 2009, our trade receivables amounted to approximately RMB44.0 million, of which approximately 99.8% had been collected as at the Latest Practicable Date.

Purchase of Raw Materials

Our purchase of raw materials from individual farmers is generally made based on cash upon delivery at our factories, mainly in the form of cheque payments (as compared to cash payments which are insignificant to the total purchases of our Group). Farming collectives and suppliers of materials (such as glass bottles and bottle caps) generally grant us credit terms of 30 to 60 days, while suppliers of finished products generally grant us credit terms of 30 to 150 days. Payment terms granted by our suppliers vary from supplier to supplier and are also dependent on, amongst other things, our relationship with the supplier and the size of the transaction.

Our average trade payables turnover for the periods under review were as follows:-

	FY2006	FY2007	FY2008	1Q2009
Average trade payables turnover[(1)] (days)	85	52	61	138

Note:-

(1) Average trade payables turnover are computed as follows:-

(Average trade payables/costs of sales) x number of days

Where:

"Average trade payables" is the average of the opening and closing amount of relevant financial year/period.

"Number of days" is the number of calendar days in the relevant financial year/period.

The trade payables turnover decreased from 85 days in FY2006 to 52 days in FY2007 as we made efforts to be more prompt in our settlements in order to secure continuous supply of raw materials and to obtain more attractive terms (such as more competitive prices) from our suppliers.

The trade payables turnover increased from 52 days in FY2007 to 61 days in FY2008 as we made concerted efforts to better manage our cashflow position by negotiating for more attractive credit terms (in terms of longer credit periods) from our suppliers.

The trade payables turnover increased from 61 days in FY2008 to 138 days in 1Q2009 for the same reasons for the increase in FY2008. Furthermore, the proportion of purchases from third-party suppliers who generally grant us longer credit periods of 30 to 150 days had increased in 1Q2009 as compared to FY2008.

INVENTORY MANAGEMENT

Our inventory consists mainly work-in-progress, finished products and other packaging materials such as glass bottles and bottle caps. Our raw materials are processed within 24 hours of delivery at our production bases to ensure freshness and thus our inventory levels for raw materials are minimal.

We conduct sample stock count on a monthly basis, while a full stock count is carried out on an annual basis. Due to the seasonality of our raw materials, we purchase different types of raw materials for our production throughout the year, which is reflected in the level of our work-in-progress and finished goods during the year. Please refer to the section "**Seasonality**" for more information. Once the raw materials are delivered, it undergoes its respective production processes as described under the section "**Production Process**". The finished products are then stored in warehouses which are kept dry and well ventilated.

Our procurement of raw materials and production planning are based on the delivery schedules of actual orders from our customers. Our production department will take into account the sales orders on hand, the expected demand patterns for our products and the lead-time for production and delivery of our products.

Our average inventory turnover days for the periods under review were as follows:-

	FY2006	**FY2007**	**FY2008**	**1Q2009**
Average inventory turnover[(1)] (days)	100	48	58	179

Note:-

(1) Average inventory turnover are computed as follows:-

(Average inventories/cost of sales) x number of days

Where:

"Average inventory" is the average of the opening and closing amount of relevant financial year/period.

"Number of days" is the number of calendar days in the relevant financial year/period.

Our inventory turnover improved from 100 days in FY2006 to 48 days in FY2007 mainly due to the increased sales of approximately RMB44.7 million to 2 of our major customers in December 2007, which accordingly reduced our inventory levels as at 31 December 2007. In addition, the improved inventory level in FY2007 was also attributable to more concerted efforts to control our inventory levels by monitoring sales order secured from our customers.

Our inventory turnover increased from 48 days in FY2007 to 58 days in FY2008 due to the requests by our customers for delay in delivery as a result of the financial crisis.

Our inventory turnover increased from 58 days in FY2008 to 179 days in 1Q2009 as our sales is generally low in the first quarter of each year due to the seasonal nature of our business. Please refer to the section "**Management's Discussion and Analysis of Financial Position and Results of Operations - Seasonality**" for more information. Our inventory turnover for 1Q2008 was 199 days.

We do not provide general allowances for inventory obsolescence. We regularly assess our inventory to identify slow-moving stocks. Based on these assessments, write-down and write-off of inventories are made on a case-by-case basis. Inventories are generally written-off for damage and loss. In addition, our inventories are generally written-down when the net realisable value of the inventories is lower than the costs. Our inventories, comprising products of various grades with different selling prices, are recorded based on standardised costing method. As such, during the end of each financial year, we will assess our costs of inventories and make the necessary write-down provisions. With effect from May 2008, we implemented activity-based costing method for our inventories, taking into account, amongst other things, varying grades and selling prices of inventories.

The inventories, amounts written-off and written-down during the periods under review were as follows:-

(RMB'000)	**FY2006**	**FY2007**	**FY2008**	**1Q2009**
Inventories	20,621	28,114	46,544	44,686
Write-off of inventories	970	313	–	63
Write-down of inventories	–	258	387	–

INSURANCE

We maintain comprehensive all-risks insurance policies for our production facilities, including buildings and machinery, and inventory against natural calamities (including fire) and theft. We are in the process of obtaining product liability insurance in relation to our main products and exports to our main markets. Our Directors are of the view that our Group is sufficiently covered by our current insurance for the risks which we may be exposed to with regard to loss or damage caused by natural calamities or theft to our abovementioned assets and office. However, significant damage to our operations, whether as a result of fire or other causes, may still have a material adverse effect on our results of operations or financial condition. We are not insured against loss of key personnel and business interruption. Please refer to the section "**Risk Factors – We may be affected by complaints, product liability claims from customers and negative publicity**" for more details.

INTELLECTUAL PROPERTY

We place great importance on our brand names so as to distinguish our products from those of our competitors and to increase customers' awareness of our products. Save for the products that we produce for our customers that are under their brand names, we sell our products under our brand names "Grandness" and "Dao Mei" ("刀妹"). As at the Latest Practicable Date, we have registered or have applied for registration of the following trademarks:-

Trademark	**Place of application**	**Registration Class**	**Application/ registration certificate no.**	**Date**	**Status**
GRANDNESS	PRC	29	Registration certificate: 3001503	–	Granted – Valid from 7 January 2003 to 6 January 2013
振鹏达	PRC	29	Registration certificate: 4856926	–	Granted – Valid from 21 June 2008 to 20 June 2018
刀妹 daomei	PRC	29	Registration certificate: 5612413	–	Granted – Valid from 7 June 2009 to 6 June 2019
V动力	PRC	32	Application number: 7005766	17 Oct 2008	Pending approval

Trademark	Place of application	Registration Class	Application/ registration certificate no.	Date	Status
八仙V动力 baxianVdongli	PRC	32	Application number: 6846689	18 Jul 2008	Pending approval
GRANDNESS 振鹏达	PRC	32	Application number: 6846688	18 Jul 2008	Pending approval
GRANDNESS	PRC	32	Application number: 7035373	3 Nov 2008	Pending approval
振鹰 ZHENYING	PRC	29	Application number: 7166429	15 Jan 2009	Pending approval
八仙	PRC	32	Application number: 7439349	2 June 2009	Pending approval
八仙醇	PRC	33	Application number: 7567572	24 July 2009	Pending approval

Most of our customers have their own trademarks. We will package the canned products for these customers with either packaging materials provided by them or with packaging materials produced by us, which have been pre-approved by them.

As at the Latest Practicable Date, we have registered the following design patent and have applied to register the following invention patent:-

Description	Place of application	Category	Status	Application / Registration certificate
Glass bottle	PRC	Design Patent	Granted – valid from 13 June 2006 to 12 June 2016	Registration certificate: ZL200630019928.0
Method of preparing a kind of drink(1)	PRC	Invention Patent	Pending approval	Application number: 200810218012.6

Note:-

(1) This patent application was filed by Huang Yupeng. Under the licence agreement dated 30 June 2009, Huang Yupeng has undertaken to transfer the patent right to Shenzhen Grandness within 30 days of the patent right being granted, for nil consideration, and to grant an exclusive right to Shenzhen Grandness to use (and to grant its affiliate company the licence to use) the invention before registration of the patent right for nil consideration.

Save as disclosed above, we do not own or use any registered trademark, patent or other intellectual property rights.

The above trademarks and patent currently do not contribute significantly to our profitability. We are not aware of any infringement of our proprietary rights.

PROPERTIES AND FIXED ASSETS

We currently own the following properties:-

Company	Location	Usage	Gross built-up area (sq m)	Encumbrance
Shanxian Grandness	West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County, the PRC (单县开发区园艺路南段路西)	Industrial	16.710.01	Mortgaged to Bank of Communications Co., Ltd., Shenzhen Hailian Branch as security for a term loan of RMB40.0 million to Shenzhen Grandness
Shenzhen Grandness	Unit 2115-2120, 21st/F Tower B Southern International Plaza No. 3013, Yitian Road, Futian District Shenzhen, the PRC(1) (深圳市福田区益田路3013号南方国际广场B栋21楼2115-2120室)	Office	265.68	Mortgaged to Bank of Communications Co., Ltd., Shenzhen Hailian Branch as security for a term loan of RMB40.0 million to Shenzhen Grandness
Sichuan Grandness	Off Qiongxin Road, Linqiong Town, Qionglai City (邛崃市临邛镇邛新路侧)	Factory	18,680.98	Mortgaged to SME Centre as security for the guarantee granted by SME Centre in relation to the term loan of RMB18.0 million by Shenzhen Ping An Bank Co., Ltd., Shenzhen Jingtian Branch to Shenzhen Grandness(2)
Yunnan Grandness	Danfeng Town, Shizong County, Yunnan Province (云南省师宗县丹凤镇)	Factory Office Warehouse Boiler room	2,268.00 511.20 5,075.00 274.16	Mortgaged to Agricultural Development Bank of China, Shizong County Branch as security for a term loan of RMB7.0 million to Yunnan Grandness

Note:-

(1) This property is registered in the name of Huang Yupeng and held in trust for Shenzhen Grandness. Huang Yupeng had undertaken to transfer the legal ownership of the property to Shenzhen Grandness within 3 months after the discharge of the mortgage over the property and, in any event, no later than 30 September 2012. By an Undertaking Letter dated 12 March 2008 (as varied by a letter dated 11 November 2009) issued by Huang Yupeng, Huang Yupeng declared that the property was purchased in his name for and on behalf of our Company. He further warranted that (i) our Company is the owner of the property and he would register the property in our name within 3 months after the discharge of the mortgage over the property and, in any event, no later than 30 September 2012; and (ii) prior to the property being registered in our name, he would not transfer, mortgage or lease the property to any third party, without our prior consent; nor shall he subject the property to seizure or impoundment. We have been advised by the Legal Advisers to our Company on PRC Law, GFE Law Office, that we beneficially own the property.

(2) In China, a financial institution will sometimes only accept mortgages on properties that are located in the province that the borrower is established. In the event that the borrower does not own any properties in that province, the financial institution may require a guarantee to be provided by a third party. In this case, the third party to provide the guarantee is SME Centre which is a credit guarantee organisation established by the Shenzhen municipal government. Sometimes the controlling shareholders of the borrower are required to in turn provide back-to-back corporate or personal guarantees to SME Centre. A fee of 2% of the total amount of loans or facilities guaranteed is payable to SME Centre.

In addition, we have been granted the following land use rights:-

Company	Location	Gross area (sq m)	Usage	Tenure	Land use right
Shanxian Grandness	West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County (单县开发区园艺路南段路西)	70,895	Industrial purpose	50 years ending on 29 July 2058	Certificate of Land Use Right (No. (2008)0063) dated 7 August 2008 issued by the People's Government of Shan County Mortgaged to Bank of Communications Co., Ltd., Shenzhen Hailian Branch for a term loan of RMB40.0 million to Shenzhen Grandness
Sichuan Grandness	Off Qiongxin Road, Linqiong Town, Qionglai City (邛崍市临邛镇邛新路侧)	134,289.91	Industrial purpose	50 years ending on 2 March 2055	Certificate of Land Use Right (No. (2005)1838) dated 31 October 2005 issued by the People's Government of Qionglai City 80,956.91 sq m of the land use rights has been mortgaged to SME Centre as security for the corporate guarantee granted by SME Centre in relation to a term loan of RMB18.0 million by Shenzhen Ping An Bank Co., Ltd., Shenzhen Jingtian Branch to Shenzhen Grandness[2] 53,333 sq m of the land use rights has been mortgaged to Financial Bureau of Qionglai City, Sichuan Province (四川省邛崍市財政局) as security for the term loan of RMB3.375 million to Sichuan Grandness
Yunnan Grandness[1]	Danfeng Town, Shizong County, Yunnan Province (云南省师宗县丹凤镇)	66,366.30	Industrial purpose	50 years ending on 9 April 2055	Certificate of Land Use Right (No. (2006)0192) dated 27 July 2006 issued by the People's Government of Shizong County Mortgaged to Agricultural Development Bank of China, Shizong County Branch as security for a term loan of RMB7.0 million to Yunnan Grandness

Note:

(1) The amount of land grant premium of RMB2,757,250 is still outstanding and is due and payable by 18 August 2010. Land grant premium refers to the fees payable to the PRC government for the land use right granted for a period of time.

(2) In China, a financial institution will sometimes only accept mortgages on properties that are located in the province that the borrower is established. In the event that the borrower does not own any properties in that province, the financial institution may require a guarantee to be provided by a third party. In this case, the third party to provide the guarantee is SME Centre which is a credit guarantee organisation established by the Shenzhen municipal government. Sometimes the controlling shareholders of the borrower are required to in turn provide back-to-back corporate or personal guarantees to SME Centre. A fee of 2% of the total amount of loans or facilities guaranteed is payable to SME Centre.

We currently lease the following properties:-

Company	Location	Usage	Gross area (sq m)	Tenure	Annual rental (RMB)	Lessor
Shanxi Grandness	Puzhou Town, Yongji City（永济市蒲州镇）	Factory	10,025.13	26 November 2007 to 20 November 2015	2,000	Villagers' Committee of Wenxue Village, West of Puzhou Town, Yongji City（永济市蒲州镇西文学村村民委员会）
Shanxi Grandness	Southern section of Xi Xiang Road（西厢路南段）	Factory	1,909.41	1 January 2007 to 31 December 2026	168,000	Food Bureau of Yongji City（永济市粮食局）

GOVERNMENT REGULATIONS

As at the Latest Practicable Date, our business operations in the PRC are not subject to any special legislation or regulatory controls other than those generally applicable to companies (including foreign invested enterprises) and businesses operating in the PRC and as set out below.

The production of our canned products is regulated under the Food Hygiene Regulations of the PRC, the Regulation on Administration of Food Hygiene Permits and relevant laws and regulations relating to environmental protection.

The production of our canned products requires a Hygiene Permit for Food（食品卫生许可证）which is issued by the Department of Hygiene（卫生局）as well as a Contamination Discharge Permit（排放污染物许可证）issued by the environmental protection authority before commencement of such production. In addition, a Hygiene Registration Certificate（卫生注册证书）issued by Certification and Accreditation Administration of the PRC（国家认证认可监督管理委员会）should be obtained for the production of canned products meant for exportation. The production of our herbal beverage which is sold in the local PRC market requires a Production License of Industrial Products（全国工业产品生产许可证）issued by General Administration of Quality Supervision, Inspection and Quarantine of China（国家质量监督检验检疫总局）.

Our Directors have confirmed that, to the best of their knowledge and belief, after having made all reasonable enquiries, our Group has obtained all relevant business licences, certificates, permits and approvals necessary for our operations.

Please refer to **Appendix G: Summary of PRC Laws and Regulations** for details on the laws and regulations which are applicable to our business operations in the PRC.

COMPETITION

We face intense competition in the food industry in the PRC as there are currently many food processing companies in the PRC and we expect future entrants into this industry. However, we believe that our Group is relatively large in scale and we have a well established overseas distribution networks and channels.

We believe that we are relatively more competitive compared to producers outside PRC in view of our low production cost and the availability of raw produce. As such, our competitors are only limited to those within the PRC.

To the best of our knowledge, our Directors consider the following companies our main competitors:-

Company	Type of company	Products	Main markets
Xiamen International Trade Group (厦门国贸集团股份有限公司)	Listed company	Asparagus	Europe and America
Caoxian Zhongliang Dabao Food Production Co., Ltd. (曹县中粮大宝食品工业有限公司)	Company limited by shares	Asparagus	Europe
Yongji Zhongliang Dabao Food Co., Ltd. (永济中粮大宝食品有限公司)	Company limited by shares	Asparagus	Europe
Shandong Lixing Canned Food Co., Ltd. (山东立兴罐头食品有限公司)	Private company	Asparagus and mushrooms	Europe, Southeast Asia, Middle East and Canada
Sichuan Lantian Food Production Co., Ltd (四川兰田工业食品有限公司)	Private company	Long beans and mushrooms	Europe and America
Fujian Zishan Group Co., Ltd (福建紫山集团有限公司)	Private company	Asparagus and mushrooms	Europe and Japan

COMPETITIVE STRENGTHS

Our Directors believe that the following are our competitive strengths:-

We have an established track record and market

We have been in the business of manufacturing and supplying canned fruits and vegetables since 1998 and through these 10 years, we have established a range of quality products and call major overseas distributors and retailers, our clients. In 2008, we were the top exporter of canned asparagus and long beans in the PRC and one of the top 3 exporters of canned mushrooms in the PRC.[(1)]

We have a well-established network of distributors and reputable retailers with whom we enjoy a strong relationship

We have been a manufacturer and supplier of canned fruits and vegetables for more than 10 years and have established a good track record and reputation by continuously providing high quality products and services to our customers.

We have a well-established network of reputable distributors and retailers spanning 3 continents, in countries such as Germany, France, Spain, the Netherlands, the Czech Republic, Russia, Mexico and Singapore. We have built long-term strategic relationships with distributors such as Compare, Golden Gate, I Schmdit, B&P and Huepeden and reputable retailers such as Lidl, Siplec and REWE.

With our close relationships and constant communication with our distributors and retailers, we are able to respond and adapt effectively to any change in customer preference, market requirement and legal and regulatory requirement in their respective countries. In FY2008, more than 95.0% of our revenue was from repeat customers. We believe that our strong relationships with our customers allow us to maintain our competitive edge against our competitors.

Note:-

(1) Industry Report on Canned Fruits and Vegetables in the PRC (中国果蔬罐头行业市场研究咨询报告) by Beijing Hua Jing Zong Heng Information Centre ("**Beijing Hua Jing**") (北京华经纵横经济信息中心). Beijing Hua Jing has not consented to the inclusion of the information in this section for the purposes of section 249 of the SFA, and is thereby not liable for the information included under sections 253 and 254 of the SFA. Our Directors are aware that Beijing Hua Jing does not guarantee or assume responsibility that the information in its report is accurate, current or reliable, or may be used for any purpose other than for general reference. While we have included such information in its proper form and context in this Prospectus, we have not verified the accuracy of the contents of the relevant information.

Our canned fruits and vegetables are consistently of high quality

We are committed to consistently delivering quality products to our customers. We have implemented stringent quality control and procedures in our manufacturing processes to ensure that all our products are of high quality. The manufacture and sale of our canned products are certified as ISO 9001:2000 compliant. Our production bases in Shanxi, Sichuan and Shandong Provinces have also been certified as being compliant with the HACCP food safety system since 2004, 2006 and 2008, respectively and our production bases in Shanxi, Sichuan and Yunnan Provinces also received their IFS certification in 2008. Our canned mushroom product has also passed the BRC certification on 30 March 2008.

Most of our major customers have had continued transactions with us for more than 5 years, in particular, Lidl has been our customer since 1997 and REWE and Huepeden since 1998. The long term business relations we have with our customers is a testament to the quality of our products.

We possess good technical knowledge and have a team that is well informed of the latest cultivation and production techniques

With our continual emphasis on research and product development conducted by our subsidiary, Chengdu Grandness, we have garnered good technical knowledge of the latest cultivation and production technique which ensures the consistency and quality of our raw materials. We are constantly seeking to improve on our agricultural production knowledge on areas such as growing techniques, crop suitability and soil condition. Our consultant, Zhao Wenxing, is an expert in agricultural production and is instrumental to our business especially in the introduction of new crops for cultivation in the PRC including the introduction of long beans to the Sichuan region.

We have an experienced and dedicated management team

Our business is managed by an experienced and dedicated management team led by our Chairman and CEO, Huang Yupeng, who has more than 20 years of experience in the food industry. Our Executive Directors are actively involved in the day-to-day operations of our business which enables us to fully utilise their extensive knowledge and for timely decisions to be made when required. Huang Yongwen had more than 30 years of experience in production and quality control.

Our production plants are strategically located in various provinces in the PRC

We believe that one of our competitive strengths lies in the location of our 4 subsidiaries in the PRC.

Shanxi Grandness and Shanxian Grandness are located in Yongji City of Shanxi Province and Shanxian District of Shandong Province, respectively, which are the 2 biggest asparagus cultivation regions in the PRC. Sichuan Grandness and Yunnan Grandness are located in Qionglai City of Sichuan Province and Shizong County of Yunnan Province, respectively, which are among the biggest long bean cultivation regions in the PRC. Sichuan Province is also one of the largest mushroom plantations in the PRC. Our raw materials, asparagus, long beans and mushrooms are abundant and of high quality in these regions. Our close proximity to our sources of raw materials ensures that transportation costs for the delivery of our raw materials are minimised. Being a manufacturer of food products, this further ensures that our raw materials are fresh.

Further, our production bases straddle different climatic regions so that our production activities can be carried out throughout the year.

PROSPECTS

Our Directors believe that we will continue to enjoy healthy growth in the demand for our canned products in view of the continual and growing market acceptance of canned food for various reasons including convenience. We are therefore optimistic about the future prospects for our canned products and have identified the following trends and factors as significant to our growth:-

Prospects for Overseas Markets

Our customers in Europe accounted for approximately 83.0% of our sales in FY2008. Since 2000, countries such as those in the European Union have set up import restrictions on the grounds of environmental and food safety issues collectively and commonly known as "Green Barriers". This resulted in greater scrutiny of imports of agricultural-based products. Our Directors believe that while this trend may result in a reduction in exports of canned products from the PRC to such countries, it has also compelled exporters of canned products to pay greater attention to the quality and safety of their products in order to meet the standards set by the "Green Barriers" of such countries.

Our consistent focus on product quality and food safety by, amongst other things, our compliance with the IFS, satisfied the requirement of the European Union and as such, we are able to export our goods to European Union despite "Green Barriers" being imposed. Apart from our internal quality control procedures as described in the section "**Quality Control and Assurance**", the CIQ will also test our products on a sampling basis and their analysis report will be delivered with the shipment of goods. The "Green Barriers" may act as a barrier to entry into these lucrative markets for those processed fruits and vegetables manufacturers which have not attained the necessary level of quality control for their products.

Prospects for the PRC Market

Our Directors are of the opinion that the PRC market is an emerging market for our Group's canned products with potential for high growth and the next wave of growth for us is to tap on the PRC markets.

The vibrant food industry and huge population in the PRC, coupled with rising affluence and heightened awareness of health, will facilitate our sales in the PRC. Our Directors expect to experience sustained growth in domestic sales.

Product Development

We have identified other products for the existing market. With the expertise and knowledge of our Directors, we believe that we are able to develop these products in response to the existing needs of the market. Our Directors believe that given the relative maturity of the canned product industry, product development is a key driver of our Group's future sales growth. New products evolve largely through the efforts of our research and product development team working in conjunction with our sales and marketing department such as the introduction of the cultivation of long beans in the Sichuan region and working in conjunction with our sales and marketing department. As a result of continual effort to improve our processing technology, our Directors believe that our expenditure on product production will be reduced, hence enabling us to offer customers a greater variety of products at a lower cost.

TREND INFORMATION

The trends observed by our Directors for FY2009, barring unforeseen circumstances, are as follows:-

(a) Since September 2008, there had been widespread negative publicity on tainted milk products in the PRC, where certain milk products were found to contain melamine which is a chemical harmful to the human body. Due to the tainted milk scandal, further health and safety inspections are being carried out on our products. In addition, in the second half of 2008, the global economy had experienced a general slowdown as a result of the financial crisis. However, despite the above difficult conditions, we have not experienced any cancellation of orders from our customers. In fact, we expect the sales volume of our canned products to increase in 2009 in view of favourable changes in consumer preferences towards canned food products.

(b) The average selling price of canned asparagus has declined slightly in 1Q2009, in line with the generally lower cost of asparagus. We expect the average selling price of canned asparagus to remain relatively stable. The average selling price of canned long beans has increased slightly in 1Q2009 on the back of increased market demand. We expect the average selling price of canned long beans to continue to increase slightly in the remaining months of 2009. The average selling price of canned mushrooms has declined slightly in 1Q2009 but we expect it to increase slightly in the remaining months of 2009.

(c) We have experienced fluctuating average cost prices for asparagus during the periods under review. We expect the average price of asparagus to decline slightly from 1Q2009 on the back of abundant supply of asparagus. Further, we expect the average cost of long beans and mushrooms to remain relatively stable from 1Q2009.

(d) We expect production costs to remain relatively stable in 2009.

(e) We expect operating expenses to generally increase in tandem with our increased business activities in 2009. However, we expect our transportation costs to decline in 2009 in view of lower freight rates.

For the period of 1 April 2009 to the Latest Practicable Date, our confirmed orders amounted to approximately RMB282.1 million, of which RMB157.8 million has been fulfilled as at the Latest Practicable Date. The balance is expected to be substantially fulfilled by the end of 2009. However, due to the possibility of changes in our customers' delivery schedules or cancellations and potential delays in delivery, our order book as at any particular date may not be indicative of sales for any succeeding period.

Save as disclosed above and under the sections "**Risk Factors**", "**Management and Underwriting and Placement Arrangements**", "**Prospects**", "**Trend Information**" and "**Business Strategies and Future Plans"**, and barring any unforeseen circumstances, our Directors are not aware of any other known recent trends in sales and inventory, in the costs and selling prices of our products or other known recent trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our revenue, profitability, liquidity or capital resources, or that would cause financial information disclosed in this Prospectus to be not necessarily indicative of our future operating results or financial condition. Please also refer to the section "**Cautionary Note regarding Forward-looking Statements**".

BUSINESS STRATEGIES AND FUTURE PLANS

We will continue to focus on our core business of being a manufacturer and supplier of canned fruits and vegetables for the export market. Our business strategies and future plans are as follows:-

Increase our Production and Storage Capacities

To meet the anticipated increase in market demand for our canned products, we intend to utilise S$4.4 million of the net proceeds from the issue of the New Shares to increase our production and storage capacities of Shanxi Grandness, Shanxian Grandness and Sichuan Grandness, as the case may be, as follows:-

(a) We intend to utilise approximately S$1.0 million (equivalent to approximately RMB4.8 million) of the net proceeds from the issue of the New Shares to purchase machinery and equipment and approximately S$0.4 million (equivalent to approximately RMB1.9 million) of the net proceeds from the issue of the New Shares to upgrade the existing production facilities at Shanxi Grandness. The injection of funds to Shanxi Grandness will be done via contributions of approximately S$1.2 million (equivalent to approximately RMB5.7million) to the registered capital of Shanxi Grandness and a shareholder's loan of approximately S$0.2 million to Shanxi Grandness.

(b) We intend to utilise approximately S$1.0 million (equivalent to approximately RMB4.8 million) of the net proceeds from the issue of the New Shares to construct a second production plant and approximately S$1.0 million (equivalent to approximately RMB4.8 million) of the net proceeds from the issue of the New Shares to purchase machinery and equipment for the production facility at Shanxian Grandness. This production plant and facility will be used mainly for the manufacturing of canned peaches and canned pears, as well as processing of new products, mainly, bottled tomato sauce, for export.

(c) We intend to utilise approximately S$1.0 million (equivalent to approximately RMB4.8 million) of the net proceeds from the issue of the New Shares to construct an office building and an additional warehouse at Sichuan Grandness.

Increase our Sales and Distribution Network

Currently, a majority of our products are exported to our customers located in Europe and North America (namely Mexico), such as Germany, France, Spain and Mexico. We intend to utilise approximately S$1.2 million (equivalent to approximately RMB5.8 million) of the net proceeds from the Invitation to increase our sales and distribution network as follows:-

Overseas market

We will intensify our sales and marketing efforts in the overseas markets that we currently serve, in particular, Russia, in order to increase our penetration into these markets. We are also exploring opportunities to break into new overseas markets, in particular, the United States of America. We will seek alliances with our existing customers and rely upon their distribution networks to distribute our products in new markets and/or participate in trade fairs to promote our products.

PRC market

We have identified the PRC as a market with good potential for growth of our sales. In June 2008, we set up a dedicated sales team to focus on the PRC market and to enlarge our network of distributors. We have also completed the development of canned herbal beverage and a series of canned products, such as bamboo shoots, which appeal to domestic consumers. These products will be sold in the PRC under our “Ba Xian V Dong Li” (“八仙V动力”) and “Dao Mei” (“刀妹”) brands, respectively. We will continue with our product development efforts to enlarge our product offering for the PRC market.

Intensify our Efforts in Product Development

With increased competition and the need for product differentiation, we intend to utilise approximately S$0.4 million (equivalent to approximately RMB1.9 million) of the net proceeds from the issue of the New Shares to strengthen our product development capabilities by investing in advanced technology, where necessary, to facilitate the development of new and innovative canned products.

Make Strategic Acquisitions and Investments

We may consider acquisitions, investments, strategic alliances and/or joint ventures with our suppliers, customers or third parties as and when the opportunities arise. These may include the acquisition of the remaining equity interests in Sichuan Grandness and Yunnan Grandness. This would allow our Group to expand our business scale and scope, enjoy even greater economies of scale and expand our product range. Hence, we intend to utilise approximately S$3.0 million (equivalent to approximately RMB14.4 million) of the net proceeds from the issue of the New Shares for future acquisitions, investments, strategic alliances and/or joint ventures.

DIRECTORS

Our Board is entrusted with the responsibility for the overall management of our Group. The particulars of our Directors as at the Latest Practicable Date are as follows:-

Name	Age	Address	Current occupation
Huang Yupeng (黄育鹏)	47	Room 1205, Block Gemini, Lufengqui Garden, 1008 Huangbei Road, Luohu District, Shenzhen City, Guangdong Province, PRC (中国广东省深圳市罗湖区，黄贝路1008号，庐峰翠苑，双子座1205房)	Chairman and CEO
Huang Yushan (黄育珊)	43	Block 11, Room 505, Bianjian Erdayuan, Luohu District, Shenzhen City, Guangdong Province, PRC (中国广东省深圳市罗湖区，边检二大院，11栋505房)	Executive Director
Xu Xihua (徐喜花)	30	Shanshuiyuan, Nanling Village, Buji Town, Longgang District, Shenzhen City, Guangdong Province, PRC (中国广东省深圳市吉镇南岭山水缘)	Executive Director
Zhang Gongjun (张公俊)	42	Room 2403, 3rd Building Lvjingxinyuan, Xinzhou No. 9 Street, Futian District, Shenzhen City, Guangdong Province PRC (中国广东省深圳市福田区新洲九街绿景新苑三号楼2403室)	Non-Executive Director
Soh Beng Keng	55	126 Tai Keng Gardens, Singapore 535407	Lead Independent Director
Lin Song	36	3 First Avenue, Singapore 268737	Independent Director

The business and working experience of our Directors are as follows:-

Huang Yupeng (黄育鹏) is the Chairman, CEO and founder of our Group. Huang Yupeng is the 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 (深圳教育学院) in 1988. Immediately prior to the establishment of Shenzhen Grandness, Huang Yupeng was with Shenzhen Foreign Trade and Economic Development Co., Ltd (深圳外贸经济开发公司) from 1987 to 1997, where he last held the position of Vice General Manager. In 2002, he was elected "Elite Entrepreneurs" (优秀企业家) and "Elite Manager" (优秀厂长经理) of Yongji City, Shanxi Province. In 2005, he was awarded "Honorary Citizen of Yongji City" (永济市荣誉市民) by Yongji Municipal Government. From April 2004 to March 2008, Huang Yupeng was the People's Representative of Yongji City (永济市人大代表) and a member of the Standing Committee of People's Congress in Yongji City (永济市人大常务委员会). He is currently a member of the Qionglai Municipal Committee of the Chinese People's Political Consultative Conference (中国人民政治协商会议邛崃市委员会). He is elected as Vice President of Shenzhen Municipal Association for Development and Promotion of Medium and Small Enterprises (深圳市中小企业发展促进会), Vice President of Shenzhen Municipal Information Association (深圳市信息化协会), Vice President of Shenzhen-Sichuan Trade and Economic Promotion Association (深圳四川经贸促进会), and Vice President of Qionglai Municipal Federation of Industry and Commerce (邛崃市工商联合会). He is also a member of Shenzhen Municipal Federation of Entrepreneurs (深圳市企业家联合会) and a standing board member of Sichuan Provincial Association of Canned Industry (四川省罐头协会常务理事).

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 (深圳粤海酒店企业有限公司) where she remained till 2000 and last held the position of assistant to the finance manager. In 2000, she joined Airland Hotel in Dameisha, Shengzhen City (深圳市大梅沙雅兰酒店) 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 (福兴物流(深圳)有限公司) 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 (深圳广播电视大学) in 2003 after reading accountancy there. She is also qualified as an intermediate accountant by the Ministry of Finance (PRC) (中华人民共和国财政部).

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

Zhang Gongjun (张公俊) is our Non-Executive Director and was appointed on 29 August 2008. Zhang Gongjun is currently the general manager of Sino-Investment. In 1993, he joined Shenzhen Action Electronic Co., Ltd. (深圳忆声电子有限公司) as the manager of the finance and administration department and was subsequently appointed as its chief finance officer. In 2001, he joined Dongguan City Parry Furniture Co., Ltd (东莞帕里家具公司) as their general manager and was responsible for the daily operation of the company. In 2003, he was appointed vice-president of Zhongxin Investment Consultancy Co., Ltd (Shenzhen) (中新投资(深圳)顾问有限公司) and subsequently in 2005, became the executive director of Shenzhen Yuding. Zhang Gongjun graduated from Ma'anshan Commercial College (马鞍山商业学院) in 1987 with a diploma in Financial Accounting.

Soh Beng Keng is our Lead Independent Director and was appointed on 11 November 2009. In 1996, he 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. Soh Beng Keng was the chief financial officer of China Fashion Holdings Limited, a public listed company in Singapore from March 2007 to April 2009. Soh Beng Keng is the Lead Independent Director of Ziwo Holdings Ltd. and an Independent Director of ISDN Holdings Limited and China Haida Ltd. He is also a full member of the Singapore Institute of Directors and a member of the Institute of Certified Public Accountants of Singapore. He obtained his Bachelor of Commerce (Accountancy) from the Nanyang University in 1979.

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

The list of past and present principal directorships of our Directors, excluding those held in our Company for the past 5 years preceding the date of this Prospectus is set out below:-

Directors	Present principal directorships	Past principal directorships
Huang Yupeng	*Group companies* Chengdu Grandness Hong Kong Grandness Shanxi Grandness Shanxian Grandness Shenzhen Grandness Sichuan Grandness Yunnan Grandness	*Group companies* Shandong Grandness
	Other companies None	*Other companies* Shenzhen Yaxinda Import Export Co., Ltd (深圳雅鑫达进出口有限公司)
Huang Yushan	*Group companies* Shanxi Grandness Sichuan Grandness Yunnan Grandness	*Group companies* None
	Other companies None	*Other companies* None
Xu Xihua	*Group companies* Yunnan Grandness	*Group companies* None
	Other companies None	*Other companies* None
Zhang Gongjun	*Group companies* None	*Group companies* None
	Other companies Balance Well International Limited Inkatha Group Limited Sino-Investment	*Other companies* Shenzhen Yuding
Soh Beng Keng	*Group companies* None	*Group companies* None
	Other companies China Haida Ltd. ISDN Holdings Limited Ziwo Holdings Ltd.	*Other companies* Canberra Development Pte Ltd Heeton Estate Pte Ltd Heeton Holdings Limited Heeton Land Pte. Ltd. Heeton Management Pte Ltd Heeton Properties Pte. Ltd. Heeton Venture (Overseas) Pte. Ltd. Market Holdings Pte Ltd Market Investment Pte Ltd Kim Leong Development Pte Ltd Mercurine Pte Ltd Shengda (Group) Holdings Ltd

Directors	Present principal directorships	Past principal directorships
Lin Song	*Group Companies* None	*Group Companies* None
	Other Companies China Environment Ltd. CEE Tech & Management Pte. Ltd.	*Other Companies* Zhonghui Holdings Ltd. Sihitech Holdings Pte. Ltd.

EXECUTIVE OFFICERS

The day-to-day operations of our Group are entrusted to our Executive Officers whose particulars as at the Latest Practicable Date are detailed below:-

Name	Age	Address	Current occupation
Goh Cze Khiang （吴芝强）	42	2 Jalan Abiad Empat, Taman Pelangi 80400, Johor Bahru, Johor, Malaysia	Financial Controller
Huang Yongwen （黄永文）	55	85, Minzhunan Road, Yuzhou District, Yulin City, Guangxi Province, PRC （中华人民共和国广西省玉林市玉州区民主南路85号）	Chief Technical Officer
Sun Yong （孙永）	41	Blk 23, Room 206, Tuoshan Area, Gangwan Street Office, Rongcheng City, Shandong Province, the PRC （中华人民共和国山东省荣成市港湾街道办事处陀山小区23号楼206室）	Vice-President (Production)

The business and working experience of our Executive Officers are as follows:-

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

Huang Yongwen （黄永文） is currently the Chief Technology Officer and is in charge of the production technology and quality control of our Group. He has more than 30 years of working experience in the production and quality control of canned products. In 1974, he joined Guangxi Yulin Canned Foods Production Factory（广西玉林罐头食品总厂）, where he remained until 2000 and last held the position of vice general manager (production). In 2000, he joined Guangxi Yizhou Oriental Canned Foods Production Factory（广西宜州东方罐头食品厂）as vice general manager (production and technology). In 2002, he joined Guangxi Nanning City International Economic Cooperation Company（广西南宁市国际经济合作公司）where he was in charge of production supervision. In 2003, he joined Yunnan Pingbian County Hongfa Food Production Co., Ltd.（云南屏边县弘发食品有限公司）as the general manager (production). In 2005, he joined Sichuan Grandness as Chief Technology Officer. He was selected and included into "Dictionary of Contemporary Chinese Scientists and Inventors"（当代中国科学家与发明家大辞典）in June 1998 and into "Dictionary of Contemporary Chinese Technology Experts"（中国当代科技专家大典）in March 2001. He was appointed by China Academy of Management Science（中国管理科学研究院）as a researcher in November 2000. He is currently a member of Guangxi Provincial Academy of Fermented Food（广西发酵食品学会）.

Sun Yong (孙永) is currently our Vice-President (Production) who is in charge of the production for our Group. He gradated from Beijing Normal University (北京师范大学) in 1999 after reading interior design there. In 1988, he joined Rongcheng City Glass Factory (荣成市玻璃厂) where he was employed as a sales personnel and was subsequently promoted to the position of business manager. In 1997, he joined Shandong Huapeng Glass Co.,Ltd. (山东华鹏玻璃股份有限公司) as its sales manager. In 2002, he joined Huapeng Glass (Heze) Co., Ltd. (华鹏玻璃(菏泽)有限公司) where he held the position of sales manager. In 2006, he joined our Group as an assistant to the CEO.

The list of present and past directorships of our Executive Officers for the past 5 years preceding the date of this Prospectus is set out below:-

Executive Officers	Present directorships	Past directorships
Goh Cze Khiang	*Group companies*	*Group companies*
	None	None
	Other companies	*Other companies*
	Strategic Capital Partners Pte. Ltd. Strategic Advisory & Management Sdn Bhd Strategic Tax Advisory Services Sdn Bhd	Asia Professional Advisory Sdn Bhd E.D.S. Management Sdn Bhd
Huang Yongwen	*Group companies*	*Group companies*
	None	None
	Other companies	*Other companies*
	None	None
Sun Yong	*Group companies*	*Group companies*
	Sichuan Grandness	
	Other companies	*Other companies*
	None	None

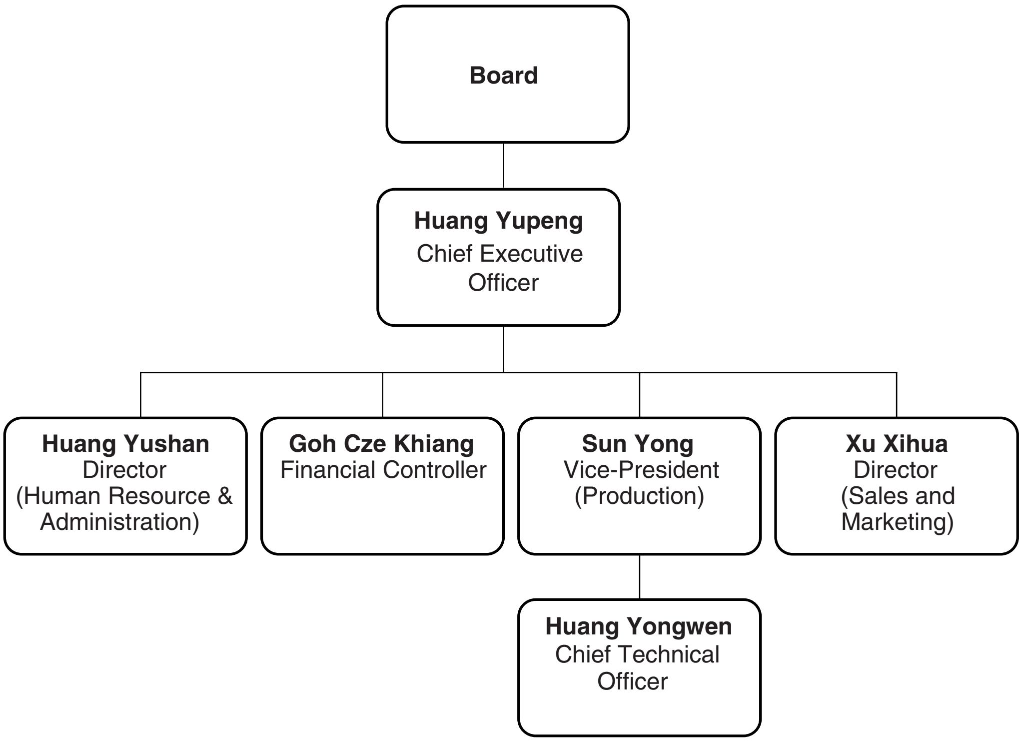
Save for Huang Yupeng and Huang Yushan who are siblings, none of our Directors and Executive Officers are related by blood or marriage to one another nor are they related to any of our Substantial Shareholders.

Financial Controller

Our Audit Committee having (i) conducted an interview with Goh Cze Khiang; (ii) considered his qualifications, employment history and past working experience (as described above); and (iii) observed his abilities, familiarity and diligence in relation to the financial matters and information of our Group, is of the view that he is suitable to undertake the position of Financial Controller of our Group.

MANAGEMENT REPORTING STRUCTURE

Our management reporting structure as at the Latest Practicable Date is set out as follows:-



STAFF

As at the Latest Practicable Date, we have 238 full-time employees. We do not experience any significant seasonal fluctuations in our number of full time employees.

The functional distributions of the full-time employees of our Group as at 31 December 2006, 2007 and 2008 were as follows:-

	As at 31 December 2006	As at 31 December 2007	As at 31 December 2008
Management[1]	45	52	41
Administrative	25	46	29
Research and Product Development	5	5	4
Production	56	85	32
Quality Control	40	52	20
Sales and Marketing	20	26	33
Total	191	266	159

Note:-

(1) Executive Directors and Executive Officers are classified under the management function.

The number of temporary employees employed by us for the production function during the periods under review experiences significant seasonal fluctuations. There are approximately 3,000 temporary workers employed by us during the production season (peak period) while only approximately 250 temporary workers are employed by us during the off season. The numbers of temporary employees employed by us for the other functions during the periods under review were insignificant.

Our employees are mainly based in the PRC. We have not experienced any strikes, labour disputes or work stoppages by our employees and believe our relationship with our employees is good.

None of our employees are related to our Directors or Substantial Shareholders save that:-

(a) Fang Kunrong (方坤荣), our Administration Manager, is Huang Yupeng's and Huang Yushan's brother-in-law;

(b) Lin Junjin (林俊金), a cashier in our accounts department, is Huang Yushan's nephew-in-law; and

(c) Lin Yusheng (林玉盛), a procurement supervisor engaged by us on a contract basis, is Lin Junjin's father

REMUNERATION OF DIRECTORS AND EXECUTIVE OFFICERS

The compensation paid to our Directors and our top 5 executives for services rendered to us and our subsidiaries on an individual basis and in remuneration bands during FY2006, FY2007 and FY2008 and estimates for FY2009 are set out below:-

	FY2006	FY2007	FY2008	Estimated FY2009
Directors				
Huang Yupeng	Band A	Band A	Band A	Band A
Huang Yushan	Band A	Band A	Band A	Band A
Xu Xihua	Band A	Band A	Band A	Band A
Zhang Gongjun	–	Band A(3)	Band A(3)	Band B
Soh Beng Keng	–	–	–	Band A
Lin Song	–	–	–	Band A
Executive Officers				
Goh Cze Khiang	–	–	Band A	Band A
Huang Yongwen	Band A	Band A	Band A	Band A
Sun Yong	Band A	Band A	Band A	Band A

Notes:-

(1) Band A means from S$0 up to S$249,999.

(2) Band B means from S$250,000 up to S$499,999.

(3) Inclusive of payments for consultancy services provided under an agreement with Sino-Investment. For details, please refer to the section "**Interested Person Transactions and Conflicts of Interest**".

As at the Latest Practicable Date, save as required for compliance with the applicable laws of the PRC, we have not set aside or accrued any amounts for our Directors and Executive Officers to provide for pension, retirement or similar benefits.

REMUNERATION OF EMPLOYEES RELATED TO OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

For FY2006, FY2007 and FY2008, the aggregate remuneration of employees occupying managerial positions who are related to our Directors and Substantial Shareholders amounted to approximately S$7,000, S$9,000 and S$12,000, respectively.

For FY2009, the estimated aggregate remuneration of employees occupying positions in our Group who are related to our Directors and Substantial Shareholders is approximately S$14,000.

The remuneration of the employees who are related to our Directors and Controlling Shareholders (if any) shall be subject to the annual review and the majority approval of our Audit Committee and disclosed in our annual report.

SERVICE AGREEMENT

On 11 November 2009, our Company entered into a Service Agreement with our Chairman and CEO, Huang Yupeng. The Service Agreement is for an initial period of 3 years with effect from the date of admission of our Company to the Official List of the SGX-ST (the "**Initial Term**"), unless otherwise terminated by either party giving not less than 6 months' notice to the other or an amount equivalent to 6 months salary based on Huang Yupeng's last drawn monthly salary. Save for the said payment in lieu of notice, Huang Yupeng is not entitled, under the Service Agreement, to any payment as the result of the termination of the Service Agreement. After the Initial Term, the Service Agreement is automatically renewed for a further period of 3 years unless either party gives 6 months' notice prior to the expiry of this Initial Term.

We may also terminate the Service Agreement if Huang Yupeng, amongst other things, breaches any of the material provisions of his Service Agreement, becomes bankrupt or is guilty of any gross misconduct. Pursuant to the terms of his Service Agreement, Huang Yupeng is entitled to a yearly salary comprising the sum of RMB180,000 to be paid in PRC and the sum of S$240,000 to be paid in Singapore (which in aggregate amounts to S$276,593 using the average exchange rate in FY2008). Huang Yupeng shall also be entitled to receive an annual wage supplement of one month's salary which is payable on or around the 30th day of December in each year and an annual salary increment to be decided by and subject to the approval of the Remuneration Committee.

Our Company shall pay the incentive bonus calculated as follows:-

Profit before taxation of our Group ("PBT")	**Rate of incentive bonus**
Where the PBT is less than RMB70,000,000	Nil
Where the PBT is RMB70,000,000 or more but less than RMB85,000,000	1.0% of the actual PBT achieved by our Group in excess of RMB70,000,000
Where the PBT is RMB85,000,000 or more	RMB150,000 plus 1.5% of the actual PBT achieved by our Group in excess of RMB85,000,000

Huang Yupeng will also enjoy the use of a motorcar of at least 3,500 cc in the PRC with the running costs incurred (including all road tax, insurance and maintenance costs) being borne by our Company.

Directors' fees do not form part of the terms of the Service Agreement as these require the approval of our Shareholders at our Company's annual general meeting.

All travelling, hotel, entertainment and expenses reasonably incurred by Huang Yupeng in the reasonable performance of his duties will be borne by our Company.

Had the Service Agreement been in effect on 1 January 2008, the aggregate remuneration (including contributions, bonus, and benefits in kind) payable to Huang Yupeng would have been S$299,642 (equivalent to RMB1,473,940) instead of S$15,857 (equivalent to RMB78,000) and the PBT of our Group for FY2008 would have been approximately S$13.1 million (equivalent to approximately RMB64.6 million) instead of approximately S$13.4 million (equivalent to approximately RMB66.0 million).

Save as disclosed above, there is no other existing or proposed service agreements between our Company or our subsidiaries and any of our Directors.

CORPORATE GOVERNANCE

Our Directors recognise the importance of corporate governance and the maintenance of a high standard of accountability to our Shareholders. Accordingly, our Directors will establish an Audit Committee, a Remuneration Committee and a Nominating Committee.

Audit Committee

Our Audit Committee will comprise Soh Beng Keng, Lin Song and Zhang Gongjun. The Chairman of our Audit Committee will be Soh Beng Keng.

Our Audit Committee will assist our Board in discharging its responsibility to safeguard our assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that our management creates and maintains an effective control environment in our Group. Our Audit Committee will provide a channel of communication between our Board, our management and our external auditors on matters relating to audit.

Our Audit Committee will meet periodically to perform the following functions:-

(a) review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;

(b) review the half yearly and annual, and quarterly if applicable, financial statements and results announcements before submission to our Board for approval, focusing in particular on 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 and any other relevant statutory or regulatory requirements;

(c) review the internal control procedures and ensure co-ordination between the external auditors and our management, and review the assistance given by our management to the auditors, and discuss problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of our management, where necessary);

(d) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and our management's response;

(e) consider and recommend the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;

(f) review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual;

(g) review potential conflicts of interest (if any);

(h) review from time to time our Group's foreign exchange hedging transactions and hedging policies and procedures for our Group;

(i) undertake such other reviews and projects as may be requested by our Board, and report to our Board its findings from time to time on matters arising and requiring the attention of our Audit Committee;

(j) ensure that annual internal controls audit are commissioned until such time it is satisfied that our Group's internal controls are robust and effective enough. Further, our Audit Committee may initiate such internal controls audits as and when it deems fit to satisfy itself that our Group's internal controls remain robust and effective; and

(k) generally undertake such other functions and duties as may be required by statute or the Listing Manual, or by such amendments as may be made thereto from time to time.

Our Audit Committee will meet, at a minimum, on a quarterly basis. Apart from the duties listed above, our Audit Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our operating results and/or financial position. In the event that a member of our Audit Committee is interested in any matter being considered by our Audit Committee, he will abstain from reviewing that particular transaction or voting on that particular resolution.

Remuneration Committee

Our Remuneration Committee will comprise of Soh Beng Keng, Lin Song and Zhang Gongjun. The Chairman of our Remuneration Committee will be Soh Beng Keng.

Our Remuneration Committee will recommend to our Board a framework of remuneration for the directors and executive officers, and determine specific remuneration packages for each executive director. The recommendations of our Remuneration Committee shall be submitted for endorsement by our 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 our Remuneration Committee.

In addition, our Remuneration Committee will perform an annual review of the remuneration of employees related to our directors and Substantial Shareholders to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. They will also review and approve any bonuses, pay increases and/or promotions for these employees.

Each member of the Remuneration Committee shall abstain from voting on any resolutions in respect of his remuneration package or that of employees related to him.

Nominating Committee

Our Nominating Committee will comprise of Lin Song, Soh Beng Keng and Zhang Gongjun. The Chairman of the Nominating Committee will be Lin Song.

Our Nominating Committee will be responsible for:-

(a) reviewing and recommending the nomination or re-nomination of our directors having regard to the director's contribution and performance;

(b) determining on an annual basis whether or not a director is independent;

(c) assessing the performance of our Board and contribution of each director to the effectiveness of our Board; and

(d) review and approve any new employment of related persons and the proposed terms of their employment.

Our Nominating Committee will decide how the performance of our Board is to be evaluated and propose objective performance criteria, subject to the approval of our Board, which address how our Board has enhanced long-term Shareholders' value. Our Board will implement a process to be carried out by our Nominating Committee for assessing the effectiveness of our Board as a whole and for assessing the contribution of each individual director to the effectiveness of our Board.

Each member of our Nominating Committee shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as director.

Independent Directors

Our Independent Directors do not have any existing business or professional relationship of a material nature with our Group, our other Directors or Substantial Shareholders. They are also not related to the other Directors or Substantial Shareholders.

*In general, transactions between our Group and any of its interested persons (namely, the Directors, Controlling Shareholders of our Company or the Associates of such Directors or Controlling Shareholders) are known as interested person transactions. The following discussion on material interested person transactions for FY2006, FY2007, FY2008, 1Q2009 and the period from 1 April 2009 to the Latest Practicable Date (the "**Relevant Period**"), is based on our Group and interested persons as construed accordingly.*

*Save as disclosed below and in the section "**Restructuring Exercise**", no Director, Controlling Shareholder or their respective Associates was or is interested in any material interested person transaction undertaken by our Group for the Relevant Period.*

PAST INTERESTED PERSON TRANSACTIONS

Personal Guarantees and/or Securities provided by Huang Yupeng, Huang Yushan and their Associates

Our Chairman and CEO, Huang Yupeng, our Director, Huang Yushan and their respective Associates, had previously provided mortgages on personal properties and/or personal or joint guarantees to secure a series of banking facilities extended to our Group, details as set out below:-

Financial institution	Maximum amount	Guarantees/securities provided by interested persons(1)	Largest outstanding amount during the Relevant Period
Bank of China Co., Ltd, Shenzhen Branch (中国银行股份有限公司, 深圳市分行)	Trade facilities of US$1.0 million for the period commencing 25 April 2006 and ending 24 April 2007	(i) Personal guarantee by Huang Yupeng (ii) Mortgage of properties owned by Huang Yupeng and/or Zong Liping	US$0.5 million
	Trade facilities of US$2.0 million for the period commencing 2 April 2007 and ending 1 April 2008	(i) Mortgage of properties owned by Huang Yupeng and/or Zong Liping (ii) Personal guarantee by Huang Yupeng	US$1.2 million
Industrial and Commercial Bank of China (中国工商银行股份有限公司，深圳上步支行)	Term loan of RMB3.0 million for the period commencing 30 June 2006 and ending 29 June 2007	Corporate Guarantee by SME Centre(2)	RMB3.0 million
Shanghai Pudong Development Bank, Shenzhen Branch (上海浦东发展银行)	Trade facilities of RMB10.0 million for the period commencing 7 June 2007 and ending 6 March 2008	Personal guarantee by Huang Yupeng	RMB10.0 million
	Trade facilities of RMB15.0 million for the period commencing 29 May 2007 and ending 28 May 2008	Personal guarantee by Huang Yupeng	RMB12.4 million
Bank of China Co., Ltd, Central District Sub-branch (中国银行股份有限公司中心区支行)	Trade facilities of US$2.5 million for the period commencing 18 April 2008 and expiring on 18 April 2009	(i) Personal guarantee by Huang Yupeng (ii) Mortgage of properties owned individually or jointly by Huang Yupeng and Zong Liping	RMB6.1 million

Financial institution	Maximum amount	Guarantees/securities provided by interested persons[1]	Largest outstanding amount during the Relevant Period
Shenzhen Ping An Bank Co., Ltd., Shenzhen Jingtian Branch (深圳平安银行股份有限公司，深圳景田支行)	Term loan of RMB5.5 million for the period commencing 6 June 2008 and expiring on 6 June 2009	(i) Corporate guarantee by SME Centre[3] (ii) Personal guarantee by Huang Yupeng	RMB5.5 million
	Term loan of RMB4.5 million for the period commencing 22 February 2008 and expiring on 21 February 2009	(i) Corporate guarantee by SME Centre[4] (ii) Personal guarantee by Huang Yupeng	RMB4.5 million

Notes:-

(1) These facilities were also supported by other guarantees and securities provided by our Group.

(2) Huang Yupeng and his wife, Zong Liping, together with Yunnan Grandness, Shanxi Grandness and Sichuan Grandness provided a guarantee to SME Centre on a joint and several basis. Further, Huang Yupeng, Huang Yushan, Huang Zhoupeng, Huang Yuqing (Huang Yupeng's, Huang Yushan's and Huang Zhoupeng's sister), Fang Kunrong (Huang Yuqing's husband), Huang Yuyin (Huang Zhoupeng's wife) and Lin Yuxi (Huang Yushan's husband) have mortgaged their respective personal properties to SME Centre.

(3) Huang Yupeng and his wife, Zong Liping, together with Yunnan Grandness, Shanxi Grandness, Shanxian Grandness and Sichuan Grandness provided a guarantee to SME Centre on a joint and several basis. Further, the property located at Unit 2115-2120, 21st/F Tower B Southern International Plaza No. 3013, Yitian Road, Futian District Shenzhen, PRC was mortgaged to and in favour of SME Centre as security. This property is registered in the name of Huang Yupeng and held in trust for Shenzhen Grandness. Huang Yupeng has undertaken to transfer the registration of the property to Shenzhen Grandness within 3 months after the discharge of the mortgage over the property and, in any event, no later than 30 September 2012.

(4) Huang Yupeng and his wife, Zong Liping, together with Yunnan Grandness, Shanxi Grandness and Sichuan Grandness provided a guarantee to SME Centre on a joint and several basis. Further, Huang Yupeng, Huang Yushan, Huang Zhoupeng, Huang Yuqing (Huang Yupeng's, Huang Yushan's and Huang Zhoupeng's sister), Fang Kunrong (Huang Yuqing's husband), Huang Yuyin (Huang Zhoupeng's wife) and Lin Yuxi (Huang Yushan's husband) have mortgaged their respective personal properties to SME Centre.

Our Directors confirm that the aforementioned banking facilities had been fully repaid and all related guarantees and securities had been discharged as at the Latest Practicable Date. The above transactions were not conducted on an arm's length basis as none of the interested persons named above received any benefit in kind, commission or interest from us for providing the aforementioned guarantees and securities.

PRESENT AND ON-GOING INTERESTED PERSON TRANSACTIONS

Consultancy Agreement with Zhang Gongjun

In November 2007, we entered into a consultancy agreement with the Consultants (being Sino Investment and Shenzhen Yuding) for the provision of consultancy services to our Group in connection with the Invitation. Such services included the following:-

(a) advising on listing on various overseas stock markets (including Singapore);

(b) advising on suitable listing structure and the various restructuring framework/procedures;

(c) advising on the appointment of professionals and other experts for the invitation;

(d) soliciting strategic pre-invitation investors; and

(e) assisting in the drafting of the prospectus.

Pursuant to the consultancy agreement, our Group is to pay the Consultants:-

(a) a fee equivalent to 3.8% of all funds raised from strategic investors prior to the IPO, being S$304,000; and

(b) the aggregate of (i) RMB1.1 million in connection with the advisory services in connection with the IPO and (ii) a sum equivalent to 3.6% of the gross proceeds from the Invitation attributable to our Company, being approximately S$960,000.

The Consultants are to share the fees equally.

The aggregate amount payable to the Consultants is approximately S$1.3 million. As at the Latest Practicable Date, the aggregate fees paid to the Consultants were approximately S$0.4 million (equivalent to approximately RMB1.8 million). We intend to pay the balance of approximately S$0.9 million from our Group's working capital subsequent to the admission of our Company to the Official List of the SGX-ST.

Pursuant to a supplemental agreement dated 8 June 2009, the validity period of the consultancy agreement was extended from 20 months to 24 months, ending November 2009.

Our Non-Executive Director, Zhang Gongjun, is a director of and holds 98% equity interests in Sino-Investment. Li Min, who is not related to any of our Directors or Substantial Shareholders, holds the remaining 2% equity interests. Prior to April 2007, Zhang Gongjun was a director of and held 50% equity interests in Shenzhen Yuding. Xiao Bo, who is not related to any of our Directors or Substantial Shareholders, held the remaining 50% equity interests. Zhang Gongjun sold his 50% of the registered capital of Shenzhen Yuding to Xiao Bo (肖波) (1%), Song Binfang (宋滨芳) (41%,) and Zhang Lin (张麟) (8%). Xiao Bo is the majority shareholder of Global Top Financial Group Limited, which will hold 0.2% of our post-Invitation share capital. Song Binfang (宋滨芳) and Zhang Lin (张麟) are business partners of Xiao Bo and the Company's Non-Executive Director, Zhang Gongjun. Zhang Gongjun has since April 2007 resigned as a director and is no longer a shareholder of Shenzhen Yuding. None of Xiao Bo (肖波), Song Binfang (宋滨芳) and Zhang Lin (张麟) is related to any of our Company's Directors or Substantial Shareholders. The consultancy agreement was concluded on a willing-buyer and willing-seller basis. We do not intend to enter into similar transactions with Shenzhen Yuding and Sino-Investment in the future, subsequent to the admission of our Company to the Official List of the SGX-ST.

Advances from our Interested Persons

During the Relevant Period, we had, from time to time, obtained advances from certain interested persons listed below to fund our working capital requirements. These advances were made on a preferential basis as they were unsecured, interest-free and had no fixed terms of repayment. The amount of advances owing by us to the relevant interested persons as at the end of FY2006, FY2007, FY2008 and 1Q2009 and as at the Latest Practicable Date, and the largest amount outstanding during the Relevant Period were as follows:-

(RMB'000)	As of 31 December 2006	As of 31 December 2007	As at 31 December 2008	As at 31 March 2009	As at the Latest Practicable Date	Largest amount outstanding during the Relevant Period
Fang Kunrong(1)	100	150	150	150	150	150
Huang Yujun (黄育君)(2)	100	100	–	–	–	250
Lin Yuxi(3	150	350	350	350	350	350
Zong Liping(4)	200	–	–	–	–	500
Total	550	500	500	500	500	1,250

Notes:-

(1) Brother-in-law of Huang Yupeng (our Chairman and CEO) and Huang Yushan (our Executive Director).

(2) Cousin of Huang Yupeng (our Chairman and CEO) and Huang Yushan (our Executive Director).

(3) Husband of Huang Yushan (our Executive Director).

(4) Wife of Huang Yupeng (our Chairman and CEO) and sister-in-law of Huang Yushan (our Executive Director).

The advances owing by us to the relevant interested persons as at the Latest Practicable Date will be repaid from our Group's working capital subsequent to the admission of our Company to the Official List of the SGX-ST.

Guarantees and Securities provided by Huang Yupeng, Huang Yushan and their Associates

Our Chairman and CEO, Huang Yupeng and our Executive Director, Huang Yushan, together with their Associates, have provided guarantees and securities to secure banking facilities extended to Shenzhen Grandness. Details of such guarantees and securities during the Relevant Period are set out below:-

Financial institution	Facilities granted as at the Latest Practicable Date	Amount	Guarantees/securities provided by interested persons[(1)]	Amount outstanding as at the Latest Practicable Date
China Construction Bank Co., Ltd., Shenzhen Branch	Term loan for the period commencing 10 April 2009 and expiring on 9 April 2010	RMB8.0 million	(i) Corporate guarantee by Shenzhen High Tech Investment & Guaranty Co., Ltd (深圳市高新技术投资担保有限公司)[(2)] (ii) Personal guarantee by Huang Yupeng	RMB7.0 million
Shenzhen Ping An Bank Co., Ltd., Shenzhen Jingtian Branch	Term loan for the period commencing 9 October 2008 and expiring on 9 October 2009	RMB18.0 million	(i) Corporate guarantee by SME Centre[(3)] (ii) Personal guarantee by Huang Yupeng	RMB3.1 million
Citibank (China) Co., Ltd., Shenzhen Branch	Revolving trade facilities commencing 3 December 2008	US$2.1 million	Personal guarantee by Huang Yupeng	RMB1.4 million
		RMB7.0 million	Personal guarantee by Huang Yupeng	Nil
Bank of Communications Co., Ltd., Shenzhen Hailian Branch	Term loan for the period commencing 23 June 2009 and expiring 10 June 2012	RMB40.0 million	(i) Personal guarantee by Huang Yupeng (ii) Mortgage of properties located on unit 2115-2120, 21st/F Tower B Southern International Plaza No. 3013 Yitian road, Futian District Shenzhen, PRC[(4)]	RMB40.0 million

Notes:-

(1) These facilities were also supported by other guarantees and securities provided by our Group.

(2) Shanxian Grandness, Shanxi Grandness, Sichuan Grandness and Yunnan Grandness provided a guarantee to Shenzhen High Tech Investment & Guaranty Co., Ltd. Further, Huang Yupeng, Zong Liping, Huang Yushan, Fan Kunrong (Huang Yuqing's husband) and Huang Yuqing mortgaged their respective personal properties owned individually or jointly by them to Shenzhen High Tech Investment & Guaranty Co., Ltd.

(3) Huang Yupeng and his wife, Zong Liping, together with Yunnan Grandness, Shanxi Grandness, Shanxian Grandness and Sichuan Grandness provided a guarantee to SME Centre on a joint and several basis. Further, Sichuan Grandness also provided a mortgage over its land use rights to SME Centre.

(4) This property is registered in the name of Huang Yupeng and held in trust for Shenzhen Grandness. Huang Yupeng has undertaken to transfer the registration of the property to Shenzhen Grandness within 3 months after the discharge of the mortgage over the property and, in any event, no later than 30 September 2012. Further, Shanxian Grandness also provided a mortgage over West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County, the PRC (单县开发区园艺路南段路西) together with buildings thereon to Bank of Communications Co., Ltd., Shenzhen Hailian Branch.

During the Relevant Period, the largest aggregate outstanding amount guaranteed by our Chairman and CEO, Huang Yupeng and our Executive Director, Huang Yushan, together with their Associates, is approximately RMB52.9 million (based on the amounts outstanding as at the end of each calendar month).

The above transactions were not conducted on an arm's length basis as Huang Yupeng and Huang Yushan, together with their Associates, did not receive any commission, interest or benefit in kind from us for providing the aforementioned guarantees.

Subsequent to the Invitation, we intend to obtain the release of the said guarantees and securities provided by the interested persons from the respective banks and financial institutions and replace them with corporate guarantees provided by our Company. In the event that we are unable to procure such release, or should there be any material unfavourable revision in the terms and conditions of the banking facilities following the proposed release, our Chairman and CEO, Huang Yupeng, and our Executive Director, Huang Yushan, have undertaken to, and to procure that their Associates will, continue to provide the respective guarantees and securities. No commission, interest or any benefit in kind will be payable by our Group for the aforesaid guarantees and securities.

Advances to and from Huang Yupeng and Huang Zhoupeng

Our Chairman and CEO, Huang Yupeng, and his brother, Huang Zhoupeng, had from time to time, extended advances to us for our working capital requirements. These advances were made on a preferential basis as they were unsecured, interest-free and had no fixed terms of repayment. Huang Yupeng and Huang Zhoupeng had also, from time to time, procured advances from us which were unsecured, interest-free and had no fixed terms of repayment, for their personal uses.

The amounts owing to or due from Huang Yupeng and Huang Zhoupeng as at the end of FY2006, FY2007, FY2008 and 1Q2009 and as at the Latest Practicable Date, and the largest amount outstanding during the Relevant Period were as follows:-

(RMB'000)	As of 31 December 2006	As of 31 December 2007	As at 31 December 2008	As at 31 March 2009	As at the Latest Practicable Date	Largest amount outstanding during the Relevant Period
Amounts owing to Huang Yupeng and Huang Zhoupeng	–	48,911	43,445	43,259	43,456	48,911
Amounts due from Huang Yupeng and Huang Zhoupeng	29,523	–	–	–	–	36,445

Pursuant to an undertaking dated 25 September 2009, Huang Yupeng and Huang Zhoupeng had undertaken not to demand payment of the net outstanding amount of approximately RMB43.5 million (the "**Loans**") until the first, second and third anniversary of the date of admission of our 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, amongst other things, our Group's working capital and gearing positions.

REVIEW PROCEDURES FOR FUTURE INTERESTED PERSON TRANSACTIONS

Our Audit Committee will review all such interested person transactions, if any, at least quarterly to ensure that they are carried out on normal commercial terms and are in accordance with the procedures outlined above. It will take into account all relevant non-quantitative factors. Such review includes the examination of the transaction and its supporting documents or such other data deemed necessary by our Audit Committee. Our Audit Committee shall request for any additional information pertaining to the transaction under review from independent sources, advisers or valuers as it deems fit. In addition, when purchasing items from or engaging the services of an interested person, two other quotations from non-interested persons will be obtained for comparison, when available and practicable, to ensure that the interests of minority Shareholders are not prejudiced.

In the event that a member of the Audit Committee is interested in any interested person transaction, he will abstain from reviewing that particular transaction.

In the course of such periodic reviews, our Audit Committee will adopt new guidelines and review procedures for future interested person transactions if it is of the opinion that the guidelines and procedures set out above are not sufficient to ensure that the interests of our Company and its minority Shareholders are not prejudiced.

In addition, our Audit Committee will include the review of such future interested person transactions as part of its standard procedures while examining the adequacy of our internal controls.

Our Board will also ensure that all disclosure, approval and other requirements on such interested person transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with. Such transactions will also be subject to the approval of Shareholders if required by the Listing Manual. We will also endeavour to comply with the principles of the Code of Corporate Governance issued by the Committee on Corporate Governance (as from time to time amended, modified or supplemented).

POTENTIAL CONFLICT OF INTEREST

As at the Latest Practicable Date, none of our Directors or Controlling Shareholders or any of their Associates:-

(a) has had any interest, direct or indirect, in any material transactions to which we were or are a party;

(b) has any interest, direct or indirect, in any entity carrying on the same business or carrying on a similar trade as us, or dealing in similar products which competes materially and directly with the existing business of our Group; and

(c) has any interest, direct or indirect, in any enterprise or company that is our customer or supplier of goods or services.

In addition, Huang Yupeng has on 30 December 2008 undertaken that for so long as he is a Shareholder or Director, he will not engage in any business which competes directly or indirectly with the business of our Group as now undertaken and may in the future undertake and that he shall not have any interest as a shareholder or director in any company that competes directly or indirectly with our Group.

INTERESTS OF EXPERTS

No expert is interested, directly or indirectly, in the promotion of, or in any property or assets which have, within the years preceding the date of this Prospectus, been acquired or disposed of by or leased to our Company or any of our subsidiaries or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries.

No expert is engaged on a contingent basis by our Company or any of our subsidiaries, or has a material interest, whether direct or indirect, in our Shares, our subsidiaries or has a material economic interest, whether direct or indirect, in our Company including an interest in the success of the Invitation.

Upon listing and quotation on the SGX-ST, our Shares will be traded under the book-entry settlement system of CDP, and all dealings in and transactions of our Shares through the SGX-ST will be effected in accordance with the terms and conditions for the operation of securities accounts with CDP, as amended from time to time.

Our Shares will be registered in the name of CDP or its nominee and held by CDP for and on behalf of persons who maintain, either directly or through depository agents, securities accounts with CDP. Persons named as direct securities account holders and depository agents in the depository register maintained by CDP, rather than CDP itself, will be treated, under our Articles of Association and the Act, as members of our Company in respect of the number of Shares credited to their respective securities accounts.

Persons holding our Shares in securities account with CDP may withdraw the number of Shares they own from the book-entry settlement system in the form of physical share certificate(s). Such share certificates will, however, not be valid for delivery pursuant to trades transacted on the SGX-ST, although they will be *prima facie* evidence of title and may be transferred in accordance with our Articles of Association. A fee of S$10.00 for each withdrawal of 1,000 Shares or less and a fee of S$25.00 for each withdrawal of more than 1,000 Shares is payable upon withdrawing our Shares from the book-entry settlement system and obtaining physical share certificates. In addition, a fee of S$2.00 or such other amount as our directors may decide, is payable to the share registrar for each share certificate issued and a stamp duty of S$10.00 is also payable where our Shares are withdrawn in the name of the person withdrawing our Shares or S$0.20 per S$100.00 or part thereof of the last-transacted price where it is withdrawn in the name of a third party. Persons holding physical share certificates who wish to trade on the SGX-ST must deposit with CDP their share certificates together with the duly executed and stamped instruments of transfer in favour of CDP, and have their respective securities accounts credited with the number of Shares deposited before they can effect the desired trades. A fee of S$20.00 is payable upon the deposit of each instrument of transfer with CDP.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's securities account being debited with the number of Shares sold and the buyer's securities account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for the Shares that are settled on a book-entry basis.

A Singapore clearing fee for trades in our Shares on the SGX-ST is payable at the rate of 0.04% of the transaction value subject to a maximum of S$600.00 per transaction. The clearing fee, instrument of transfer deposit fee and share withdrawal fee may be subject to Singapore Goods and Services Tax.

Dealings of our Shares will be carried out in Singapore Dollars and will be effected for settlement on CDP on a scripless basis. Settlement of trades on a normal "ready" basis on the SGX-ST generally takes place on the third Market Day following the transaction date, and payment for the securities is generally settled on the following business day. CDP holds securities on behalf of investors in securities accounts. An investor may open a direct account with CDP or a sub-account with a CDP agent. The CDP agent may be a member company of the SGX-ST, bank, merchant bank or trust company.

INFORMATION ON DIRECTORS AND EXECUTIVE OFFICERS

Save as disclosed below, none of our Directors, Executive Officers or Controlling Shareholders:-

(a) was, at any time during the last 10 years, involved in an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner;

(b) was, at any time during the last 10 years, involved in an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;

(c) has any unsatisfied judgments against him;

(d) has at any time ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings which he is aware of) for such purpose;

(e) has at any time ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or any criminal proceedings (including any pending criminal proceedings which he is aware of) for such breach;

(f) has, at any time during the last 10 years, received judgment against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or has been the subject of any civil proceedings (including any pending civil proceedings which he is aware of) involving an allegation of fraud, misrepresentation or dishonesty on his part;

(g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;

(h) has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;

(i) has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity;

(j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:

    (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;

    (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;

    (iii) any business trust which has been investigated for breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; and

(k) has ever been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

In 2005, Shenzhen Grandness had engaged Shenzhen Sicheng Economic Information and Consultancy Co., Ltd (深圳市思城经济信息咨询有限公司) (the "**Intermediary**") to attend to filings and notifications at the State Administration of Industry and Commerce of Shenzhen ("**SZAIC**") on its behalf. It was subsequently alleged that the Intermediary submitted fraudulent documents or false information to SZAIC, and/or omitted to inform SZAIC of material information (the "**Allegations**") in relation to its customers filings and notifications to SZAIC. As one of the Intermediary's customers, Shenzhen Grandness assisted in the investigation by SZAIC of these Allegations. We have been advised by GFE Law Office, the Legal Advisers to our Company on PRC Law that the investigations against Shenzhen Grandness have been completed and Shenzhen Grandness was not found to be guilty of any wrong-doing. GFE Law Office had based their opinion on a verbal confirmation obtained on 1 September 2008 from the officer who was in charge of the investigation from SZAIC.

Save for the issue of Shares upon conversion of the convertible loans granted pursuant to the Convertible Loan Agreement, no person (including an Director or Executive Officer) has been, or is entitled to be, given an option to subscribe for or purchase any shares in or debentures of our Company and our subsidiaries.

SHARE CAPITAL

Save as set out below and under the sections "**Share Capital**" and "**Restructuring Exercise**", there were no changes in the issued and paid-up capital of our Company and our subsidiaries within the 3 years preceding the Latest Practicable Date:-

Date	Purpose of change in capital	Issued and paid-up capital/registered capital contribution	Resultant issued and paid-up/ contributed capital
Company			
20 April 2007	Subscription	S$2	S$2
25 July 2007	Share swap for acquisition of Hong Kong Grandness	S$369,230	S$369,232
Shanxi Grandness			
13 February 2007	Contribution of registered capital	RMB9,500,000	RMB12,000,000
12 November 2007	Contribution of registered capital	RMB22,348,441	RMB34,348,4401
Shanxian Grandness			
29 August 2007	Contribution of registered capital	RMB3,000,000	RMB3,000,000
16 November 2007	Contribution of registered capital	RMB 7,000,000	RMB10,000,000
Sichuan Grandness			
11 December 2007	Contribution of registered capital	RMB10,000,000	RMB27,000,000

Save as disclosed in the section "**General Information on our Group - Share Capital**" and "**General Information on our Group – Restructuring Exercise**", no Shares in, or debentures of, our Company or any of our subsidiaries have been issued or are agreed to be issued, by our Company or any of our subsidiaries, as fully or partly paid-up and whether for cash or for a consideration other than cash, within the 3 years preceding the date of this Prospectus.

There have not been any situations where more than 10% of our Company's share capital has been paid for with assets other than in cash within the period of 3 years preceding the date of lodgement of this Prospectus.

MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by our Company or our subsidiaries in connection with the Restructuring Exercise or within the 2 years preceding the date of lodgement of this Prospectus and are or may be material:-

(a) The share transfer agreement dated 8 May 2007 entered into between Hong Kong Grandness and Shenzhen Grandness and supplemented by the share transfer agreement dated 15 May 2007. Pursuant to the agreements, Hong Kong Grandness acquired 75% of the registered share capital of Shanxi Grandness from Shenzhen Grandness for a cash consideration of RMB9.0 million.

(b) The share transfer agreement dated 18 August 2007 between Shenzhen Grandness and Lin Junjin (林俊金) under which Shenzhen Grandness was to transfer 90% of the registered capital of Shenzhen Yaxinda Import Export Co., Ltd (深圳雅鑫达进出口有限公司) for a cash consideration of RMB2.7 million.

(c) The share transfer agreement dated 8 November 2007 entered into between Huang Yupeng and Shenzhen Grandness, pursuant to which Shenzhen Grandness acquired 25% of the registered capital in Shanxian Grandness from Huang Yupeng for nil consideration and the letter of confirmation dated 1 September 2008 wherein the parties confirmed that the Shanxian Grandness transfer took into account a set-off of RMB2.5 million extended to Huang Yupeng by Shenzhen Grandness.

(d) The share transfer agreement dated 12 June 2007 entered into amongst Huang Yupeng, Huang Zhoupeng and Shanxi Grandness, pursuant to which Shanxi Grandness acquired 90% of the registered capital in Shenzhen Grandness from Huang Yupeng and the remaining 10% of the registered capital from Huang Zhoupeng, for an aggregate cash consideration of RMB74,413,600.

(e) The share transfer agreement dated 25 July 2007 entered into between Huang Yupeng, Huang Zhoupeng and our Company, pursuant to which our Company acquired 95% of the issued and paid-up ordinary shares of par value HK$1.00 each in the capital of Hong Kong Grandness from Huang Yupeng and the remaining 5% from Huang Zhoupeng, for a consideration of S$350,769 and S$18,461, respectively.

(f) The consultancy agreement dated 14 November 2007 as supplemented by a supplementary agreement dated 8 June 2009 entered into between the Consultants and Shenzhen Grandness for the provision of consultancy services to our Group in connection with the Invitation.

    The fees for the consultation agreement include a consultancy fee of RMB1.1 million with an additional payment of 3.6% of the proceeds from the Invitation upon the successful listing of our Company on the SGX-ST and a commission of 3.8% of any investment made by any Bond Holder introduced by Shenzhen Yuding and Sino Investment. As at the Latest Practicable Date, the aggregate fees paid to Shenzhen Yuding and Sino-Investment were approximately RMB1.0 million and RMB0.8 million, respectively.

(g) The convertible loan agreement dated 4 May 2007 as supplemented by a supplementary agreement dated 2 September 2008 and a second supplementary agreement dated 13 July 2009, amongst our Company, Huang Yupeng and each of the Bond Holders, pursuant to which the Bond Holders advanced convertible loans in the aggregate amount of S$8.0 million to our Company which would be automatically converted to Shares upon our Company delivering a conversion notice to the Bond Holders at any time after the date of receipt of the eligibility-to-list letter from the SGX-ST but not later than the date of registration of this Prospectus.

(h) The licence agreement dated 30 June 2009 between Huang Yupeng and Shenzhen Grandness, pursuant to which Huang Yupeng has undertaken to transfer the patent right (Application No: 200810218011.6) to Shenzhen Grandness within 30 days of the patent right being granted, for nil consideration; and to grant an exclusive right to Shenzhen Grandness to use (and to grant its affiliate company the license to use) the invention before registration of the patent right for nil consideration.

LITIGATION

On 15 June 2009, Shenzhen Grandness brought an action against Longyan Lihui Food Co., Ltd (龙岩立辉食品有限公司) ("**Longyan Lihui**") and Luo Yuehui (罗跃辉) in the People's Court of Futian District, Shenzhen City (深圳市福田区人民法院) for payment for goods in the amount of RMB312,880 and overdue payment in the amount of RMB24,458. Luo Yuehui and Longyuan Lihui are jointly and severally liable for payment. The case is now pending judgement to be delivered by the Court.

Our Company received a letter of demand dated 2 October 2009 (the "**Demand Letter**") from Elliott Advisors (HK) Limited ("**Elliott**"). The Demand Letter alleged that our Company had breached its obligations under a term sheet dated 4 August 2009 between Elliott and our Company relating to the subscription by Elliott for senior secured convertible bonds of US$15 million to be issued by our Company ("**Investment**") (the "**Term Sheet**") and demanded payment of compensation in the sum of US$300,000. Our Company has abandoned discussions on the definitive agreement(s) in relation to the Investment. Elliot had reiterated its demand in another letter dated 6 November 2009, and also claimed to have serious concerns over our Company's activities. In response to the above-mentioned letters, we had issued a response letter to Elliott on 11 November 2009 to refute its allegations towards us and to state that we will not hesitate to constitute legal proceedings against Elliott should Elliott make any defamatory statements or in any other manner, cause any loss or damage to our Company. Our Board is of the view that there would be no material claim from Elliott in connection with the Term Sheet. Nonetheless, in order to protect our Company's interest and also the interests of our minority Shareholders, our Chairman and CEO, Huang Yupeng, has given an undertaking 12 November 2009 as follows (the "**Plan**"):-

(a) To indemnify our Company against all damages and claims that our Company might suffer in connection with the Term Sheet. The term of the indemnity shall be for a period of 2 years to be extended from year-to-year at our Company's option, upon the recommendation of our Audit Committee, subject to a maximum of 6 years from the date of the indemnity (the "**Indemnity Period**").

(b) As security for discharging his obligations under the indemnity, Huang Yupeng would, on or before 14 days from the date of the undertaking, pay a sum of US$300,000 into a bank account to be operated jointly by any 2 of the independent directors of our Company (the "**Security Account**").

(c) In the event of any damages suffered by or claims against our Company in connection with the Term Sheet, an equivalent amount would be paid out from the Security Account to our Company's other account as our Financial Controller (or similar officer) of our Company may instruct.

(d) Any monies remaining in the Security Account (inclusive of interest thereon) shall be returned to Huang Yupeng upon the expiration of the Indemnity Period.

Save as disclosed above, neither our Company nor our subsidiaries are, as at the Latest Practicable Date, engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated, which may have or have had in the 12 months before the date of lodgement of this Prospectus, a material effect on our Group's financial position or profitability, and our Directors have no knowledge of any proceedings pending or threatened against our Company or our subsidiary or any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or the business of our Company or our subsidiary. To the best of our Directors' knowledge and belief, none of our Substantial Shareholders are presently involved in any insolvency proceedings.

MISCELLANEOUS

Each of the Joint Company Secretaries, the Joint Placement Agents, the Legal Advisers to our Company on Singapore Law, the Legal Advisers to our Company on PRC Law, the Legal Advisers to our Company on Hong Kong Law, the Receiving Banker, the Principal Bankers and the Share Registrar, do not make, or purport to make, any statement in this Prospectus or any statement upon which a statement in this Prospectus is based and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any person which is based on, or arises out of, the statements, information or opinions in this Prospectus.

No expert employed on a contingent basis by our Company or our subsidiaries, has a material interest, whether direct or indirect, in the shares of our Company or our subsidiaries, or has a material economic interest, whether direct or indirect, in our Company, including an interest in the success of the Offer.

Save as disclosed under the sections "**Dividend Policy**", "**Share Capital**" and "**Restructuring Exercise**", our Directors are not aware of any event which has occurred since 31 December 2008, which may have a material effect on the financial information provided in "**Appendix A: Report of the Independent Auditor on the Combined Financial Statements of Sino Grandness Food Industry Group Limited for the Years Ended 31 December 2006, 2007 and 2008**" and "**Appendix B: Report from the Independent Auditor in relation to the Unaudited Review of the Interim Consolidated Financial Statements of Sino Grandness Food Industry Group Limited and its Subsidiaries for the Three Months ended 31 March 2009**".

CONSENTS

(a) Foo Kon Tan Grant Thornton, the Auditors and Reporting Auditors, has given and has not, before the registration of this Prospectus, withdrawn its written consent to the issue of this Prospectus with the inclusion herein of and references to its name in this Prospectus and the inclusion of "**Appendix A: Report of the Independent Auditor on the Combined Financial Statements of Sino Grandness Food Industry Group Limited for the Years Ended 31 December 2006, 2007 and 2008**", "**Appendix B: Report from the Independent Auditor in relation to the Unaudited Review of the Interim Consolidated Financial Statements of Sino Grandness Food Industry Group Limited and its Subsidiaries for the Three Months ended 31 March 2009**" and "**Appendix C: Pro Forma Group Financial Statements of Sino Grandness Food Industry Group Limited for the Financial Year ended 31 December 2008 and Three Months Ended 31 March 2009**" in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.

(b) Collins Stewart, the Issue Manager, the Joint Underwriter and the Joint Placement Agent, has given and has not, before the registration of this Prospectus, withdrawn its written consent to the issue of this Prospectus with the inclusion herein of and reference to its name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.

(c) UOB Kay Hian Private Limited, the Joint Underwriter and the Joint Placement Agent, has given and has not, before the registration of this Prospectus, withdrawn its written consent to the issue of this Prospectus with the inclusion herein of and reference to its name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.

(d) GFE Law Office, the Legal Advisers to our Company on PRC Law, has given and has not, before the registration of this Prospectus, withdrawn its written consent to the issue of this Prospectus with the inclusion herein of and reference to its name, and the inclusion in this Prospectus of the statements attributable to them, in the form and context in which they appear in this Prospectus and to act in such capacity in relation to this Prospectus.

(e) KhattarWong, the Legal Advisers to our Company on Singapore Law, has given and has not, before the registration of this Prospectus, withdrawn its written consent to the issue of this Prospectus with the inclusion herein of and reference to its name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.

(f) DLA Piper Hong Kong, the Legal Adviers to our Company on Hong Kong Law, has given and has not, before the registration of this Prospectus, withdrawn its written consent to the issue of this Prospectus with the inclusion herein of and reference to its name in the form and context in which it appears in this Prospectus and to act in such capacity in relation to this Prospectus.

STATEMENT BY OUR DIRECTORS AND VENDORS

This Prospectus has been seen and approved by our Directors and the Vendors and they collectively and individually accept full responsibility for the accuracy of the information given in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, (i) the facts stated and the opinions expressed in this Prospectus are fair and accurate in all material respects as at the date of this Prospectus, (ii) there are no material facts the omission of which would make any statements in this Prospectus misleading, and (iii) this Prospectus constitutes full and true disclosure of all material facts about the Invitation, our Group and our Shares (including the Vendor Shares and the New Shares).

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of our Company at 80 Raffles Place, #25-01, UOB Plaza 1, Singapore 048624 during normal business hours for a period of 6 months from the date of registration of this Prospectus:-

(a) the Memorandum of Association and Articles of Association of our Company;

(b) the moratorium undertakings referred to in the section “**Moratorium**”;

(c) the material contracts referred to in this Prospectus;

(d) the letters of consents referred to in this Prospectus;

(e) Appendix A: Report of the Independent Auditor on the Combined Financial Statements of Sino Grandness Food Industry Group Limited for the Years Ended 31 December 2006, 2007 and 2008;

(f) Appendix B: Report from the Independent Auditor in relation to the Unaudited Review of the Interim Consolidated Financial Statements of Sino Grandness Food Industry Group Limited and its Subsidiaries for the Three Months ended 31 March 2009; and

(g) Appendix C: Pro Forma Group Financial Statements of Sino Grandness Food Industry Group Limited for the Financial Year ended 31 December 2008 and Three Months Ended 31 March 2009.

INDEPENDENT AUDITOR'S REPORT

Date: 13 November 2009

The Board of Directors
Sino Grandness Food Industry Group Limited
80 Raffles Place
#25-01 UOB Plaza 1
Singapore 048624

Dear Sirs

This report has been prepared for the inclusion in the prospectus dated 13 November 2009 ("Prospectus") in connection with the invitation in respect of offer of shares of Sino Grandness Food Industry Group Limited (the "Company").

We have audited the accompanying combined financial statements of Sino Grandness Food Industry Group Limited and its subsidiaries (collectively the "Group") which comprise the combined balance sheets as at 31 December 2006, 2007 and 2008 and the combined income statements, combined statements of changes in equity and combined cash flow statements for the years then ended, and the notes thereto.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with the Singapore Financial Reporting Standards ("FRS") and the basis of preparation set out in Note 4 to the combined financial statements. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

INDEPENDENT AUDITOR'S REPORT (CONT'D)

Auditor's Responsibility

Our responsibility is to express an opinion on these combined 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 whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined 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 combined financial statements present fairly, in all material respects, the financial positions of the Group as at 31 December 2006, 2007 and 2008, and of the results, changes in equity and cash flows of the Group for the years ended 31 December 2006, 2007 and 2008 and have been properly prepared in accordance with FRS prescribed by the Accounting Standards Council and the basis of preparation set out in Note 4 to the combined financial statements.

This report has been prepared for inclusion in the preliminary prospectus (including any amended preliminary prospectus) and the final Prospectus to be issued by the Company.

Yours faithfully

Foo Kon Tan Grant Thornton
Public Accountants and
Certified Public Accountants

Yeo Boon Chye
Partner-in-charge

COMBINED INCOME STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

		Audited			Review of unaudited accounts	Based on management accounts (presented for comparative figures only)
	Notes	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB	Period ended 31 March 2008 RMB
Revenue	6	330,268,779	257,790,987	95,824,362	30,278,067	18,108,563
Cost of sales		(236,083,298)	(185,711,439)	(66,622,308)	(22,894,288)	(13,448,243)
Gross profit		94,185,481	72,079,548	29,202,054	7,383,779	4,660,320
Other operating income	7(a)	3,592,090	2,391,148	1,633,112	1,728,634	640,884
Distribution costs	7(b)	(17,849,484)	(11,302,418)	(8,293,763)	(2,351,551)	(1,942,475)
Administrative expenses	7(c)	(11,609,919)	(12,428,624)	(7,092,267)	(3,111,019)	(2,411,604)
Other operating expenses		–	(335,888)	(31,641)	–	–
Finance costs	7(d)	(2,291,832)	(1,896,260)	(687,496)	(593,037)	(327,667)
Profit before taxation	8	66,026,336	48,507,506	14,729,999	3,056,806	619,458
Taxation	9	(13,305,961)	(7,718,933)	(3,711,637)	(1,310,579)	(570,000)
Profit for the year attributable to shareholders		52,720,375	40,788,573	11,018,362	1,746,227	49,458
Attributable to :						
Equity holders of the parent		55,015,932	41,163,598	11,884,499	2,232,363	575,498
Minority interests		(2,295,557)	(375,025)	(866,137)	(486,136)	(526,040)
		52,720,375	40,788,573	11,018,362	1,746,227	49,458
Earnings per share - basic (RMB) *		30.1 cents	23.3 cents	6.3 cents	1.0 cents	0.03 cents

* These earnings per share were computed based on the pre-Invitation (as defined in Note 1 to the combined financial statements) number of shares of 175,172,414.

n.m. not meaningful

COMBINED BALANCE SHEETS
AS AT 31 DECEMBER 2006, 2007 AND 2008

		Audited			Review of unaudited accounts
	Notes	31 December 2008 RMB	31 December 2007 RMB	31 December 2006 RMB	31 March 2009 RMB
ASSETS					
Non-Current					
Property, plant and equipment	10	100,885,542	44,935,288	36,320,664	121,303,139
Subsidy	11	804,054	938,070	1,072,086	770,550
Long-term investment	12	–	50,000	50,000	–
		101,689,596	45,923,358	37,442,750	122,073,689
Current					
Inventories	13	46,543,777	28,113,403	20,621,103	44,686,342
Trade and other receivables	14	89,234,185	117,000,467	45,180,254	63,924,050
Prepayments	15	10,009,345	3,376,939	238,725	10,942,223
Cash and cash equivalents	16	15,652,499	28,148,358	3,451,199	16,369,778
		161,439,806	176,639,167	69,491,281	135,922,393
Total assets		263,129,402	222,562,525	106,934,031	257,996,082
EQUITY AND LIABILITIES					
Capital and Reserves					
Capital contribution	17	1,848,006	1,848,006	43,010,680	1,848,006
Retained profits		92,357,482	43,294,775	6,097,467	94,589,845
Other reserves	18	(15,420,403)	(21,373,628)	6,073,682	(15,441,194)
		78,785,085	23,769,153	55,181,829	80,996,657
Minority interests		5,943,407	8,238,964	8,541,470	5,457,271
		84,728,492	32,008,117	63,723,299	86,453,928
Liabilities					
Non-Current					
Bank borrowings	19	–	1,913,747	2,096,567	–
Amount owing to the then shareholders	20	43,444,984	48,910,834	–	43,258,620
Amount owing to a third party	21	–	–	–	3,375,000
		43,444,984	50,824,581	2,096,567	46,633,620
Current					
Trade and other payables	21	57,843,256	55,798,258	25,763,693	53,920,839
Note payables	22	1,950,000	11,600,000	–	3,650,000
Non-interest bearing loans	23	38,237,900	40,178,840	–	36,546,153
Current tax payable		5,924,770	11,441,983	5,335,011	1,310,579
Bank borrowings	19	31,000,000	20,710,746	10,015,461	29,480,963
		134,955,926	139,729,827	41,114,165	124,908,534
Total equity and liabilities		263,129,402	222,562,525	106,934,031	257,996,082

COMBINED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

	Capital contribution RMB	(Accumulated losses)/ retained profits RMB	Exchange translation reserve RMB	Merger reserve RMB	Statutory common reserve RMB	Statutory common welfare fund RMB	Total attributable to equity holders of the parent RMB	Minority interests RMB	Total RMB
Balance as at 1 January 2006	43,010,680	(1,579,842)	–	–	933,246	933,246	43,297,330	9,412,200	52,709,530
Total recognised income for the year - net profit	–	11,884,499	–	–	–	–	11,884,499	(866,137)	11,018,362
Dilution in minority interests	–	–	–	–	–	–	–	(4,593)	(4,593)
Transfer to statutory reserve	–	(4,207,190)	–	–	2,103,595	2,103,595	–	–	–
Transfer to statutory common reserve	–	–	–	–	3,036,841	(3,036,841)	–	–	–
Balance as at 31 December 2006	43,010,680	6,097,467	–	–	6,073,682	–	55,181,829	8,541,470	63,723,299
Total recognised income for the year - net profit	–	41,163,598	–	–	–	–	41,163,598	(375,025)	40,788,573
Increase in shareholding in a subsidiary	–	–	–	–	–	–	–	72,519	72,519
Deemed distribution to the then shareholders in pursuant of the Restructuring Exercise	(43,010,680)	–	–	–	–	–	(43,010,680)	–	(43,010,680)
Issue of shares	1,848,006	–	–	–	–	–	1,848,006	–	1,848,006
Merger reserve arising from the Restructuring Exercise	–	–	–	(31,413,600)	–	–	(31,413,600)	–	(31,413,600)
Transfer to statutory reserve	–	(3,966,290)	–	–	3,966,290	–	–	–	–
Balance as at 31 December 2007	1,848,006	43,294,775	–	(31,413,600)	10,039,972	–	23,769,153	8,238,964	32,008,117
Total recognised income for the year - net profit	–	55,015,932	–	–	–	–	55,015,932	(2,295,557)	52,720,375
Transfer to statutory reserve	–	(5,953,225)	–	–	5,953,225	–	–	–	–
Balance as at 31 December 2008	1,848,006	92,357,482	–	(31,413,600)	15,993,197	–	78,785,085	5,943,407	84,728,492
Exchange difference not recognised in the income statement	–	–	(20,791)	–	–	–	(20,791)	–	(20,791)
Total recognised income for the period - net profit	–	2,232,363	–	–	–	–	2,232,363	(486,136)	1,746,227
Balance as at 31 March 2009	1,848,006	94,589,845	(20,791)	(31,413,600)	15,993,197	–	80,996,657	5,457,271	86,453,928

COMBINED CASH FLOW STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

	Audited			Review of unaudited accounts	Based on management accounts (presented for comparative figures only)
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB	Period ended 31 March 2008 RMB
Cash Flows from Operating Activities					
Profit before taxation	66,026,336	48,507,506	14,729,999	3,056,806	619,458
Adjustments for:					
Depreciation of property, plant and equipment	3,882,142	2,352,133	2,195,769	1,234,570	708,889
Amortisation of subsidy	134,016	134,016	134,016	33,504	33,504
Loss on disposal of property, plant and equipment	–	32,468	–	–	–
Goodwill on consolidation written off	–	72,519	(4,593)	–	–
Exchange difference (see Note 23)	(1,940,940)	–	–	(1,712,538)	–
Property, plant and equipment written off	44,822	21,684	–	–	–
Inventories written off	386,576	313,403	970,227	63,383	–
Interest expense	2,291,832	1,896,260	687,496	593,037	327,667
Interest income	(326,305)	(72,933)	(32,399)	(13,836)	(76,764)
Operating profit before working capital changes	70,498,479	53,257,056	18,680,515	3,254,926	1,612,754
Decrease/(increase) in deposits pledged with banks	9,650,000	(11,600,000)	–	(400,000)	1,800,000
(Increase)/decrease in inventories	(18,816,950)	(7,805,703)	(5,768,334)	1,794,052	(3,208,284)
Decrease/(increase) in operating receivables	17,662,064	(100,782,422)	(3,668,116)	26,108,519	34,787,954
(Decrease)/increase in operating payables	(7,750,744)	45,657,904	(1,548,339)	(3,284,790)	(8,012,771)
Cash generated from/(used in)operations	71,242,849	(21,273,165)	7,695,726	27,472,707	26,979,653
Income tax paid	(18,823,174)	(1,611,961)	(22,990)	(5,940,393)	(1,146,193)
Interest paid	(2,291,832)	(1,896,260)	(687,496)	(534,375)	(327,667)
Net cash generated from/(used in) operating activities	50,127,843	(24,781,386)	6,985,240	20,997,939	25,505,793
Cash Flows from Investing Activities					
Acquisition of property, plant and equipment	(59,877,218)	(11,272,820)	(9,204,237)	(21,653,272)	(6,915,646)
Proceeds from disposal of property, plant and equipment	–	251,911	–	–	–
VAT on property, plant and equipment refunded	–	–	–	1,105	–
Proceeds from disposal of long-term investment	50,000	–	–	–	–
Interest received	326,305	72,933	32,399	13,836	76,764
Net cash used in investing activities	(59,500,913)	(10,947,976)	(9,171,838)	(21,638,331)	(6,838,882)

COMBINED CASH FLOW STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008 (CONT'D)

	← Audited →			Review of unaudited accounts	Based on management accounts (presented for comparative figures only)
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB	Period ended 31 March 2008 RMB
Cash Flows from Financing Activities					
Issue of shares	–	1,848,006	–	–	–
Proceeds for share application money	–	40,178,840	–	–	–
Bank loans obtained	24,000,000	20,656,665	9,919,194	4,980,963	10,502,237
Bank loans repaid	(15,624,493)	(10,144,200)	(364,100)	(6,500,000)	(12,549,285)
Deemed distribution to the then shareholders in pursuant of the Restructuring Exercise	–	(43,010,680)	–	–	–
Merger reserve arising from the Restructuring Exercise	–	(31,413,600)	–	–	–
Amount owing to a companies in which directors have interests	78,079	(22,003)	683,064	–	(111,061)
Amount owing by:					
- third parties	3,471,812	(3,670,857)	(458,250)	(699,045)	(434,609)
- a director of the Group (黄育鹏)	–	29,522,879	(6,108,135)	–	(5,079,997)
Amount owing to:					
a director of the Group (黄育鹏)	(5,465,850)	41,561,340	–	(186,364)	(79,820)
- a then shareholder (黄周鹏)	–	7,349,494	–	–	–
- third parties	67,663	(4,029,363)	(87,439)	3,362,117	19,924
Net cash generated from/(used in) financing activities	6,527,211	48,826,521	3,584,334	957,671	(7,732,611)
Net (decrease)/increase in cash and cash equivalents	(2,845,859)	13,097,159	1,397,736	317,279	10,934,300
Cash and cash equivalents at beginning of year/period	16,548,358	3,451,199	2,053,463	13,702,499	16,548,358
Cash and cash equivalents at end of year/period (Note 16)	13,702,499	16,548,358	3,451,199	14,019,778	27,482,658

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1 INTRODUCTION

These combined financial statements have been prepared for inclusion in the Prospectus of Sino Grandness Food Industry Group Limited (the "Company") dated 13 November 2009 in connection with the invitation (the "Invitation") by the Company in respect of the issue of 70,000,000 New Shares in the capital of the Company.

2 THE COMPANY

The Company (Registration No. 200706801H) was incorporated in the Republic of Singapore on 20 April 2007 under the name of Sino Grandness Food Industry Group Pte. Ltd. The registered office is located at 80 Raffles Place #25-01 UOB Plaza 1, Singapore 048624.

The Company was converted into a public limited company and the name of the Company changed to "Sino Grandness Food Industry Group Limited" in connection therewith on 12 November 2009.

3 RESTRUCTURING EXERCISE

The Restructuring Exercise comprising the following steps were undertaken by the Group in connection with the Invitation:

(a) Incorporation of the Company

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

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

On 23 May 2007, Hong Kong Grandness acquired 75% of the registered capital of Shanxi Grandness from Shenzhen Grandness Industry Groups Co., Ltd. ("Shenzhen Grandness") for a cash consideration of RMB9.0 million. The acquisition consideration was determined based on 75% of the registered capital of Shanxi Grandness then. This resulted in Shanxi Grandness becoming a wholly-owned subsidiary of Hong Kong Grandness as the latter was already holding 25% of the registered capital of Shanxi Grandness.

(c) Acquisition of Hong Kong Grandness by the Company

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

3 RESTRUCTURING EXERCISE (CONT'D)

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

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

On 26 August 2008, Lin Junjin (林俊金) transferred all the registered capital in Shenzhen Yaxinda to Huang Yupeng at no consideration.

(e) Acquisition of Shenzhen Grandness by Shanxi Grandness

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

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

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

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

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

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3 RESTRUCTURING EXERCISE (CONT'D)

(g) Further subscription for Shares by Huang Yupeng and Huang Zhoupeng

On 11 November 2009, Huang Yupeng and Huang Zhoupeng subscribed for 29,229 Shares and 1,539 Shares, respectively, at S$0.01 each. In aggregate, they subscribed for 30,768 Shares for the aggregate subscription price of S$307.68. Upon the allotment and issue of the 30,768 Shares on 11 November 2009, the issued and paid-up capital was increased to S$369,539.68 comprising 400,000 Shares. As a result, Huang Yupeng and Huang Zhoupeng held 380,000 Shares (which comprised 95% of all the issued Shares) and 20,000 Shares (which comprised 5% of all the issued Shares).

(h) Subdivision of one Share into 300 Shares

At an extraordinary general meeting held on 11 November 2009, the Shareholders approved the subdivision of every one (1) Share into 300 Shares, whereupon the issued and paid-up capital was changed to S$369,539.38 comprising 120,000,000 Shares. As a result, Huang Yupeng and Huang Zhoupeng held 114,000,000 Shares and 6,000,000 Shares, respectively.

(i) Conversion of Convertible Loans from Bond Holders

The Company entered into the Convertible Loan Agreement with the Bond Holders. The aggregate convertible loan amount extended by the Bond Holders was S$8,000,000. The principal amount of the convertible loans is convertible into fully-paid Shares (the "Conversion Shares") at an issue price of 14.5 cents.

On 11 November 2009, the Company allotted and issued such number of Shares as set out below to the Bond Holders pursuant to the conversion of the convertible loans:

Bond Holders	No. of Shares
Phillip Ventures Enterprise Fund Ltd ("PVEF")	27,448,275
Kim Seng Holdings Pte. Ltd. ("Kim Seng Holdings")	10,344,827
Inkatha Group Limited ("Inkatha")	5,931,034
Venstar Investments Pte. Ltd. ("Venstar")	5,310,344
Huang Yupeng ("HYP")	3,448,280
Lim Joo Boon ("LJB")	1,724,137
Global Top Financial Group Limited ("Global Top")	965,517
Total	**55,172,414**

On 13 November 2009, PVEF transferred 1,300,000 Shares to Lim Joo Boon at S$0.29 per Share, for an aggregate consideration of S$377,000. The resultant shareholdings of PVEF and Lim Joo Boon are 26,148,275 Shares and 3,024,137 Shares respectively, accounting for 14.9% and 1.7% respectively of the issued and paid-up share capital of the Company immediately before the Invitation.

The original convertible loan agreement (the "Original Agreement") was entered into, on 4 May 2007, amongst the Company, as borrower; PVEF, Kim Seng Holdings, SkyVen Growth Capital Fund Pte Ltd ("SkyVen"), Kenmoore Mezzanine Investments Ltd ("Kenmoore") and LJB, as lenders; and HYP as warrantor, under which the lenders would advance an aggregate sum of S$7.0 million as convertible loan to the Company (the "Original Loan").

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3 RESTRUCTURING EXERCISE (CONT'D)

(i) Conversion of Convertible Loans from Bond Holders (cont'd)

The parties to the Original Agreement and Inkatha, Global Top and Shenzhen Grandness entered into a supplemental agreement (the "First Supplemental Agreement") on 2 September 2008. The First Supplemental Agreement provides, amongst other things, that:

(a) the following agreements were terminated:

(i) the investment agreement ("Inkatha Investment Agreement") dated 14 April 2007 entered into amongst HYP, Shenzhen Grandness and Inkatha under which Inkatha advanced an aggregate sum of S$1.0 million as a convertible loan to Shenzhen Grandness (the "Original Inkatha Loan");

(ii) the supplemental agreement dated 14 November 2007 entered into amongst HYP, Shenzhen Grandness and Inkatha under which they amended the Inkatha Investment Agreement, in particular to assign and transfer S$140,000 of the Original Inkatha Loan; and

(iii) the investment agreement dated 14 November 2007 entered into amongst HYP, Shenzhen Grandness and Global Top under which Global Top advanced the sum of S$140,000 as a convertible loan to Shenzhen Grandness;

(b) in consideration of S$20,000 and certain undertakings by Kenmoore, PVEF assigned and transferred all its right, title and interest in and under the Original Agreement in respect of S$20,000 of the Original Loan to Kenmoore (the "PVEF Assignment");

(c) the Original Loan amount was increased from S$7.0 million to S$8.0 million;

(d) the lenders were changed to include Inkatha (for S$860,000) and Global Top (for S$140,000); and the loan amounts from Kenmoore and PVEF were varied taking into account the PVEF Assignment;

(e) under the Original Agreement, should the net profit after tax of the Group for FY2007 be than RMB45 million, the lenders will be compensated (the "Compensation") by the allotment and issue of shares by the Company, the Compensation be satisfied in cash instead;

(f) the number of Shares that each lender is entitled to sell at the listing of the Company was increased from 20% to 45%, and accordingly, the lender's moratorised Shares was decreased from 80% to 55%; and

(g) the long-stop date was extended to the earlier of 28 February 2009 or the date of the listing of the Company on the SGX-ST, whichever is earlier.

The parties to the First Supplemental Agreement (except for Shenzhen Grandness) and Venstar entered into an agreement on 13 July 2009 (the "Second Supplemental Agreement"). The Second Supplemental Agreement provided, amongst other things, that:-

(a) in consideration of S$612,180 and certain undertakings by HYP, SkyVen assigned and transferred all its right, title and interest in and under the Original Agreement in respect of S$500,000 of the Original Loan to HYP (the "SkyVen Assignment");

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3 RESTRUCTURING EXERCISE (CONT'D)

(i) Conversion of Convertible Loans from Bond Holders (cont'd)

(b) in consideration of S$770,000 and certain undertakings by Venstar, Kenmoore assigned and transferred all its right, title and interest in and under the Original Agreement in respect of S$770,000 of the Original Loan to Venstar (the "Kenmoore Assignment");

(c) the lenders were changed to include HYP and Venstar, and to exclude SkyVen and Kenmoore, taking into account the SkyVen Assignment and the Kenmoore Assignment;

(d) the Compensation amount was reduced by 50% and payable to the lenders (excluding HYP) only if the listing of the Company on the SGX-ST does not occur by 31 December 2009;

(e) the number of Shares that each lender (excluding HYP) is entitled to sell at the IPO was changed to 30% and accordingly, his moratorised Shares was changed to 70%; and

(f) in consideration of a fee (the "Extension Fee") payable by the Company to the Bond Holders (save for Huang Yupeng) (the "Secured Bond Holders"), the parties to the Convertible Loan Agreement agreed to extend the Longstop Date to the earlier of (a) 28 February 2010; and (b) the date of the listing of the Company on the SGX-ST. The Extension Fee payable to each Secured Bond Holder shall be computed based on the rate of 10% per annum on the principal amount of the convertible loan he had extended for the period commencing 1 March 2009 and ending on the later of (a) the conversion of the convertible loan, and (b) 1 March 2010, with annual rest and calculated based on a 365-days year.

The payment obligations of the Company to the Secured Bond Holders pursuant to the Convertible Loan Agreement are secured by a personal guarantee by Huang Yupeng in favour of the Secured Bond Holders. Huang Yupeng has also assigned, by way of security, 30% of the advances repayable by the Group to him, to the Secured Bond Holders.

4 BASIS OF PREPARATION

The combined financial statements of the Group for the financial year ended 31 December 2006, 2007 and 2008 were prepared in a manner similar to the "pooling of interest" method as if the Restructuring Exercise had been completed on 1 January 2006. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period, as a single economic enterprise, although the legal parent-subsidiary relationships were not established and the conversion of non-interest bearing convertible loans into equity from the Pre-IPO investors, other than two subsidiaries, Grandness (Sichuan) Foods Co., Ltd. and Yunnan Shizong Zhenhua Food Co., Ltd. which are accounted for under the acquisition method.

The combined financial statements for the financial years ended 31 December 2006, 2007 and 2008 were prepared based on the unaudited financial statements. The PRC subsidiaries and the Hong Kong subsidiary maintain their accounting records and prepare the relevant statutory financial statements in accordance with the accounting standards and legislations of the respective Generally Accepted Accounting Principles (GAAP). The combined financial statements of the Group are the combination or aggregation of all the financial statements of the companies in the Group. The audited financial statements of the Company and its subsidiaries as listed below were prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations to the FRS ("INT FRS") promulgated by the Accounting Standards Council ("ASC").

4 BASIS OF PREPARATION (CONT'D)

		Basis of consolidation
(a)	Grandness (HK) Industry Co., Limited	Pooling of interest
(b)	Shenzhen Grandness Industry Groups Co., Ltd.	Pooling of interest
(c)	Shanxi Yongji Huaxin Food Co., Ltd.	Pooling of interest
(d)	Dongpeng (Chengdu) Agricultural Development Co., Ltd.	Pooling of interest
(e)	Grandness (Shandong) Food Co., Ltd.	Pooling of interest
(f)	Grandness (Shanxian) Food Co., Ltd.	Pooling of interest
(g)	Grandness (Sichuan) Foods Co., Ltd.	Acquisition method
(h)	Yunnan Shizong Zhenhua Food Co., Ltd.	Acquisition method

For the purpose of this report, the financial statements of the above companies (a) to (h) for the relevant periods have been prepared in accordance with FRS and audited by Foo Kon Tan Grant Thornton in accordance with Singapore Standards on Auditing.

The audited financial statements of:

- Sino Grandness Food Industry Group Pte. Ltd. for the financial period from 20 April 2007 (date of incorporation) to 31 December 2007 and the financial year ended 31 December 2008 were audited by Foo Kon Tan Grant Thornton, a member of the Institute of Certified Public Accountants of Singapore;

- Grandness (HK) Industry Co., Limited for the financial years ended 31 December 2006 and 2007 were audited by Law Kam Wing & Company, Certified Public Accountants (Practising), a member of the Hong Kong Institute of Certified Public Accountants and for the financial year ended 31 December 2008 was audited by C.H. Lee Certified Public Accountant;

- Shenzhen Grandness Industry Groups Co., Ltd. for the financial year ended 31 December 2006 was audited by Shenzhen Zhong Zheng Hua Dao Certified Public Accountants Ltd. (深圳中正华道会计师事务所), a member of the Chinese Institute of Certified Public Accountants and for the financial years ended 31 December 2007 and 2008 were audited by Shenzhen Zhong Qi Hua Nan Certified Public Accountants Ltd. (深圳中企华南会计师事务所), a member of the Chinese Institute of Certified Public Accountants;

- Grandness (Sichuan) Foods Co., Ltd. for the financial years ended 31 December 2006 and 2007 were audited by Sichuan San He Certified Public Accountants Ltd. (四川三和会计师事务所有限责任公司), a member of the Chinese Institute of Certified Public Accountants and for the financial year ended 31 December 2008 was audited by Shenzhen Zhong Qi Hua Nan Certified Public Accountants Ltd. (深圳中企华南会计师事务所), a member of the Chinese Institute of Certified Public Accountants;

- Shanxi Yongji Huaxin Food Co., Ltd. for the financial years ended 31 December 2006, 2007 and 2008 were audited by Yong Ji Zheng Xing Certified Public Accountants Ltd. (永济正兴会计师事务所有限公司), a member of the Chinese Institute of Certified Public Accountants;

- Yunnan Shizong Zhenhua Food Co., Ltd. for the financial years ended 31 December 2006, 2007 and 2008 were audited by Qujing Tongle Certified Public Accountants Ltd. (曲靖同乐会计师事务所), a member of the Chinese Institute of Certified Public Accountants.

4 BASIS OF PREPARATION (CONT'D)

- Dongpeng (Chengdu) Agricultural Development Co., Ltd. for the financial year ended 31 December 2008 were audited by Sichuan San He Certified Public Accountants Ltd. (四川三和会计师事务所有限责任公司), a member of the Chinese Institute of Certified Public Accountants;

- Grandness (Shanxian) Food Co., Ltd. for the financial year ended 31 December 2008 were audited by Shandong Fa Zheng Certified Public Accountants Ltd. (山东法正会计师事务所有限公司), a member of the Chinese Institute of Certified Public Accountants.

These audited financial statements were not subject to any audit qualifications, modifications or disclaimers except for Grandness (HK) Industry Co., Limited where the 2007 financial statements were qualified on non-consolidation. In addition, the financial statements drew attention on the compliance of labour laws where the company does not have any employees.

Other than the 31 December 2007 audited financial statements made available, there were no audited financial statements of the following companies as they were newly incorporated on:

- Dongpeng (Chengdu) Agricultural Development Co., Ltd. - 27 December 2006
- Grandness (Shandong) Food Co., Ltd. - 13 April 2007
- Grandness (Shanxian) Food Co., Ltd. - 30 August 2007

In arriving at the combined financial statements, the directors of the Company are of the view that no material adjustment was required to be made to the information used in the above preparation.

These combined financial statements were authorised for issue by the directors of the Group on 13 November 2009.

Significant accounting estimates and judgements

The preparation of the combined 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 combined financial statements and the reported amounts of revenues 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.

<u>Depreciation of property, plant and equipment</u>

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 40 years except for land use rights which are depreciated over the period of the grant of originally 50 years. The carrying amounts of the Group's property, plant and equipment as at 31 December 2006, 2007, 2008 and 31 March 2009 are RMB36,320,664, RMB44,935,288, RMB100,885,542 and RMB121,303,139 respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

4 BASIS OF PREPARATION (CONT'D)

Income tax

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions, if any in the period in which such determination is made.

Critical judgements and key sources of estimation uncertainty

In the process of applying the entity's accounting policies, which are described in Note 5, management had made the following judgement that has the most significant effect on the amounts recognised in the combined financial statements.

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

Allowances for inventory obsolescence

Inventories are stated at the lower of cost and net realisable value. In determining the net realisable value, the directors estimate the future selling price in the ordinary course of business, less the estimated costs of selling expenses. The carrying amounts of inventories at the balance sheet date are disclosed in Note 13 to the combined financial statements.

Change in accounting policies

In respect of the financial year 2006, the ASC [now replaced the Council on Corporate Disclosure and Governance ("CCDG")] issued a series of new and revised FRS for which the Group applies these new and revised standards from 1 January 2006. This includes the following new and revised standards, which are relevant to the Group:

FRS 19 (Amendment)	Employee Benefits
FRS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates - Amendments relating to net investment in a foreign operation
FRS 32 (Amendment)	Financial Instruments: Disclosure and Presentation
FRS 39 (Amendment)	Financial Guarantee Contracts
INT FRS 104	Determining whether an Arrangement contains a Lease

4 BASIS OF PREPARATION (CONT'D)

The adoption of the above FRS and INT FRS did not result in substantial changes to the Group's accounting policies. There is no effect on the adoption of financial guarantee contracts on the current combined financial statements.

On 1 January 2007, the Group adopted the new or revised FRS and INT FRS that are mandatory for application on that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

Amendments to FRS 1	Presentation of Financial Statements - Capital Disclosures
FRS 40	Investment Property
FRS 107	Financial Instruments: Disclosures
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies
INT FRS 108	Scope of FRS 102
INT FRS 109	Reassessment of Embedded Derivatives
INT FRS 110	Interim Financial Reporting and Impairment

The adoption of the above FRS and INT FRS did not result in substantial changes to the Group's accounting policies nor any significant impact on these combined financial statements. FRS 107 and the complementary amended FRS 1 introduce new disclosures relating to financial instruments and capital respectively.

On 1 January 2008, the Group adopted the new or amended FRS and INT FRS that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

INT FRS 29	Disclosure - Service Concession Arrangements
INT FRS 104	Determining whether an Arrangement contains a Lease
INT FRS 111	FRS 102 – Group and Treasury Share Transactions
INT FRS 112	Service Concession Arrangements
INT FRS 114	FRS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above FRS and INT FRS did not result in substantial changes to the Group's accounting policies nor any significant impact on these combined financial statements.

On 1 January 2009, the Group adopted the new or amended FRS and INT FRS that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4 BASIS OF PREPARATION (CONT'D)

The following are the new or amended INT FRS that are relevant to the Group:

FRS 1 (Revised)	Presentation of Financial Statements - Revised presentation
Amendments to FRS 1	Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
FRS 2 (Revised)	Inventories
FRS 7 (Amendment)	Cash Flow Statements
FRS 8 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 11 (Amendment)	Construction Contracts
FRS 16 (Revised)	Property, Plant and Equipment
FRS 19 (Amendment)	Employee Benefits
FRS 23 (Revised)	Borrowing Costs
FRS 27 (Revised)	Consolidated and Separate Financial Statements
Amendments to FRS 32	Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
FRS 33 (Revised)	Earnings per Share
FRS 34 (Amendment)	Interim Financial Reporting
FRS 36 (Revised)	Impairment of Assets
FRS 38 (Revised)	Intangible Assets
Amendments to FRS 39	Amendments to FRS 39 Financial Instruments: Recognition and Measurement and FRS 107 Financial Instruments: Disclosures - Reclassification of Financial Assets
FRS 102 (Amendment)	Share-based Payment - Amendments relating to vesting conditions and cancellations
FRS 104 (Revised)	Insurance Contracts - Implementation Guidance
FRS 105 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations
FRS 106 (Amendment)	Exploration for and Evaluation of Mineral Resources
Amendments to FRS 107	Amendments to FRS 39 Financial Instruments: Recognition and Measurement and FRS 107 Financial Instruments: Disclosures - Reclassification of Financial Assets – Implementation Guidance
Amendments to FRS 107	Amendments to FRS 107 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments - Implementation Guidance
FRS 108	Operating Segments
INT FRS 101	Changes in Existing Decommissioning, Restoration and Similar Liabilities
INT FRS 112 (Amendment)	Service Concession Arrangements
INT FRS 113	Customer Loyalty Programmes
INT FRS 116	Hedges of a Net Investment in a Foreign Operation

The adoption of the above INT FRS did not result in substantial changes to the Group's accounting policies.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4 BASIS OF PREPARATION (CONT'D)

FRS and INT FRS issued but not yet effective

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the company's and the group's accounting periods beginning on or after 1 January 2009 or later periods and which the Group has not early adopted. The following FRS and INT FRS that are applicable to the Group are set out below:

FRS 27 (Amendment)	Consolidated and Separate Financial Statements
Amendments to FRS 39	Amendments to FRS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items
Amendments to FRS 39	Amendments to INT FRS 109 and FRS 39 - Embedded Derivatives
FRS 103 (Revised)	Business Combinations
Amendments to INT FRS 109	Amendments to INT FRS 109 and FRS 39 - Embedded Derivatives
INT FRS 117	Distributions of Non-cash Assets to Owners
INT FRS 118	Transfer of Assets from Customers

The directors do not anticipate that the adoption of the FRS and INT FRS will result in any material impact to the financial statements in the period of initial application.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries and principles of consolidation

The combined financial statements of the Group for the financial years ended 31 December 2006, 2007 and 2008 have been prepared in accordance with the principles of merger accounting with the restructuring exercise completed as described in Note 4 where the companies within the group a legal reorganisation of entities under common control.

<u>Subsidiaries</u>

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

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

Details of its subsidiaries are given in Note 32.

<u>Combined financial statements</u>

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for line transactions and events in similar circumstances.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiaries and principles of consolidation (cont'd)

Combined financial statements (cont'd)

Acquisition of entities that are under common control have been consolidated using the pooling-of-interest method as set out in Note 4.

Under this method, 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 relevant financial years of 2006, 2007 and 2008 in which the common control combination occurs are included in the combined 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 combined financial statements of the controlling party or parties prior to the common control combination.

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

The purchase method of accounting is used to account for the acquisition of other subsidiaries. The two subsidiaries, namely, Grandness (Sichuan) Foods Co., Ltd. and Yunnan Shizong Zhenhua Food Co., Ltd. for which the group did not own the entire interest in the capital and these minority interests have no intention to dispose their respective shareholding to the group in the forseeable future, the accounting of investments in these subsidiaries are under the acquisition method.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the combined income statement on the date of acquisition.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated below.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Subsidiaries and principles of consolidation (cont'd)

Combined financial statements (cont'd)

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

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

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. In respect of the acquisition of Grandness (Sichuan) Foods Co., Ltd. during the financial year ended 31 December 2007, the goodwill of RMB 72,519 which is regarded by the directors of the Group as insignificant is therefore written off to the combined income statement.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of the assets after deducting the residual value over the estimated useful lives as follows:

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

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

The residual values and useful lives of property, plant and equipment are reviewed and adjusted as appropriate at each balance sheet date. The useful life and depreciation method are reviewed at each financial year-end to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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.

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

Government grant

Government grant is recognised as income over the periods necessary to match the grant with the related costs which they are intended to compensate. Government grant is not recognised as income until there is a reasonable assurance that the Group will comply with the conditions attaching to it. Receipt of the grant will not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

Financial assets

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

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

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

The Group has only investment in assets held-to-maturity.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Group has the positive intent and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in the combined income statement. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in the combined income statement.

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 balance sheet date. These are classified as non-current assets, if any.

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

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

Loans and receivables include trade and other receivables and deposits held in banks.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and includes freight and handling charges, if any. In the case of manufactured inventory, cost includes production overheads. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

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.

Related parties

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial liabilities

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

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges is recognised as an expense in "finance costs" in the combined income statement.

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 combined income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the combined balance sheet 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 balance sheet date. Borrowings to be settled within the Group's normal operating cycle are considered as current. Other borrowings due to be settled more than twelve months after the balance sheet date are included in non-current borrowings in the combined balance sheet.

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

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

Financial guarantees

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

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

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

Operating lease

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to the combined income statement on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the combined income statement when incurred.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income taxes

The liability method of tax effect accounting is adopted by the Group. Current taxation is provided at the current taxation rate based on the tax payable on the income for the financial period that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be recognised.

The statutory tax rates enacted at the balance sheet date are used to determine deferred income tax.

Provisions

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

The 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 due to the passage of time is recognised as finance costs.

Employee benefits

Pension obligations

The Group participates in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. In particular, the Singapore incorporated companies in the Group contribute to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to national pension schemes are charged to the 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.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of non-financial assets (cont'd)

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

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

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

An impairment loss, if any, is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation.

An impairment loss is 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 charged to the combined income statement.

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 combined income statement.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes relevant value-added tax. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from the sale of canned vegetables and fruits is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transactions can be measured reliably.

Interest income is recognised on a time-apportioned basis using the effective interest method.

Functional currency

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Conversion of foreign currencies

The accounting records of the companies within the Group are maintained in their respective functional currencies.

Assets and liabilities in foreign currencies are translated into RMB at rates of exchange closely approximating those ruling at balance sheet date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Except for the situation described below, exchange differences arising from such transactions are taken to the combined income statements:

Any assets and liabilities of the Company and a subsidiary in Hong Kong denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The income statement of the Company is translated using the average monthly rates. Foreign currency translation adjustments arising from the combined financial statements are recorded directly in exchange fluctuation account.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on non-monetary items, whereby the gains or losses are recognised in the combined income statements, if any, are reported as part of the fair value gains or losses in "other gains/losses - net". Currency translation differences on non-monetary items, if any, whereby the gains and losses are recognised directly in equity, such as equity investments classified as available-for-sale financial assets, investment properties and property, plant and equipment are included in the fair value reserve and asset revaluation reserve respectively.

Financial instruments

Financial instruments carried on the combined balance sheets 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 27.

Segment reporting

A segment is a distinguishable component of the Group to a particular industry (business segment) and within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments.

For the financial period presented, the Group has one operating segment, which is the manufacturing and sale of canned vegetables and fruits. The Group's manufacturing activities operate predominantly in PRC. Information for geographical segment revenue is based on where the customers are located.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

6 REVENUE

Revenue represents the sale of canned vegetables and fruits, excluding applicable value-added tax.

	Audited			Review of unaudited accounts	Based on management accounts (presented for comparative figures only)
	Year ended 31 December 2008 RMB	**Year ended 31 December 2007 RMB**	**Year ended 31 December 2006 RMB**	**Period ended 31 March 2009 RMB**	**Period ended 31 March 2008 RMB**
Sale of					
- canned asparagus	**149,262,238**	137,952,513	71,671,900	**8,779,417**	1,528,751
- canned long beans	**80,234,731**	27,811,801	18,815,917	**6,997,150**	2,649,736
- canned mushrooms	**55,073,434**	75,510,609	1,161,264	**13,427,221**	10,718,648
- others	**45,698,376**	16,516,064	4,175,281	**1,074,279**	3,211,428
	330,268,779	257,790,987	95,824,362	**30,278,067**	18,108,563

7(a) OTHER OPERATING INCOME

	Audited			Review of unaudited accounts	Based on management accounts (presented for comparative figures only)
	Year ended 31 December 2008 RMB	**Year ended 31 December 2007 RMB**	**Year ended 31 December 2006 RMB**	**Period ended 31 March 2009 RMB**	**Period ended 31 March 2008 RMB**
Sale of scrap	**226,369**	1,574,255	529,262	**70,375**	73,054
Cost of scrap	**(154,709)**	(1,422,547)	(565,301)	**(111,157)**	(33,651)
	71,660	151,708	(36,039)	**(40,782)**	39,403
Government grants	**883,415**	1,773,123	1,513,336	**1,492**	1,408
Interest income - banks	**326,305**	72,933	32,399	**13,836**	76,764
Exchange gain	**1,828,589**	–	–	**1,730,861**	493,135
Negative goodwill written off	**–**	–	4,593	**–**	–
Miscellaneous income	**482,121**	393,384	118,823	**23,227**	30,174
	3,592,090	2,391,148	1,633,112	**1,728,634**	640,884

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

The effective interest rate on bank deposits is 0.36% (2006 - 0.72%; 2007 - 0.72%; 2008 - 0.72%) per annum.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

7(b) DISTRIBUTION COSTS

	← Audited →			Review of unaudited accounts	Based on management accounts (presented for comparative figures only)
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB	Period ended 31 March 2008 RMB
Employee benefit costs	1,767,039	1,249,889	637,596	307,280	352,778
Transportation	11,020,868	4,842,210	4,453,749	1,168,511	525,302
Entertainment	461,964	120,079	198,424	26,255	41,706
Travelling	283,257	218,766	124,081	32,522	64,212
Consumable expenses	198,350	327,098	198,782	302,254	19,642
Packaging	2,779,227	3,066,458	1,961,387	258,162	627,694
Inspection and custom	287,838	382,455	157,118	18,235	117,172
Depreciation expense	415,436	348,515	269,357	88,232	123,859
Others	635,505	746,948	293,269	150,100	70,110
	17,849,484	11,302,418	8,293,763	2,351,551	1,942,475

7(c) ADMINISTRATIVE EXPENSES

	← Audited →			Review of unaudited accounts	Based on management accounts (presented for comparative figures only)
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB	Period ended 31 March 2008 RMB
Employee benefit costs	3,917,590	3,384,075	2,467,788	1,027,986	862,667
Motor vehicle expenses	303,174	280,064	204,523	74,758	82,925
Entertainment	387,259	272,467	137,892	330,153	96,203
Travelling expenses	376,527	236,119	149,165	98,562	74,251
Consumable expenses	15,304	133,875	124,581	37,834	26,809
Inspection and custom	384,542	21,845	6,593	2,268	314
Depreciation expense	1,892,436	1,132,943	977,027	989,099	322,433
Exchange loss	–	4,472,758	950,563	–	–
Rental expenses	221,300	278,081	183,509	62,249	110,234
Property, plant and equipment written off	44,822	–	–	–	–
Bank charges	609,668	794,748	447,141	142,691	193,192
Utilities	245,561	92,467	121,641	46,074	61,568
Repair and maintenance	46,993	109,578	190,274	7,885	6,125
Others	3,164,743	1,219,604	1,131,570	291,460	574,883
	11,609,919	12,428,624	7,092,267	3,111,019	2,411,604

NOTES TO THE COMBINED FINANCIAL STATEMENTS

7(d) FINANCE COSTS

	Audited			Review of unaudited accounts	Based on management accounts (presented for comparative figures only)
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB	Period ended 31 March 2008 RMB
Cost on financial guarantee contract	560,000	–	–	–	–
Interest on bank borrowings	1,731,832	1,896,260	687,496	593,037	327,667
	2,291,832	1,896,260	687,496	593,037	327,667

The effective interest rate on bank borrowings varies from 6.45% to 10.62% (2006 - 5.7% to 8.4%; 2007 - 5.8% to 7.2%; 2008 - 7.02% to 7.08%) per annum.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

7(e) EMPLOYEE BENEFIT COSTS

	Audited			Review of unaudited accounts	Based on management accounts (presented for comparative figures only)
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB	Period ended 31 March 2008 RMB
Directors' remuneration					
- salaries and related costs	190,250	228,300	127,620	38,700	43,425
- defined contributions	7,950	36,208	26,437	3,098	107,686
Key management personnel					
- salaries and related costs	44,176	30,852	27,761	12,000	9,472
- defined contributions	3,600	6,795	5,888	1,569	–
Other than directors					
- salaries and related costs	13,150,024	16,363,675	8,469,382	1,467,719	1,972,800
- defined contributions	302,131	765,447	373,981	49,680	71,615
	13,698,131	17,431,277	9,031,069	1,572,766	2,204,998

Employee benefit costs are charged to:

	Audited			Review of unaudited accounts	Based on management accounts (presented for comparative figures only)
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB	Period ended 31 March 2008 RMB
Cost of sales	8,013,502	12,797,313	5,925,685	237,500	989,553
Distribution costs	1,767,039	1,249,889	637,596	307,280	352,778
Administrative expenses	3,917,590	3,384,075	2,467,788	1,027,986	862,667
	13,698,131	17,431,277	9,031,069	1,572,766	2,204,998

8 PROFIT BEFORE TAXATION

		Audited			Review of unaudited accounts	Based on management accounts (presented for comparative figures only)
	Note	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB	Period ended 31 March 2008 RMB
Profit before taxation has been arrived at after charging/(crediting):						
Amortisation of subsidy	11	134,016	134,016	134,016	33,504	33,504
Depreciation of property, plant and equipment	10	3,882,142	2,352,133	2,195,769	1,234,570	708,889
Exchange (gain)/loss		(1,828,589)	4,472,758	950,563	(1,730,861)	(493,135)
Write-down of inventories to its recoverable amounts		–	258,277	–	–	–
Write-off of inventories due to quality of products		386,576	313,403	970,227	63,383	–
Loss on disposal of property, plant and equipment		–	32,468	–	–	–
Rental - factory and warehouse		199,580	262,180	168,000	90,522	111,000
Property, plant and equipment written off		44,822	21,684	–	–	–
Goodwill written off due to additional interest in Sichuan Grandness		–	72,519	(4,593)	–	–

The gain in exchange relates mainly to currency exposure in trading transactions denominated in United States dollar and Euro dollar and translation of non-interest bearing loans denominated in Singapore dollar.

The loss in exchange relates mainly to currency exposure in trading transactions denominated in United States dollar and Euro dollar.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

9 TAXATION

	← Audited		→	Review of unaudited accounts	Based on management accounts (presented for comparative figures only)
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB	Period ended 31 March 2008 RMB
Current taxation	13,302,139	7,718,933	3,711,637	1,310,579	570,000
Underprovision in respect of prior year	3,822	–	–	–	–
	13,305,961	7,718,933	3,711,637	1,310,579	570,000

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:

	2008	2007	2006	2009 (3 months)	2008 (3 months)
Profit before taxation	66,026,336	48,507,506	14,729,999	3,056,806	619,458
Tax at statutory rate of 33%	–	287,000	(516,000)	–	(1,049,000)
Tax at statutory rate of 25%	(2,277,000)	–	–	(1,058,000)	–
Tax at statutory rate of 20%	–	–	–	1,277,000	–
Tax at statutory rate of 18%	12,964,000	–	–	–	(17,000)
Tax at statutory rate of 17.5%	266,000	22,000	(8,000)	–	77,000
Tax at statutory rate of 17%	–	–	–	122,000	–
Tax at statutory rate of 16.5%	–	–	–	121,000	–
Tax at statutory rate of 15%	(512,000)	7,349,000	2,422,000	(85,000)	390,000
Tax at statutory rate of 12.5%	231,000	–	–	–	–
Tax effect on non-taxable income	(269,000)	(422,000)	–	(276,000)	(77,000)
Tax effect on non-deductible expenses	758,000	186,000	1,198,000	35,000	51,000
Tax exemption	–	–	(114,000)	–	–
Deferred tax asset not recognised	2,141,000	297,000	730,000	1,175,000	1,195,000
	13,302,000	7,719,000	3,712,000	1,311,000	570,000

9 TAXATION (CONT'D)

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

A subsidiary which has been granted such incentive from 2005 to 2009 is Shanxi Yongji Huaxin Food Co., Ltd.

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

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

Shenzhen Grandness Industry Groups Co., Ltd. is taxed at a preferential tax rate of 15% now revised to 20% for financial year beginning 1 January 2009 as it is located in Shenzhen which is one of the Special Economic Zones ("SEZ") in PRC as designated by the Chinese government.

The Group has unabsorbed tax losses amounting to approximately RMB19,245,000 (2006 - RMB4,936,000; 2007 - RMB5,099,000; 2008 – RMB14,277,000), which are subject to agreement with the relevant tax authorities. These unabsorbed tax losses can be carried forward for offsetting against future taxable income provided that the provisions of the relevant tax legislations are complied with. These unabsorbed losses cannot be allowed to offset the taxable profits of other subsidiaries.

Unutilised tax benefits of RMB4,031,000 (2006 - RMB1,116,000; 2007 - RMB919,000; 2008 – RMB2,863,000) arising from these unabsorbed tax losses have not been recognised since there is no reasonable certainty of their realisation in future periods.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT

	Factory and warehouse premises RMB	Land use rights RMB	Office units RMB	Renovation RMB	Plant and machinery RMB	Motor vehicles RMB	Office equipment RMB	Construction-in-progress RMB	Total RMB
Cost									
At 1 January 2006	14,013,798	4,028,700	2,728,907	2,801,168	4,190,094	2,454,712	341,525	956,649	31,515,553
Additions	2,113,254	3,757,250	–	–	445,994	730,129	135,731	2,021,879	9,204,237
Reclassifications	1,571,709	–	–	–	246,513	–	–	(1,818,222)	–
At 31 December 2006	17,698,761	7,785,950	2,728,907	2,801,168	4,882,601	3,184,841	477,256	1,160,306	40,719,790
Additions	2,273,718	1,891,800	–	194,643	3,081,747	419,035	220,129	3,191,748	11,272,820
Disposals	–	–	–	–	(227,317)	(336,416)	(17,778)	–	(581,511)
Reclassifications	951,115	–	–	–	799,091	–	–	(1,750,206)	–
At 31 December 2007	20,923,594	9,677,750	2,728,907	2,995,811	8,536,122	3,267,460	679,607	2,601,848	51,411,099
Additions	1,140,196	6,543,901	–	28,310	3,034,957	6,420	389,301	48,734,133	59,877,218
Disposals	(40,068)	–	–	–	(7,880)	(4,881)	(9,770)	–	(62,599)
Reclassifications	34,457,917	–	–	–	1,046,299	27,000	173,514	(35,704,730)	–
At 31 December 2008	56,481,639	16,221,651	2,728,907	3,024,121	12,609,498	3,295,999	1,232,652	15,631,251	111,225,718
Additions	11,967	40	–	37,000	75,968	–	15,780	21,512,517	21,653,272
Disposals	–	–	–	–	–	–	(1,105)	–	(1,105)
Reclassifications	–	–	–	–	–	–	–	–	–
At 31 March 2009	56,493,606	16,221,691	2,728,907	3,061,121	12,685,466	3,295,999	1,247,327	37,143,768	132,877,885

NOTES TO THE COMBINED FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Factory and warehouse premises RMB	Land use rights RMB	Office units RMB	Renovation RMB	Plant and machinery RMB	Motor vehicles RMB	Office equipment RMB	Construction-in-progress RMB	Total RMB
Accumulated depreciation									
At 1 January 2006	289,145	67,145	12,962	507,757	695,309	540,172	90,867	–	2,203,357
Depreciation for the year	487,449	117,574	51,849	681,797	403,436	393,313	60,351	–	2,195,769
At 31 December 2006	776,594	184,719	64,811	1,189,554	1,098,745	933,485	151,218	–	4,399,126
Depreciation for the year	565,905	154,574	51,849	443,782	596,812	440,239	98,972	–	2,352,133
Disposals	–	–	–	–	(85,057)	(177,410)	(12,981)	–	(275,448)
At 31 December 2007	1,342,499	339,293	116,660	1,633,336	1,610,500	1,196,314	237,209	–	6,475,811
Depreciation for the year	1,601,136	234,185	51,850	470,043	901,891	467,665	155,372	–	3,882,142
Disposals	(1,964)	–	–	–	(4,677)	(4,394)	(6,742)	–	(17,777)
Reclassifications	(583)	–	–	–	(65,303)	2,835	63,051	–	–
At 31 December 2008	2,941,088	573,478	168,510	2,103,379	2,442,411	1,662,420	448,890	–	10,340,176
Depreciation for the period	569,419	80,748	12,962	118,740	285,418	117,798	49,485	–	1,234,570
Reclassifications	167	–	–	–	–	–	(167)	–	–
At 31 March 2009	3,510,674	654,226	181,472	2,222,119	2,727,829	1,780,218	498,208	–	11,574,746
Net book value									
At 31 March 2009	52,982,932	15,567,465	2,547,435	839,002	9,957,637	1,515,781	749,119	37,143,768	121,303,139
At 31 December 2008	53,540,551	15,648,173	2,560,397	920,742	10,167,087	1,633,579	783,762	15,631,251	100,885,542
At 31 December 2007	19,581,095	9,338,457	2,612,247	1,362,475	6,925,622	2,071,146	442,398	2,601,848	44,935,288
At 31 December 2006	16,922,167	7,601,231	2,664,096	1,611,614	3,783,856	2,251,356	326,038	1,160,306	36,320,664

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Depreciation is charged to:

	Audited			Review of unaudited accounts	Based on management accounts (presented for comparative figures only)
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB	Period ended 31 March 2008 RMB
Cost of sales	1,574,270	870,675	949,385	157,239	262,597
Distribution costs	415,436	348,515	269,357	88,232	123,859
Administrative expenses	1,892,436	1,132,943	977,027	989,099	322,433
	3,882,142	2,352,133	2,195,769	1,234,570	708,889

(b) Land use rights relate to the following parcel of lands:

	Location	Period	Land area (square metres) ["sq m"]
#1	Land at Qiongxin Road side, Linqiong Town, Qionglai City People's Republic of China (邛崃市临邛镇邛新路侧)	50 years (expiring on 2 March 2055)	134,289.91
#2	Danfeng Town, Shizong County, Yunnan Province People's Republic of China (云南省师宗县单凤镇)	50 years (expiring on 9 April 2055)	66,366.30
#3	West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County People's Republic of China (单县开发区园艺路南段路西)	50 years (expiring on 30 December 2057)	71,895.00 *

These land use rights are acquired from:
(i) 邛崃市人民政府;
(ii) 师宗县人民政府; and
(iii) 单县人民政府;

* Based on the Certificate of Land Use Right issued by 单县人民政府 dated 7 August 2008, the revised land area is 70,895 sq m.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(c) Included in factory and warehouse premises are:

	Audited			Review of unaudited accounts
	Year ended 31 December 2008 RMB	**Year ended 31 December 2007 RMB**	**Period 31 December 2006 RMB**	**Period ended 31 March 2009 RMB**
Factory and warehouse premises				
- #1 [Note 10(b)]	12,712,531	12,233,368	11,375,839	12,712,531
- #2 [Note 10(b)]	7,134,835	7,138,535	5,444,029	7,134,835
- #3 [Note 10(b)]	35,076,354	–	–	35,088,321
*	1,557,919	1,517,919	878,893	1,557,919
**	–	33,772	–	–
	56,481,639	20,923,594	17,698,761	56,493,606

* relate to the following lands:

	Location	Land area (sq m)	Ownership	Effective date	Expiry date
	山西省永济市南郊粮库内	1,909.41	永济市粮食局 永济市蒲州镇西	1 January 2007	31 December 2026
-	永济市蒲州镇	10,025.13	文学村村民委员会	26 November 2007	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 25.

** located at 山东省梁山县和韩垓镇开河南村 where the land was leased from 梁山德龙农业科技发展有限公司 with a land area of 10,191 sq m. The ownership to the land was 梁山德龙农业科技发展有限公司 who had the right to sub-lease the land to a former subsidiary, Grandness (Shandong) Food Co., Ltd.

(d) Office units comprise:

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

		Audited			Review of unaudited accounts
	Notes	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB
At cost					
Factory and warehouse premises	19(c)	–	–	5,444,029	–
Factory and warehouse premises	19(d) & (e)	–	19,371,903	–	–
Factory and warehouse premises	19(e) & (g)	19,847,366	–	–	19,847,366
Factory and warehouse premises	19(h)	–	–	–	35,088,321
Office units	19(b)	–	2,728,907	2,728,907	–
Office units	19(f)	2,728,907	–	–	2,728,907
Motor vehicles	19(a)	–	920,000	920,000	–
Land use rights	19(c)	–	–	3,757,250	–
Land use rights	19(d) and (e)	–	7,785,950	–	–
Land use rights	19(g) and (e)	7,785,950	–	–	7,785,950
Land use rights	19(h)	–	–	–	8,435,741
		30,362,223	30,806,760	12,850,186	73,886,285
Net book value		28,000,969	29,065,744	12,395,527	66,539,969

The encumbrance for the six office units costing RMB2,728,907 and motor vehicles costing RMB920,000 have been discharged upon the bank borrowings of RMB374,479 fully settled on 27 March 2008 and 9 April 2008 respectively. However, the said office units have been pledged as security for further loan facility of RMB5,500,000 granted by the banks [Note 19(f)].

(f) The 2007 construction-in-progress related to:

		Date of completion
(i)	the construction of the factory at Land at West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County, People's Republic of China (单县开发区园艺路南段路西);	30 April 2008
(ii)	the hostel on the existing land 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); and	30 April 2008
(iii)	the installation and commissioning works on the plant and machinery located at the factory at Shanxian Economic Development Zone	30 April 2008

NOTES TO THE COMBINED FINANCIAL STATEMENTS

10 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The 2008 construction-in-progress related to:

(i) construction of the administration building and warehouse at Qiongxin Road Side, Linqiong Town, Qionglai City.

The 2009 construction-in-progress relates to:

(i) the expansion of existing factory warehouse and production facilities located at 山西省永济市南郊粮库内.

(ii) construction of the administration building and warehouse at Qiongxin Road Side, Linqiong Town, Qionglai City.

(iii) the construction of warehouse on the existing land West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County, PRC (单县开发区园艺路南段路西).

11 SUBSIDY

	← Audited		→	Review of unaudited accounts
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB
Subsidy	1,236,102	1,236,102	1,236,102	1,236,102
Less: Amortisation				
Balance at beginning	298,032	164,016	30,000	432,048
Amortisation for the year	134,016	134,016	134,016	33,504
Balance at end of year	432,048	298,032	164,016	465,552
	804,054	938,070	1,072,086	770,550

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.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

12 LONG-TERM INVESTMENT

	Audited			Review of unaudited accounts
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB
Held-to-maturity financial asset	–	50,000	50,000	–

This investment related to funds placed with a financial institution (城关信用社). Interest was at 3.87% per annum. The carrying amount approximated its fair value.

13 INVENTORIES

	Audited			Review of unaudited accounts
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB
At cost:				
Finished goods	41,964,852	23,544,292	15,643,419	40,386,453
Work-in-progress	261,324	897,561	-	174,073
Packaging materials	3,162,187	2,921,267	4,378,276	2,915,588
Raw materials	1,155,414	750,283	599,408	1,210,228
	46,543,777	28,113,403	20,621,103	44,686,342

	Audited			Review of unaudited accounts
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB
Included in cost of sales are inventories charged of:	231,758,419	164,753,478	56,131,614	21,551,036
Write-down of inventories to its recoverable amounts	–	258,277	–	–
Write-off of inventories due to quality of products	386,576	313,403	970,227	63,383

NOTES TO THE COMBINED FINANCIAL STATEMENTS

13 INVENTORIES (CONT'D)

The ageing of the inventory turnover approximates 179 (2006 - 100; 2007 - 48; 2008 - 58) days.

The write-off of inventories is a normal loss which is the course of normal business operations where certain goods were discarded due to quality control purpose.

No provision for inventory obsolescence is considered necessary.

14 TRADE AND OTHER RECEIVABLES

	Audited			Review of unaudited accounts
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB
Trade receivables				
- External parties	57,232,786	88,931,432	9,119,102	44,074,113
Other receivables				
Advances to				
- contractors	17,540	17,540	149,670	162,455
- directors of the Company				
- Huang Yupeng (黄育鹏)	–	–	29,522,879	–
- Huang Zhoupeng (黄周鹏)	–	–	460	–
- Zhang Xiao Jun (张小军)	–	3,090	116,944	–
- Sun Yong (孙永)	–	1,000	–	–
	–	4,090	29,640,283	–
- suppliers of property, plant and equipment	164,586	886,650	113,600	191,986
- suppliers	627,815	566,324	675,866	1,192,162
- employees	493,603	468,310	308,551	475,284
- a customer	300,000	300,000	71,640	300,000
- third parties	1,110,760	4,582,572	911,715	1,809,805
- 深圳市城兴旺进出口有限公司	1,120,370	–	–	1,120,370
Advances to farmers	150,409	628,103	308,367	175,050
Advances to a minority shareholder of a subsidiary	44,400	44,410	44,400	44,400
VAT receivable	12,182,823	16,646,905	2,664,296	13,499,326
Export tax refunds	15,764,179	3,489,443	1,143,035	855,735
Deposits	23,364	13,388	21,878	23,364
Others	1,550	421,300	7,851	–
	32,001,399	28,069,035	36,061,152	19,849,937
	89,234,185	117,000,467	45,180,254	63,924,050

14 TRADE AND OTHER RECEIVABLES (CONT'D)

Trade and other receivables are denominated in the following currencies:

	Audited			Review of unaudited accounts
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB
Trade				
United States dollar	51,004,828	48,587,253	9,119,102	40,084,725
Renminbi	4,557,088	22,533,733	–	3,415,927
Euro	1,670,870	17,810,446	–	573,461
	57,232,786	88,931,432	9,119,102	44,074,113
Non-trade				
United States dollar	65,240	1,276,800	–	–
Renminbi	31,936,159	26,370,925	36,061,152	19,849,895
Singapore dollar	–	421,310	–	42
	32,001,399	28,069,035	36,061,152	19,849,937
	89,234,185	117,000,467	45,180,254	63,924,050

Trade receivables are usually due within 60-90 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various customers. The ageing analysis of the trade receivables approximates 151 (2006 - 27; 2007 - 69; 2008 - 81) days. No allowance for impairment has been considered necessary.

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

	31 December 2008 RMB	31 March 2009 RMB
Within 1 month	41,098,353	13,160,310
Past due over 1 month but not over 2 months	15,947,886	6,794,086
Past due over 2 months but not over 3 months	12,997	8,116,571
Past due over 3 months but not over 4 months	1,300	15,650,586
Past due over 4 months	172,250	352,560
	57,232,786	44,074,113

The advances made to:

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

14 TRADE AND OTHER RECEIVABLES (CONT'D)

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

The advances made to employees are for business purpose.

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

Export tax refunds relate to tax refunds which is calculated at 4% on overseas sales.

The VAT receivable relate to the VAT claimed for financial year 2008 and three months up to 31 March 2009.

15 PREPAYMENTS

These relate to pre-IPO costs incurred for the proposed listing of Sino Grandness Food Industry Group Limited and other prepaid operating expenses.

16 CASH AND CASH EQUIVALENTS

	Audited			Review of unaudited accounts
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB
Cash on hand	38,777	100,445	299,525	33,827
Bank balances	15,613,722	28,047,913	3,151,674	16,335,951
	15,652,499	28,148,358	3,451,199	16,369,778
Deposits placed in banks for notes payable	(1,950,000)	(11,600,000)	–	(2,350,000)
	13,702,499	16,548,358	3,451,199	14,019,778

Cash and cash equivalents are denominated in the following currencies:

	Audited			Review of unaudited accounts
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB
United States dollar	160,201	414,797	1,860,302	266,072
Renminbi	14,994,035	19,298,407	1,590,897	15,879,591
Singapore dollar	96,788	8,435,152	–	54,761
Euro	397,249	2	–	165,064
Canadian dollar	4,226	–	–	4,114
Hong Kong dollar	–	–	–	176
	15,652,499	28,148,358	3,451,199	16,369,778

NOTES TO THE COMBINED FINANCIAL STATEMENTS

17 CAPITAL CONTRIBUTION

	Audited			Review of unaudited accounts
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB
In cash				
Balance at beginning	1,848,006	43,010,680	43,010,680	1,848,006
Deemed distribution to the then shareholders in pursuant to the Restructuring Exercise	–	(43,010,680)	–	–
Contribution during the year/period	–	1,848,006	–	–
	1,848,006	1,848,006	43,010,680	1,848,006
Shareholders:				
Grandness (HK) Industry Co., Limited				
Huang Yupeng（黄育鹏）	–	–	10,146	–
Huang Zhoupeng（黄周鹏）	–	–	534	–
	–	–	10,680	–
Shenzhen Grandness Industry Groups Co., Ltd.				
Huang Yupeng（黄育鹏）	–	–	38,700,000	–
Huang Zhoupeng（黄周鹏）	–	–	4,300,000	–
	–	–	43,000,000	–
Sino Grandness Food Industry Group Pte. Ltd.				
Huang Yupeng（黄育鹏）	1,755,609	1,755,609	–	1,755,609
Huang Zhoupeng（黄周鹏）	92,397	92,397	–	92,397
	1,848,006	1,848,006	–	1,848,006
	1,848,006	1,848,006	43,010,680	1,848,006

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

Share capital as at 31 December 2006 represents the aggregate paid-in capital of the Company and its subsidiaries.

18 OTHER RESERVES

	Notes	Audited: Year ended 31 December 2008 RMB	Audited: Year ended 31 December 2007 RMB	Audited: Year ended 31 December 2006 RMB	Review of unaudited accounts Period ended 31 March 2009 RMB
Statutory common reserve					
Balance at beginning of year/period		10,039,972	6,073,682	933,246	15,993,197
Movement during the year/period		5,953,225	3,966,290	2,103,595	–
Transfer from statutory common welfare fund		–	–	3,036,841	–
Balance at end of year/period	(i)	15,993,197	10,039,972	6,073,682	15,993,197
Statutory common welfare fund					
Balance at beginning of year/period		–	–	933,246	–
Movement during the year/period		–	–	2,103,595	–
Transfer to statutory common reserve		–	–	(3,036,841)	–
Balance at end of year/period	(ii)	–	–	–	–
Exchange translation reserve					
Balance at beginning of year/period		–	–	–	–
Movement during the year/period		–	–	–	(20,791)
Balance at end of year/period	(iii)	–	–	–	(20,791)
Merger reserve					
Balance at beginning of year/period		(31,413,600)	–	–	(31,413,600)
Movement during the year/period		–	(31,413,600)	–	–
Balance at end of year/period	(iv)	(31,413,600)	(31,413,600)	–	(31,413,600)
Grand total	(i)+(ii)+(iii) +(iv)	(15,420,403)	(21,373,628)	6,073,682	(15,441,194)

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 PRC accounting standards. The transfer to this reserve must be made before the distribution of dividends to shareholders.

Pursuant to amendments to PRC Company Law, the allocation of profit after taxation to statutory common welfare fund was abolished with effect from 1 January 2006 and on that date, the balance in statutory common welfare fund has been transferred to statutory common reserve.

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.

18 OTHER RESERVES (CONT'D)

The exchange translation reserve relates to the exchange difference arising from translation of financial statements of the Company.

Merger reserve
The merger reserve arises from the difference between the purchase consideration and the carrying value of the share capital acquired under the pooling-of-interests method of consolidation in the restructuring described in Note 3.

19 BANK BORROWINGS

		Audited			Review of unaudited accounts
		Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB
Bank loans					
- 中国建设银行深圳市分行		–	2,097,268	2,332,028	–
- 中国银行股份有限公司深圳市分行		–	–	2,500,000	–
- 中国工商银行股份有限公司上步支行		–	–	2,280,000	–
- 曲靖市商业银行有限公司师宗支行		–	–	5,000,000	–
- 上海浦东发展银行深圳分行		–	7,950,000	–	–
- 中国农业发展银行师宗县支行		7,000,000	10,000,000	–	6,000,000
- 深圳平安银行景田支行		24,000,000	–	–	18,500,000
- 单县农村信用合作联社		–	–	–	3,000,000
- Export letters of credit		–	2,577,225	–	1,980,963
		31,000,000	22,624,493	12,112,028	29,480,963
Comprises					
Bank loans (secured)					
- #1	(a)	–	119,264	288,664	–
- #2	(b)	–	255,215	263,829	–
- #3	(b)	–	246,100	254,406	–
- #4	(b)	–	482,411	498,729	–
- #5	(b)	–	483,093	499,390	–
- #6	(b)	–	246,100	254,407	–
- #7	(b)	–	265,085	272,603	–
- #8	(c)	–	–	5,000,000	–
- #9	(d)	–	7,950,000	–	–
- #10	(e)	7,000,000	10,000,000	–	6,000,000
- #11	(f)	4,300,000	–	–	3,700,000
- #12	(g)	17,200,000	–	–	14,800,000
- #13	(h)	–	–	–	3,000,000
	A	28,500,000	20,047,268	7,332,028	27,500,000

NOTES TO THE COMBINED FINANCIAL STATEMENTS

19 BANK BORROWINGS (CONT'D)

		Audited			Review of unaudited accounts
		Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB
Bank loans (unsecured)					
- #14	(i)	–	–	1,000,000	–
- #15	(i)	–	–	1,500,000	–
- #16	(j)	–	–	2,280,000	–
- #17	(k)	2,500,000	–	–	–
	B	2,500,000	–	4,780,000	–
	A + B	31,000,000	20,047,268	12,112,028	27,500,000
Export letters of credit (secured)	(d)	–	2,577,225	–	–
Export letters of credit (secured)	(l)	–	–	–	1,980,963
		31,000,000	22,624,493	12,112,028	29,480,963
Amount repayable:					
Not later than one year		31,000,000	20,710,746	10,015,461	29,480,963
Later than one year and not later than five years		–	736,000	940,000	–
Later than five years		–	1,177,747	1,156,567	–
		31,000,000	22,624,493	12,112,028	29,480,963

(a) The secured bank loan facility #1 of RMB500,000 granted to the Group was repayable on or before 24 August 2008. This loan was secured by a mortgage over the Group's motor vehicles costing RMB 920,000 [Note 10(e)]. Interest was charged at 7.2% (2006 - 6.3%) per annum.

This loan has been fully repaid on 9 April 2008.

(b) The secured bank loan facilities #2 to #7 totalling RMB2,160,000 granted to the Group were repayable on or before 17 November 2024. However, these loans were fully repaid on 27 March 2008. The said loans were secured by a mortgage over the Group's office units costing RMB2,728,907 [Note 10(e)]. Interest was charged at 5.8% (2006 - 5.7%) per annum.

(c) The secured bank loan facility #8 totalling RMB5,000,000 was secured by a mortgage over the Group's land use rights costing RMB3,757,250 and factory and warehouse premises costing RMB5,444,029 [Note 10(e)]. Interest was charged at 8.37% per annum.

This loan was fully repaid on 7 March 2007.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

19 BANK BORROWINGS (CONT'D)

(d) The secured bank loan facility #9 of RMB25,000,000 comprised two tranches of RMB6,000,000 and RMB1,950,000 and were repayable on or before 7 March 2008 and 12 February 2008 respectively. These loans and the export letters of credit are granted with security provided by, inter-alia:

(i) land use rights costing RMB4,028,700 and factory and warehouse premises costing RMB12,233,368 belonging to a subsidiary, Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司);

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

(iii) corporate guarantees provided by the following:

- Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司); and
- Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司).

Interest was charged at 6.5% per annum.

These loans have been fully repaid on 29 January 2008.

(e) The secured bank loan facility #10 of RMB10,000,000 granted to Yunnan Grandness has been repaid on 23 April 2009. This loan is secured by a mortgage over the Yunnan Grandness' factory and warehouse premise costing RMB7,134,835 and land use rights costing RMB3,757,250 [Note 10(e)].

Interest was charged at 7.02% (2007 - 6.39%; 2008 - 7.02%) per annum.

(f) The secured bank loan facility #11 of RMB5,500,000 granted to Shenzhen Grandness is repayable on or before 20 June 2009. These loans are secured by, inter-alia:

(i) personal guarantee by a director of the Group, Huang Yupeng (黄育鹏);

(ii) a corporate guarantee provided by an institution, 深圳市中心小企业担保中心有限公司 who is then guaranteed by the following:

- personal guarantees by a director of the Group, Huang Yupeng (黄育鹏); and his spouse Zong Liping (宗丽萍);

- corporate guarantees provided by the following:

  - Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司);
  - Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司);
  - Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司); and
  - Grandness (Shanxian) Food Co., Ltd (山东单县振鹏达食品有限公司); and

- a mortgage over the Shenzhen Grandness's office units costing RMB 2,728,907.

Interest is charged at 7.5% per annum.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

19 BANK BORROWINGS (CONT'D)

(g) The secured bank loan facility #12 of RMB18,000,000 granted to Shenzhen Grandness is repayable on or before 11 November 2009. These loans are secured by, inter-alia:

(i) personal guarantees by a director of the Group, Huang Yupeng (黄育鹏);

(ii) a corporate guarantee provided by an institution, 深圳市中心中小企业担保中心有限公司 who is then guaranteed by:

- corporate guarantees provided by the following:
  - Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司);
  - Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司);
  - Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司); and
  - Grandness (Shanxian) Food Co., Ltd (山东单县振鹏达食品有限公司); and
- land use rights costing RMB4,028,700 and factory and warehouse premises costing RMB12,712,531 belonging to Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司), a subsidiary.

Interest is charged at 6.66% per annum.

(h) The secured bank loan facility #13 of RMB 3,000,000 granted to the Shanxian Grandness is repayable on or before 20 December 2009. This loan is secured by a mortgage over Shanxian Grandness' factory and warehouse premises costing RMB35,088,321 and land use rights costing RMB8,435,741 [Note 10(e)].

Interest is charged at 10.62% per annum.

(i) The unsecured bank loan facility #14 and #15 of US$1,000,000 comprised two tranches of RMB1,000,000 and RMB1,500,000. These loans were granted with security provided by, inter-alia:

(i) personal guarantee by a director of the Group, Huang Yupeng (黄育鹏);

(ii) corporate guarantees provided by the following:

- Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司);
- Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司); and
- Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司); and

(iii) assignment of residential apartments belonging to a director of the Group, Huang Yupeng (黄育鹏) and his spouse, Zong Liping (宗丽萍).

Interest was charged at 6.6% per annum.

These loans were fully repaid on 26 March 2007.

19 BANK BORROWINGS (CONT'D)

(j) The unsecured bank loan facility #16 of RMB3,000,000 was granted with security provided by, inter-alia:

(i) a corporate guarantee provided by an institution, 深圳市中小企业信用担保中心 who is then guaranteed by:

- personal guarantees by a director of the Group, Huang Yupeng (黄育鹏) and his spouse, Zong Liping (宗丽萍);

- corporate guarantees provided by the following:

  - Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司);
  - Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司);
  - Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司); and

- assignment of certain assets belonging to Huang Yupeng (黄育鹏), Huang Zhoupeng (黄周鹏), Huang Yuyin (黄育吟), Fang Kunrong (方坤荣), Huang Yuqing (黄育清) and Huang Yushan (黄育珊).

Interest was charged at 6.6% per annum.

This loan was fully repaid by 28 June 2007.

(k) The unsecured bank loan facility #17 of RMB4,500,000 granted to Shenzhen Grandness has been repaid on 23 February 2009. These loans are secured by, inter-alia:

(i) personal guarantee by a director of the Group, Huang Yupeng (黄育鹏);

(ii) a corporate guarantee provided by an institution, 深圳市中心中小企业担保心有限公司 who is then guaranteed by:

- personal guarantees by a director of the Group, Huang Yupeng (黄育鹏) and his spouse, Zong Liping (宗丽萍);

- corporate guarantees provided by the following:

  - Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司);
  - Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司);
  - Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司); and

- assignment of certain assets belonging to Huang Yupeng (黄育鹏), Huang Zhoupeng (黄周鹏), Huang Yuyin (黄育吟), Fang Kunrong (方坤荣), Huang Yuqing (黄育清) Huang Yushan (黄育珊) and Lin Yuxi (林玉喜).

Interest is charged at 7.5% per annum.

19 BANK BORROWINGS (CONT'D)

(l) The export letters of credit are secured by, inter-alia:

(i) personal guarantee by a director of the Group, Huang Yupeng (黄育鹏);

(ii) corporate guarantees provided by the following:

- Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司);
- Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司);

(ii) pledge of deposit and interest in a designated banking account.

Interest is charged at London Inter-bank Offer Rate +4% per annum.

The table below analyses the maturity profile of the Group's borrowings excluding export letters of credit based on contractual undiscounted cash flows.

	Audited		Review of unaudited accounts	
	31 December 2008 Carrying amount RMB	31 December 2008 Contractual cash flows RMB	31 March 2009 Carrying amount RMB	31 March 2009 Contractual cash flows RMB
<u>Less than 1 year</u>				
Variable interest rate loans	31,000,000	31,891,435	27,500,000	28,449,569

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

	Audited 31 December 2008 RMB	Review of unaudited accounts 31 March 2009 RMB
Net debt	156,823,641	153,861,797
Total equity	84,728,492	86,453,928
Total capital	241,552,133	240,315,725
Gearing ratio	65%	64%

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

20 AMOUNT OWING TO THE THEN SHAREHOLDERS

The amount owing is as follows:

	Audited			Review of unaudited accounts
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB
Huang Yupeng (黄育鹏)	36,095,490	41,561,340	–	35,909,126
Huang Zhoupeng (黄周鹏)	7,349,494	7,349,494	–	7,349,494
	43,444,984	48,910,834	–	43,258,620

Pursuant to an undertaking dated 25 September 2009, Huang Yupeng and Huang Zhoupeng had undertaken not to demand payment of the net amount of RMB43,456,000 owing to them, a quasi-equity loan, as at the Latest Practicable Date until the first, second and third anniversary of the date of admission of the Company to the Official List of the SGX-ST for the 30%, 30% and 40% of the Loans. Such repayments shall be subject to the approval of the Audit Committee, taking into account, inter-alia, the Group's working capital and gearing positions.

Had the amortised cost been determined on the average of 7% (2007 - 7%; 2008 - 7%) on the prevailing rate applied by the commercial banks in the PRC, the interest expense to be recognised would have been RMB 757,000 (2007 - RMB 3,424,000; 2008 - RMB 3,041,000).

The cumulative effect on interest cost charged since 1 January 2008 would have been RMB 3,798,000.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

21 TRADE AND OTHER PAYABLES

	← Audited		→	Review of unaudited accounts
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB
Trade payables	39,158,631	39,445,078	12,980,883	30,833,111
Accruals	3,502,053	4,760,688	2,831,297	3,477,454
	42,660,684	44,205,766	15,812,180	34,310,565
Other payables				
Amount owing to (non-trade)				
- contractors	5,033,450	323,673	691,322	4,670,946
- directors of the Company				
- Zheng Kai Que (郑开雀)	–	–	–	–
- Zhang Xiao Jun (张小军)	–	5,600	–	–
	–	5,600	–	–
- suppliers of property, plant and equipment	950,350	144,414	18,000	418,849
- suppliers	101,691	419,469	46,977	49,655
- employees	726,735	679,529	623,998	728,170
- third parties	90,352	22,689	63,068	3,452,470
- 深圳外贸经济开发公司	–	–	3,988,984	–
- farmers	18,225	11,976	139,551	13,886
- companies in which directors have interests				
- 福建省成功果蔬食品有限公司	70,659	111,061	683,064	–
- 中鹏成都农业发展有限公司	668,481	550,000	–	668,481
Liability owing for land premium	2,757,250	2,757,250	2,757,250	2,757,250
Accrued interest	–	–	–	58,662
VAT payable	451,351	6,522,572	938,799	28,180
Others	4,314,028	44,259	500	10,138,725
	15,182,572	11,592,492	9,951,513	22,985,274
Less:				
Non-current amount owing to a third party	–	–	–	(3,375,000)
	15,182,572	11,592,492	9,951,513	19,610,274
	57,843,256	55,798,258	25,763,693	53,920,839

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 balance sheet to be reasonable approximation of their fair values. The ageing of trade payables approximates 138 (2006 - 85; 2007 - 52; 2008 - 61) days.

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

21 TRADE AND OTHER PAYABLES (CONT'D)

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; and
- the amount owing to farmers relates to costs of vegetables supplies.

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

The non-current amount owing to a third party, Financial Bureau of Qionglai City, Sichuan Province（四川省邛崃市财政局）of RMB3,375,000 granted to Sichuan Grandness is in support of agricultural business development. The amount is secured by a pledge on Sichuan Grandness' land use rights to the extent of 80 mu (equivalent to 53,333 sq m), is interest-free and repayable as follows:

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

22 NOTE PAYABLES

The note payables which are non-interest bearing mature at varying dates as follows:

	31 December 2008	31 December 2007	31 December 2006	31 March 2009
The earliest date	12 Feb 2009	17 Jan 2008	–	19 Apr 2009
The latest date	15 Jun 2009	27 Jun 2008	–	15 Jun 2009

NOTES TO THE COMBINED FINANCIAL STATEMENTS

23 NON-INTEREST BEARING LOANS

	Audited						Review of unaudited accounts	
	Source currency 2008 S$	Year ended 31 December 2008 RMB	Source currency 2007 S$	Year ended 31 December 2007 RMB	Source currency 2006 S$	Year ended 31 December 2006 RMB	Source currency 2009 S$	Period ended 31 March 2009 RMB
- #1 Philip Ventures Enterprise Fund Ltd	3,980,000	18,833,360	4,000,000	20,108,800	–	–	3,980,000	17,809,306
- #2 Kim Seng Holdings Pte. Ltd.	1,500,000	7,098,000	1,500,000	7,540,800	–	–	1,500,000	6,712,050
- #3 Kenmoore Mezzanine Investments Ltd	770,000	3,744,140	750,000	3,760,200	–	–	770,000	3,642,507
- #4 Lim Joo Boon	250,000	1,183,000	250,000	1,256,800	–	–	250,000	1,118,675
- #5 SkyVen Growth Capital Fund Pte. Ltd.	500,000	2,433,000	500,000	2,506,800	–	–	500,000	2,368,675
- #6 Inkatha Group Limited	860,000	4,246,400	860,000	4,305,440	–	–	860,000	4,194,940
- #7 Global Top Financial Group Limited	140,000	700,000	140,000	700,000	–	–	140,000	700,000
	8,000,000	38,237,900	8,000,000	40,178,840	–	–	8,000,000	36,546,153

NOTES TO THE COMBINED FINANCIAL STATEMENTS

23 NON-INTEREST BEARING LOANS (CONT'D)

The non-interest bearing loan #1 refers to the granting of convertible loan of S$3,980,000 (2008 – S$3,980,000; 2007 - S$4,000,000; 2006 - S$Nil) to the Company by Philip Ventures Enterprise Fund Ltd under Convertible Loan Agreement dated 4 May 2007 as supplemented by a supplementary agreement dated 2 September 2008 (the "First Supplemental Agreement").

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

The non-interest bearing loan #3 refers to the granting of convertible loan of S$770,000 (2008 – S$770,000; 2007 – S$750,000; 2006 – S$Nil) to the Company by Kenmoore Mezzanine Investments Ltd under Convertible Loan Agreement dated 4 May 2007 as supplemented by a supplementary agreement dated 2 September 2008 (the First Supplemental Agreement).

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

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

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

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

The parties to the First Supplemental Agreement (except for Shenzhen Grandness) and Venstar entered into an agreement on 13 July 2009 (the "Second Supplemental Agreement").

The payment obligations of the Company to the Secured Bond Holders pursuant to the Convertible Loan Agreement are secured by a personal guarantee by Huang Yupeng in favour of the Secured Bond Holders. Huang Yupeng has also assigned, by way of security, 30% of the advances repayable by the Group to him, to the Secured Bond Holders.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

23 NON-INTEREST BEARING LOANS (CONT'D)

In respect of the Convertible Loan, each of the Lenders may elect, during the period commencing from the drawdown of Tranche 1 up to the Longstop Date, to convert the portion of the principal amount of the Convertible Loan outstanding to it into fully-paid Shares (the "Conversion Shares") at an issue price (the "Issue Price") set at a 50% discount to the indicative issue price (the "P_{IPO}") of the Shares in relation to the Initial Public Offering (as determined by the issue manager of the Initial Public Offering), provided that if the P_{IPO} is more than ten (10) times the Borrower's (the "Company") earnings per share ("EPS") as determined in accordance with the net profit after tax of the Group for FY2008 (such determination shall exclude the portion of any grant or subsidy from the PRC government above RMB3.0 million and the EPS to be calculated based on the Borrower's issued share capital immediately before the Initial Public Offering, such share capital including the Conversion Shares but excluding the new Shares issued in relation to the Initial Public Offering), the Issue Price shall be five (5) times the EPS. For the avoidance of doubt, the Convertible Loan shall be deemed fully repaid upon the conversion of the entire principal sum of the Convertible Loan into Conversion Shares.

For determining (i) whether the P_{IPO} is more than ten (10) times the Borrower's EPS or (ii) whether the Issue Price which shall be five (5) times the EPS, the exchange rate of RMB to S$ shall be as set out in the draft Prospectus to be lodged with the Monetary Authority of Singapore.

In the event the Borrower does not qualify for a Listing by the Longstop Date, the Convertible Loan shall be repaid in full together with interest thereon calculated at a rate of ten per cent. (10%) per annum compounded annually (for the period commencing from the drawdown of Tranche 1) up to the date of the Repayment; or

In the event the Borrower qualifies for a Listing but the Borrower does not proceed with the Initial Public Offering by the Longstop Date, the Convertible Loan shall be repaid in full together with interest thereon calculated at a rate of twenty per cent. (20%) per annum compounded annually for the period commencing from the drawdown of Tranche 1 up to the date of the Repayment.

The convertible loans may be converted into Shares at a discount of 50% to the Issue Price, subject to a maximum price earnings ratio of 10 times.

The effect on the amortised cost is insignificant as the loans are short-term roll-over in nature which are expected to be converted to Shares upon successful application of the Company going for listing with Singapore Exchange Securities Trading Limited.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

24 SIGNIFICANT INTERESTED PARTY TRANSACTIONS

Other than the interested party information disclosed elsewhere in the combined financial statements, the following are significant interested party transactions entered into between the Group and its related parties:

	Audited			Review of unaudited accounts
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB
Purchases from a minority shareholder or a subsidiary - 福建省成功果蔬食品有限公司	2,036,857	1,546,762	1,981,339	–

25 COMMITMENTS

Operating lease commitment (non-cancellable)

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

	Audited			Review of unaudited accounts
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB
Not later than one year	207,400	170,000	168,000	185,867
Later than one year and not later than five years	680,000	680,000	672,000	680,000
Later than five years	2,188,000	2,357,677	2,520,000	2,145,500

Operating lease commitment (non-cancellable)

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

Location	Land area (sq m)	Effective date	Expiry date	Rental per annum (RMB)
Factory and warehouse premises				
山西省永济市南郊粮库内	1,909.41	1 January 2007	31 December 2026	168,000
永济市蒲州镇	10,025.13	26 November 2007	20 November 2015	2,000
Office premises				
福田区南方国际广场	86.34	11 June 2008	10 June 2009	81,600

NOTES TO THE COMBINED FINANCIAL STATEMENTS

25 COMMITMENTS (CONT'D)

Capital commitments

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

	Audited			Review of unaudited accounts
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB
Expenditure contracted for the construction of:				
- administration building and warehouse	12,000,000	–	–	5,000,000
- factory plant	–	2,800,000	–	1,446,745
- hostel	–	454,190	–	–
	12,000,000	3,254,190	–	6,446,745

26 STATEMENT OF OPERATIONS BY SEGMENTS

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

Geographical segment

	Audited			Review of unaudited accounts	Based on management accounts (presented for comparative figures only)
	Year ended 31 December 2008 RMB	Year ended 31 December 2007 RMB	Year ended 31 December 2006 RMB	Period ended 31 March 2009 RMB	Period ended 31 March 2008 RMB
Revenue					
- Europe	274,320,669	203,832,805	95,460,175	16,869,924	11,825,400
- North America	39,773,880	34,187,217	–	12,905,839	5,815,259
- China	15,815,061	19,770,965	364,187	369,243	306,071
- others	359,169	–	–	133,061	161,833
	330,268,779	257,790,987	95,824,362	30,278,067	18,108,563

NOTES TO THE COMBINED FINANCIAL STATEMENTS

27 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 March 2009, the Group's financial instruments mainly consisted of cash and cash equivalents, financial assets and financial liabilities.

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

A 5% strengthening of the USD, Euro dollar and Singapore dollar against the Renminbi as at 31 March 2009 and 31 December 2008 would have had the following impact on the net profit by the amounts shown below.

	Unaudited 31 March 2009 Gain/(loss) RMB'000	Audited 31 December 2008 Gain/(loss) RMB'000
United States dollar	1,527	2,562
Euro dollar	36	102
Singapore dollar	(1,517)	(1,600)

A 5% weakening of the above currencies against the Renminbi at 31 March 2009 and 31 December 2008 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.

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

27.2 Cash flow and fair value interest rate risk

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

The Group's exposure to interest rate risk relates principally to its bank borrowings with financial institutions. The effective interest rate of bank borrowings ranges from 5.7% to 8.4%, 5.8% to 7.2% and 6.7% to 7.5% and 6.7% to 10.6% per annum as at 31 December 2006, 2007, 2008 and 31 March 2009 respectively.

Sensitivity analysis

For the variable rate financial assets on the deposits placed in banks and liabilities owing for bank borrowings, a change of 50 basis points ("bp") in interest rate at the reporting date would increase (decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss			
	31 March 2009		31 December 2008	
	50bp increase RMB'000	50bp decrease RMB'000	50bp increase RMB'000	50bp decrease RMB'000
Variable rate instruments	73	(73)	(85)	85

27.3 Credit risk

The carrying amounts of trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other significant concentration of credit risk other than as at 31 December 2008 and 31 March 2009 respectively, the five largest trade receivables which represents approximately 67% and 82% of the total trade receivables at the balance sheet date. No other financial assets carry a significant exposure to credit risk.

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

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

27.4 Liquidity risk

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

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS

28 Critical accounting estimates

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

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

(i) Net realisable value of inventories

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

29 CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern;

(b) To support the Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Group's risk management capability.

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

30 FINANCIAL INSTRUMENTS

Fair values

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

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

31 APPROVAL OF THE FINANCIAL STATEMENTS

The combined financial statements are approved by the Board of Directors on 13 November 2009.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

32 LISTING OF SIGNIFICANT COMPANIES IN THE GROUP

Name of companies	Principal activities	Country of business/ incorporation	Equity holding 2009 %	2008 %	2007 %	2006 %
Subsidiary held by the Company						
Grandness (HK) Industry Co., Limited (振鹏达(香港)实业有限公司)	Investment holding	Hong Kong	100	100	100[(1)]	–
Subsidiaries held by Grandness (HK) Industry Co., Limited (振鹏达(香港)实业有限公司)						
Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司)	Production and sale of canned vegetables and fruits	People's Republic of China	51	51	51	51
Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司)	Production and sale of canned vegetables and fruits	People's Republic of China	100	100	100	–
Subsidiaries held by Shanxi Yongji Huaxin Food Co., Ltd. (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)	Sale of canned vegetables and fruits	People's Republic of China	100	100	100	–
Subsidiaries held by Shenzhen Grandness Industry Groups Co., Ltd. (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)	Production and sale of canned vegetables and fruits	People's Republic of China	81	81	81.33	70.35
Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司)	Production and sale of canned vegetables and fruits	People's Republic of China	–[(2)]	–[(2)]	–[(2)]	60
Grandness (Shenzhen) Development Technology Co., Ltd. (深圳振鹏达科技开发有限公司)	Dormant	People's Republic of China	–[(3)]	–[(3)]	–[(3)]	90
Dongpeng (Chengdu) Agricultural Development Co., Ltd. (成都东鹏农业发展有限公司)	Research and development	People's Republic of China	100	100	100	100

NOTES TO THE COMBINED FINANCIAL STATEMENTS

32 LISTING OF SIGNIFICANT COMPANIES IN THE GROUP (CONT'D)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding 2009 %	2008 %	2007 %	2006 %
Subsidiaries held by Shenzhen Grandness Industry Groups Co., Ltd. (深圳振鹏达实业集团有限公司)						
Grandness (Shandong) Food Co., Ltd. (山东振鹏达食品有限公司) (newly incorporated on 13 April 2007 and de-registered on 22 December 2008)	Production and sale of canned vegetables and fruits	People's Republic of China	–	–	100	–
Grandness (Shanxian) Food Co., Ltd. (山东单县振鹏达食品有限公司) (newly incorporated on 30 August 2007)	Production and sale of canned vegetables and fruits	People's Republic of China	100	100	100	–

(1) As part of the restructuring exercise of the company, on 25 July 2007, the company entered into a share transfer agreement with the then shareholders, Huang Yupeng (黄育鹏) and Huang Zhoupeng (黄周鹏), to acquire the entire interests in Hong Kong Grandness (振鹏达(香港)实业有限公司) for a consideration of $369,230. There is no gain or loss recognised in the financial statements.

(2) As part of the restructuring exercise of the company, on 8 May 2007 and 15 July 2007, Shenzhen Grandness entered into a share transfer agreement to dispose its entire interest in Shanxi Grandness for a consideration of RMB9,000,000 to a company in which a director of the company has an interest, Hong Kong Grandness. There is no gain or loss recognised in the financial statements.

As Hong Kong Grandness becomes the ultimate holding company, Shanxi Grandness, through the restructuring exercise, becomes the immediate holding company of Shenzhen Grandness.

(3) On 12 September 2007, Shenzhen Grandness disposed of its entire 90% equity interests in Grandness (Shenzhen) Development Technology Co., Ltd. [(now known as Shenzhen Yaxinda Import Export Co., Ltd. ("Shenzhen Yaxinda")] to Lin Junjin, in trust for Huang Yupeng for a cash consideration of RMB2.7 million. The disposal consideration was determined based on 90% of the registered capital of Shenzhen Yaxinda then.

REPORT FROM THE INDEPENDENT AUDITOR IN RELATION TO THE UNAUDITED REVIEW OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF

SINO GRANDNESS FOOD INDUSTRY GROUP PTE. LTD. AND ITS SUBSIDIARIES

FOR THE THREE MONTHS ENDED 31 MARCH 2009

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Statement by Directors

We, Huang Yupeng and Zhang Gongjun, being two of the directors of Sino Grandness Food Industry Group Pte. Ltd. (the "Company"), do hereby state that, in the opinion of the directors,

(i) the accompanying interim consolidated financial statements together with the notes thereto, are drawn up so as to present fairly, the financial position of the Company and its subsidiaries (collectively the "Group") as at 31 March 2009 and of its financial performance, changes in equity and cash flows of the Group for the financial period from 1 January 2009 to 31 March 2009; and

(ii) 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 Board of Directors,

HUANG YUPENG

ZHANG GONGJUN

Singapore, 13 November 2009

Independent auditor's review report
to the members of Sino Grandness Food Industry Group Pte. Ltd.

Introduction

We have reviewed the accompanying consolidated statement of financial position of Sino Grandness Food Industry Group Pte. Ltd. and its subsidiaries (collectively the "Group") as of 31 March 2009 and the related statements of income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with Singapore Financial Reporting Standard 34 Interim Financial Reporting ("FRS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of, in all material respects, the financial position of the Group as at 31 March 2009, and of its financial performance and its cash flows for the three-month period then ended in accordance with FRS 34.

Foo Kon Tan Grant Thornton
Public Accountants and
Certified Public Accountants

Yeo Boon Chye
Partner-in-charge

Singapore, 13 November 2009

Interim consolidated statement of financial position

	Note	**Unaudited 31 March 2009 RMB**	Audited 31 December 2008 RMB
ASSETS			
Non-Current			
Property, plant and equipment	5	**121,303,139**	100,885,542
Subsidy	6	**770,550**	804,054
		122,073,689	101,689,596
Current			
Inventories	7	**44,686,342**	46,543,777
Trade and other receivables	8	**63,924,050**	89,234,185
Prepayments	9	**10,942,223**	10,009,345
Cash and cash equivalents	10	**16,369,778**	15,652,499
		135,922,393	161,439,806
Total assets		**257,996,082**	263,129,402
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	11	**1,848,006**	1,848,006
Retained profits		**94,589,845**	92,357,482
Other components of equity	12	**(15,441,194)**	(15,420,403)
		80,996,657	78,785,085
Minority interests		**5,457,271**	5,943,407
		86,453,928	84,728,492
Liabilities			
Non-Current			
Amount owing to the then shareholders	13	**43,258,620**	43,444,984
Amount owing to a third party	14	**3,375,000**	–
		46,633,620	43,444,984
Current			
Trade and other payables	14	**53,920,839**	57,843,256
Note payables	15	**3,650,000**	1,950,000
Non-interest bearing loans	16	**36,546,153**	38,237,900
Current tax payable		**1,310,579**	5,924,770
Bank borrowings	17	**29,480,963**	31,000,000
		124,908,534	134,955,926
Total equity and liabilities		**257,996,082**	263,129,402

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

Interim consolidated statement of comprehensive income

	Notes	**Unaudited Three months ended 31 March 2009 RMB**	Unaudited Three months ended 31 March 2008 RMB
Revenue	4	**30,278,067**	18,108,563
Cost of sales		**(22,894,288)**	(13,448,243)
Gross profit		**7,383,779**	4,660,320
Other operating income	18(a)	**1,707,843**	640,884
Distribution costs	18(b)	**(2,351,551)**	(1,942,475)
Administrative expenses	18(c)	**(3,111,019)**	(2,411,604)
Finance costs	18(d)	**(593,037)**	(327,667)
Profit before taxation	19	**3,036,015**	619,458
Taxation	20	**(1,310,579)**	(570,000)
Profit for the period/year		**1,725,436**	49,458
Other comprehensive income:			
- Exchange differences on translating foreign operations		**20,791**	–
Other comprehensive income for the period/year, net of tax		**20,791**	–
Total comprehensive income for the year		**1,746,227**	49,458
Profit attributable to :			
Owners of the parent		**2,211,572**	575,498
Minority interests		**(486,136)**	(526,040)
		1,725,436	49,458
Total comprehensive income attributable to :			
Owners of the parent		**2,232,363**	575,498
Minority interests		**(486,136)**	(526,040)
		1,746,227	49,458

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

Interim consolidated statement of changes in equity

	Share capital RMB	Retained profits RMB	Translation of foreign operations RMB	Merger reserve RMB	Statutory common reserve RMB	Total RMB	Minority interests RMB	Total RMB
Unaudited								
Balance as at 1 January 2009	1,848,006	92,357,482	–	(31,413,600)	15,993,197	78,785,085	5,943,407	84,728,492
Total comprehensive income for the period	–	2,232,363	–	–	–	2,232,363	(486,136)	1,746,227
Translation differences	–	–	(20,791)	–	–	(20,791)	–	(20,791)
Balance as at 31 March 2009	1,848,006	94,589,845	(20,791)	(31,413,600)	15,993,197	80,996,657	5,457,271	86,453,928
Unaudited								
Balance as at 1 January 2008	1,848,006	43,294,775	–	(31,413,600)	10,039,972	23,769,153	8,238,964	32,008,117
Total comprehensive income for the period	–	575,498	–	–	–	575,498	(526,040)	49,458
Balance as at 31 March 2008	1,848,006	43,870,273	–	(31,413,600)	10,039,972	24,344,651	7,712,924	32,057,575

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

Interim consolidated statement of cash flows

	Unaudited Three months ended 31 March 2009 RMB	Unaudited Three months ended 31 March 2008 RMB
Cash Flows from Operating Activities		
Profit before taxation	**3,036,015**	619,458
Adjustments for:		
Depreciation of property, plant and equipment	**1,234,570**	708,889
Amortisation of subsidy	**33,504**	33,504
Exchange difference (see Note 16)	**(1,691,747)**	–
Inventories written off	**63,383**	–
Interest expense	**593,037**	327,667
Interest income	**(13,836)**	(76,764)
Operating profit before working capital changes	**3,254,926**	1,612,754
(Increase)/decrease in deposits pledged with banks	**(400,000)**	1,800,000
Decrease/(increase) in inventories	**1,794,052**	(3,208,284)
Decrease in operating receivables	**26,108,519**	34,787,954
Decrease in operating payables	**(3,284,790)**	(8,012,771)
Cash generated from operations	**27,472,707**	26,979,653
Income tax paid	**(5,940,393)**	(1,146,193)
Interest paid	**(534,375)**	(327,667)
Net cash generated from operating activities	**20,997,939**	25,505,793
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	**(21,653,272)**	(6,915,646)
VAT on property, plant and equipment refunded	**1,105**	–
Interest received	**13,836**	76,764
Net cash used in investing activities	**(21,638,331)**	(6,838,882)
Cash Flows from Financing Activities		
Bank loans obtained	**4,980,963**	10,502,237
Bank loans repaid	**(6,500,000)**	(12,549,285)
Amount owing to a company in which a director has an interest	**–**	(111,061)
Amount owing by:		
- third parties	**(699,045)**	(434,609)
- a director of the Group (黄育鹏)	**–**	(5,079,997)
Amount owing to:		
- a director of the Group (黄育鹏)	**(186,364)**	(79,820)
- third parties	**3,362,117**	19,924
Net cash generated from/(used in) financing activities	**957,671**	(7,732,611)
Net increase in cash and cash equivalents	**317,279**	10,934,300
Cash and cash equivalents at beginning of period	**13,702,499**	16,548,358
Cash and cash equivalents at end of period (Note 10)	**14,019,778**	27,482,658

The interim consolidated statement cash flow statement is prepared on the basis that the group structure has been in place under the Restructuring Exercise for which the pooling-of-interest method for consolidation has been applied.

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

Notes to the interim consolidated financial statements

1 General information

The interim consolidated financial statements of the Company and its subsidiaries are prepared for the three months ended 31 March 2009.

The Company was incorporated in the Republic of Singapore on 20 April 2007 under the name of Sino Grandness Food Industry Group Pte. Ltd. The registered office is located at 80 Raffles Place #25-01 UOB Plaza 1, Singapore 048624.

The Company was converted into a public limited company and the name of the Company changed to "Sino Grandness Food Industry Group Limited" in connection therewith on 12 November 2009.

The interim consolidated financial statements for the three months ended 31 March 2009 were based on the unaudited financial statements of the Company and its subsidiaries. These interim consolidated financial statements are the combination or aggregation of all the financial statements of the companies in the Group.

The interim consolidated financial statements have been prepared for internal management purposes in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations to FRS ("INT FRS") promulgated by the Accounting Standards Council ("ASC").

The accounting policies and bases adopted in the preparation of the statutory financial statements differ in certain respects from FRS. The differences arising from the restatement of the results of operations and the net assets for compliance with FRS are adjusted in the interim consolidated financial statements but are not taken up in the accounting records of the Company.

The interim consolidated financial statements are presented in Renminbi ("RMB"), being the currency in which the Group's transactions are denominated. The interim consolidated financial statements have been prepared solely for inclusion in the prospectus in connection with the initial public offering of Sino Grandness Food Industry Group Pte. Ltd. in Singapore.

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are stated in Note 27 to the financial statements.

2(a) Basis of preparation

The interim consolidated financial statements of the Group have been prepared in accordance with FRS34 Interim Financial Reporting.

The interim consolidated financial statements of the Group for the three months ended 31 March 2009 were prepared in a manner similar to the "pooling of interest" method.

Notes to the interim consolidated financial statements

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

The interim consolidated financial statements for the three months ended 31 March 2009 were prepared based on the unaudited financial statements. The PRC subsidiaries and the Hong Kong subsidiary maintain their accounting records and prepare the relevant statutory financial statements in accordance with the accounting standards and legislations of the respective Generally Accepted Accounting Principles (GAAP). The interim consolidated financial statements of the Group are the combination or aggregation of all the financial statements of the companies in the Group. The interim consolidated financial statements of the Company and its subsidiaries as listed below were prepared in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations to the FRS ("INT FRS") promulgated by the ASC.

		Basis of consolidation
(a)	Grandness (HK) Industry Co., Limited	Pooling of interest
(b)	Shenzhen Grandness Industry Groups Co., Ltd.	Pooling of interest
(c)	Shanxi Yongji Huaxin Food Co., Ltd.	Pooling of interest
(d)	Dongpeng (Chengdu) Agricultural Development Co., Ltd.	Pooling of interest
(e)	Grandness (Shandong) Food Co., Ltd.	Pooling of interest
(f)	Grandness (Shanxian) Food Co., Ltd.	Pooling of interest
(g)	Grandness (Sichuan) Foods Co., Ltd.	Acquisition method
(h)	Yunnan Shizong Zhenhua Food Co., Ltd.	Acquisition method

For the purpose of this report, the financial statements of the above companies (a) to (h) for the relevant periods have been prepared in accordance with FRS and reviewed by Foo Kon Tan Grant Thornton in accordance with Singapore Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

The interim consolidated financial statements, expressed in RMB, are prepared in accordance with the historical cost convention in accordance with FRS, including related Interpretations promulgated by the ASC.

The interim consolidated financial statements have been prepared solely to show the financial position of the Group as at 31 March 2009 and its interim consolidated results for the three months ended on that date in connection with the proposed listing of the shares of Sino Grandness Food Industry Group Pte. Ltd. on the Singapore Exchange Securities Trading Limited.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous financial period.

Significant accounting estimates and judgements

The preparation of the interim 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 interim consolidated financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

Notes to the interim consolidated financial statements

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

Significant accounting estimates and judgements (cont'd)

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

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 40 years except for land use rights which are depreciated over the period of the grant of originally 50 years. The carrying amounts of the Group's property, plant and equipment as at 31 March 2009 are RMB121,303,139 (31 December 2008 - RMB100,885,542). 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.

Income tax

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions, if any in the period in which such determination is made.

Critical judgements and key sources of estimation uncertainty

In the process of applying the entity'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 interim consolidated financial statements.

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

Allowances for inventory obsolescence

Inventories are stated at the lower of cost and net realisable value. In determining the net realisable value, the directors estimate the future selling price in the ordinary course of business, less the estimated costs of selling expenses. The carrying amounts of inventories at the end of the reporting period are disclosed in Note 7 to the financial statements.

Notes to the interim consolidated financial statements

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

On 1 January 2009, the Group adopted the new or amended FRS and INT FRS that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended INT FRS that are relevant to the Group:

FRS 1 (Revised)	Presentation of Financial Statements - Revised presentation
Amendments to FRS 1	Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
FRS 2 (Revised)	Inventories
FRS 7 (Amendment)	Cash Flow Statements
FRS 8 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 11 (Amendment)	Construction Contracts
FRS 16 (Revised)	Property, Plant and Equipment
FRS 19 (Amendment)	Employee Benefits
FRS 23 (Revised)	Borrowing Costs
FRS 27 (Revised)	Consolidated and Separate Financial Statements
Amendments to FRS 32	Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation
FRS 33 (Revised)	Earnings per Share
FRS 34 (Amendment)	Interim Financial Reporting
FRS 36 (Revised)	Impairment of Assets
FRS 38 (Revised)	Intangible Assets
Amendments to FRS 39	Amendments to FRS 39 Financial Instruments: Recognition and Measurement and FRS 107 Financial Instruments: Disclosures - Reclassification of Financial Assets
FRS 102 (Amendment)	Share-based Payment - Amendments relating to vesting conditions and cancellations
FRS 104 (Revised)	Insurance Contracts - Implementation Guidance
FRS 105 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations
FRS 106 (Amendment)	Exploration for and Evaluation of Mineral Resources
Amendments to FRS 107	Amendments to FRS 39 Financial Instruments: Recognition and Measurement and FRS 107 Financial Instruments: Disclosures - Reclassification of Financial Assets - Implementation Guidance
Amendments to FRS 107	Amendments to FRS 107 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments - Implementation Guidance
FRS 108	Operating Segments
INT FRS 101	Changes in Existing Decommissioning, Restoration and Similar Liabilities
INT FRS 112 (Amendment)	Service Concession Arrangements
INT FRS 113	Customer Loyalty Programmes
INT FRS 116	Hedges of a Net Investment in a Foreign Operation

The adoption of the above INT FRS did not result in substantial changes to the Company's and the Group's accounting policies.

Notes to the interim consolidated financial statements

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

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the Company's and the Group's accounting periods beginning on or after 1 January 2009 or later periods and which the Group has not early adopted. The following FRS and INT FRS that are applicable to the Group are set out below:

FRS 27 (Amendment)	Consolidated and Separate Financial Statements
Amendments to FRS 39	Amendments to FRS 39 Financial Instruments: Recognition and Measurement - Eligible Hedged Items
Amendments to FRS 39	Amendments to INT FRS 109 and FRS 39 - Embedded Derivatives
FRS 103 (Revised)	Business Combinations
Amendments to INT FRS 109	Amendments to INT FRS 109 and FRS 39 - Embedded Derivatives
INT FRS 117	Distributions of Non-cash Assets to Owners
INT FRS 118	Transfer of Assets from Customers

The directors do not anticipate that the adoption of the FRS and INT FRS will result in any material impact to the financial statements in the period of initial application.

3 Summary of significant accounting policies

Subsidiaries and principles of consolidation

The interim consolidated financial statements of the Group have been prepared in accordance with the principles of merger accounting with the restructuring exercise completed where the companies within the Group are a legal reorganisation of entities under common control.

Subsidiaries

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

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

Details of its subsidiaries are given in Note 27.

Consolidated financial statements

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for line transactions and events in similar circumstances.

Acquisition of entities that are under common control have been consolidated using the pooling-of-interest method as set out in Note 2(a).

Notes to the interim consolidated financial statements

3 Summary of significant accounting policies (cont'd)

Consolidated financial statements (Cont'd)

Under this method, 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 in which the common control combination occurs are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

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

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

The purchase method of accounting is used to account for the acquisition of other subsidiaries. The two subsidiaries, namely, Grandness (Sichuan) Foods Co., Ltd. and Yunnan Shizong Zhenhua Food Co., Ltd. for which the Group did not own the entire interest in the capital and these minority interests have no intention to dispose their respective shareholding to the Group in the forseeable future, the accounting of investments in these subsidiaries are under the acquisition method.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the consolidated statement of comprehensive income on the date of acquisition.

Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. The goodwill is accounted for in accordance with the accounting policy for goodwill stated below.

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

Notes to the interim consolidated financial statements

3 Summary of significant accounting policies (cont'd)

<u>**Consolidated financial statements (Cont'd)**</u>

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

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of the assets after deducting the residual value over the estimated useful lives as follows:

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

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

The residual values and useful lives of property, plant and equipment are reviewed and adjusted as appropriate at the end of each reporting period. The useful life and depreciation method are reviewed at each financial year-end to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

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

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

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

Notes to the interim consolidated financial statements

3 Summary of significant accounting policies (cont'd)

Government grant

Government grant is recognised as income over the period necessary to match the grant with the related costs which they are intended to compensate. Government grant is not recognised as income until there is a reasonable assurance that the Group will comply with the conditions attaching to it. Receipt of the grant will not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

Financial assets

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

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

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

The Group does not have any investments and accordingly, there is no investment to be classified as financial assets at fair value through profit or loss, assets held-to-maturity or available-for-sale.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the reporting period. These are classified as non-current assets, if any.

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

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

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

Notes to the interim consolidated financial statements

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 first-in first-out basis and includes freight and handling charges, if any. In the case of manufactured inventories, cost includes production overheads. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

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.

Related parties

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

Financial liabilities

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

Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument. All interest related charges is recognised as an expense in "finance costs" in the consolidated statement of comprehensive income.

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.

Borrowings which are due to be settled within twelve months after 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 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 reporting period are included in non-current borrowings in the statement of financial position.

Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

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

Financial guarantees

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

Notes to the interim consolidated financial statements

3 Summary of significant accounting policies (cont'd)

Financial guarantees (cont'd)

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

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

Operating lease

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as 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.

Income taxes

The liability method of tax effect accounting is adopted by the Group. Current taxation is provided at the current taxation rate based on the tax payable on the income for the financial period that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be recognised.

The statutory tax rates enacted at the end of the reporting period are used to determine deferred income tax.

Provisions

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

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

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

Notes to the interim consolidated financial statements

3 Summary of significant accounting policies (cont'd)

Employee benefits

Pension obligations

The Company and the Group participate in the defined contribution national pension schemes as provided by the laws of the countries in which it has operations. In particular, the Singapore incorporated companies in the Group contribute to the Central Provident Fund, a defined contribution plan regulated and managed by the Government of Singapore, which applies to the majority of the employees. The contributions to national pension schemes are charged to the 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.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

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

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

An impairment loss, if any, is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation.

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

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.

Notes to the interim consolidated financial statements

3 Summary of significant accounting policies (cont'd)

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes relevant value-added tax. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from the sale of canned vegetables and fruits is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transactions can be measured reliably.

Interest income is recognised on a time-apportioned basis using the effective interest method.

Functional currency

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

Conversion of foreign currencies

The accounting records of the companies within the Group are maintained in their respective functional currencies.

Assets and liabilities in foreign currencies are translated into RMB at rates of exchange closely approximating those ruling at end of the reporting period. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Except for the situation described below, exchange differences arising from such transactions are taken to the consolidated statement of comprehensive income:

Any assets and liabilities of the Company and a subsidiary in Hong Kong denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. The statement of comprehensive income of the Company is translated using the average monthly rates. Foreign currency translation adjustments arising from the consolidated financial statements are recorded directly in exchange fluctuation account.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on non-monetary items, whereby the gains or losses are recognised in the consolidated statement of comprehensive income, if any, are reported as part of the fair value gains or losses in "other gains/losses - net". Currency translation differences on non-monetary items, if any, whereby the gains and losses are recognised in other comprehensive income, such as equity investments classified as available-for-sale financial assets, investment properties and property, plant and equipment are included in the fair value reserve and asset revaluation reserve respectively.

Notes to the interim consolidated financial statements

3 Summary of significant accounting policies (cont'd)

Financial instruments

Financial instruments carried on the statement 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 23.

Segment reporting

A segment is a distinguishable component of the Group to a particular industry (business segment) and within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments.

For the financial period presented, the Group has one operating segment, which is the manufacturing and sale of canned vegetables and fruits. The Group's manufacturing activities operate predominantly in PRC. Information for geographical segment revenue is based on where the customers are located.

4 Revenue

	Unaudited Three months ended 31 March 2009 RMB	Unaudited Three months ended 31 March 2008 RMB
Sale of		
- canned asparagus	**8,779,417**	1,528,751
- canned long beans	**6,997,150**	2,649,736
- canned mushrooms	**13,427,221**	10,718,648
- others	**1,074,279**	3,211,428
	30,278,067	18,108,563

Notes to the interim consolidated financial statements

5 Property, plant and equipment

	Factory and warehouse premises RMB	Land use rights RMB	Office units RMB	Renovation RMB	Plant and machinery RMB	Motor vehicles RMB	Office equipment RMB	Construction-in-progress RMB	Total RMB
Cost									
At 1 January 2008	20,923,594	9,677,750	2,728,907	2,995,811	8,536,122	3,267,460	679,607	2,601,848	51,411,099
Additions	1,140,196	6,543,901	–	28,310	3,034,957	6,420	389,301	48,734,133	59,877,218
Disposals	(40,068)	–	–	–	(7,880)	(4,881)	(9,770)	–	(62,599)
Reclassifications	34,457,917	–	–	–	1,046,299	27,000	173,514	(35,704,730)	–
At 31 December 2008	56,481,639	16,221,651	2,728,907	3,024,121	12,609,498	3,295,999	1,232,652	15,631,251	111,225,718
Additions	**11,967**	**40**	**–**	**37,000**	**75,968**	**–**	**15,780**	**21,512,517**	**21,653,272**
Adjustments	**–**	**–**	**–**	**–**	**–**	**–**	**(1,105)**	**–**	**(1,105)**
At 31 March 2009	**56,493,606**	**16,221,691**	**2,728,907**	**3,061,121**	**12,685,466**	**3,295,999**	**1,247,327**	**37,143,768**	**132,877,885**

Notes to the interim consolidated financial statements

5 Property, plant and equipment (cont'd)

	Factory and warehouse premises RMB	Land use rights RMB	Office units RMB	Renovation RMB	Plant and machinery RMB	Motor vehicles RMB	Office equipment RMB	Construction-in-progress RMB	Total RMB
Accumulated depreciation									
At 1 January 2008	1,342,499	339,293	116,660	1,633,336	1,610,500	1,196,314	237,209	–	6,475,811
Depreciation for the year	1,601,136	234,185	51,850	470,043	901,891	467,665	155,372	–	3,882,142
Disposals	(1,964)	–	–	–	(4,677)	(4,394)	(6,742)	–	(17,777)
Reclassification	(583)	–	–	–	(65,303)	2,835	63,051	–	–
At 31 December 2008	2,941,088	573,478	168,510	2,103,379	2,442,411	1,662,420	448,890	–	10,340,176
Depreciation for the period	**569,419**	**80,748**	**12,962**	**118,740**	**285,418**	**117,798**	**49,485**	**–**	**1,234,570**
Reclassification	**167**	**–**	**–**	**–**	**–**	**–**	**(167)**	**–**	**–**
At 31 March 2009	**3,510,674**	**654,226**	**181,472**	**2,222,119**	**2,727,829**	**1,780,218**	**498,208**	**–**	**11,574,746**
Depreciation for the period ended 31 March 2008	**167,008**	**34,603**	**12,963**	**116,708**	**233,547**	**115,404**	**28,656**	**–**	**708,889**
Net book value									
At 31 March 2009	**52,982,932**	**15,567,465**	**2,547,435**	**839,002**	**9,957,637**	**1,515,781**	**749,119**	**37,143,768**	**121,303,139**
At 31 December 2008	53,540,551	15,648,173	2,560,397	920,742	10,167,087	1,633,579	783,762	15,631,251	100,885,542

Notes to the interim consolidated financial statements

5 Property, plant and equipment (cont'd)

(a) Depreciation is charged to:

	Unaudited Three months ended 31 March 2009 RMB	Unaudited Three months ended 31 March 2008 RMB
Cost of sales	**157,239**	262,597
Distribution costs	**88,232**	123,859
Administrative expenses	**989,099**	322,433
	1,234,570	708,889

(b) Land use rights relate to the following parcel of lands:

	Location	Period	Land area (square metres) ["sq m"]
#1	Land at Qiongxin Road side, Linqiong Town, Qionglai City People's Republic of China (邛崃市临邛镇邛新路侧)	50 years (expiring on 2 March 2055)	134,289.91
#2	Danfeng Town, Shizong County, Yunnan Province People's Republic of China (云南省师宗县单凤镇)	50 years (expiring on 9 April 2055)	66,366.30
#3	West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County People's Republic of China (单县开发区园艺路南段路西)	50 years (expiring on 30 December 2057)	70,895.00

These land use rights are acquired from:

(i) 邛崃市人民政府;
(ii) 师宗县人民政府; and
(iii) 单县人民政府

Notes to the interim consolidated financial statements

5 Property, plant and equipment (cont'd)

(c) Included in factory and warehouse premises are:

The Group	**Unaudited 31 March 2009 RMB**	Audited 31 December 2008 RMB
- #1 [Note 5(b)]	**12,712,531**	12,712,531
- #2 [Note 5(b)]	**7,134,835**	7,134,835
- #3 [Note 5(b)]	**35,088,321**	35,076,354
*	**1,557,919**	1,557,919
	56,493,606	56,481,639

* relate to the following lands:

Location	Land area (sq m)	Ownership	Effective date	Expiry date
山西省永济市南郊粮库内	1,909.41	永济市粮食局	1 January 2007	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 2007	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 21.

(d) Office units comprise:

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

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

Notes to the interim consolidated financial statements

5 Property, plant and equipment (cont'd)

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

	Notes	**Unaudited 31 March 2009 RMB**	Year ended 31 December 2008 RMB
At cost			
Factory and warehouse premises	17(b) and (c)	**19,847,366**	19,847,366
Factory and warehouse premises	17(d)	**35,088,321**	–
Office units	17(a)	**2,728,907**	2,728,907
Land use rights	17(b) and (c)	**7,785,950**	7,785,950
Land use rights	17(d)	**8,435,741**	–
		73,886,285	30,362,223
Net book value		**66,539,969**	28,000,969

(f) The 2009 construction-in-progress relates to:

(i) the expansion of existing factory warehouse and production facilities located at 山西省永济市南郊粮库内.

(ii) construction of the administration building and warehouse at Qiongxin Road Side, Linqiong Town, Qionglai City.

(iii) the construction of warehouse on the existing land West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County, PRC (单县开发区园艺路南段路西).

6 Subsidy

The Group	**Unaudited 31 March 2009 RMB**	Audited 31 December 2008 RMB
Subsidy	**1,236,102**	1,236,102
Less: Amortisation		
Balance at beginning of year	**432,048**	298,032
Amortisation for the year	**33,504**	134,016
Balance at end of year	**465,552**	432,048
	770,550	804,054

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

Notes to the interim consolidated financial statements

7 Inventories

	Unaudited 31 March 2009 RMB	Audited 31 December 2008 RMB
Finished goods, at cost	**40,386,453**	41,964,852
Work-in-progress, at cost	**174,073**	261,324
Packaging materials, at cost	**2,915,588**	3,162,187
Raw materials, at cost	**1,210,228**	1,155,414
	44,686,342	46,543,777

	Unaudited Period ended 31 March 2009 RMB	Unaudited Period ended 31 March 2008 RMB
Included in cost of sales are inventories charged of:	**21,551,036**	9,888,132
Write-off of inventories due to quality of products	**63,383**	–

The ageing of the inventory turnover approximates 179 (2008 - 58) days.

The write-off of inventories relate to normal loss which is the course of normal business operations where certain goods were discarded due to quality control purpose.

No provision for inventory obsolescence is considered necessary.

Notes to the interim consolidated financial statements

8 Trade and other receivables

	Unaudited 31 March 2009 RMB	Audited 31December 2008 RMB
Trade receivables		
- External parties	**44,074,113**	57,232,786
Other receivables		
Advances to		
- contractors	**162,455**	17,540
- suppliers of property, plant and equipment	**191,986**	164,586
- suppliers	**1,192,162**	627,815
- employees	**475,284**	493,603
- a customer	**300,000**	300,000
- third parties	**1,809,805**	1,110,760
深圳市诚兴旺进出口有限公司	**1,120,370**	1,120,370
Advances to farmers	**175,050**	150,409
Advances to a minority shareholder of a subsidiary	**44,400**	44,400
VAT receivable	**13,499,326**	12,182,823
Export tax refunds	**855,735**	15,764,179
Deposits	**23,364**	23,364
Others	**–**	1,550
	19,849,937	32,001,399
	63,924,050	89,234,185

Trade and other receivables are denominated in the following currencies:

Trade		
United States dollar	**40,084,725**	51,004,828
Renminbi	**3,415,927**	4,557,088
Euro	**573,461**	1,670,870
	44,074,113	57,232,786
Non-trade		
United States dollar	**–**	65,240
Renminbi	**19,849,895**	31,936,159
Singapore dollar	**42**	–
	19,849,937	32,001,399
	63,924,050	89,234,185

Trade receivables are usually due within 60 - 90 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various customers. The ageing analysis of the trade receivables approximates 151 (2008 - 81) days. No allowance for impairment has been considered necessary.

Notes to the interim consolidated financial statements

8 Trade and other receivables (cont'd)

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

	Unaudited 31 March 2009 RMB	Audited 31 December 2008 RMB
Within 1 month	**13,160,310**	41,098,353
Past due over 1 month but not over 2 months	**6,794,086**	15,947,886
Past due over 2 months but not over 3 months	**8,116,571**	12,997
Past due over 3 months but not over 4 months	**15,650,586**	1,300
Past due over 4 months	**352,560**	172,250
	44,074,113	57,232,786

The advances made to:

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

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

The advances made to employees are for business purpose.

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

Export tax refunds relate to tax refunds which is calculated at 4% on overseas sales.

9 Prepayments

These relate to pre-IPO costs incurred for the proposed listing of Sino Grandness Food Industry Group Pte. Ltd. and other prepaid operating expenses.

10 Cash and cash equivalents

	Unaudited 31 March 2009 RMB	Audited 31 December 2008 RMB
Cash on hand	**33,827**	38,777
Bank balances	**16,335,951**	15,613,722
	16,369,778	15,652,499
Deposits placed in banks for notes payable	**(2,350,000)**	(1,950,000)
	14,019,778	13,702,499

Notes to the interim consolidated financial statements

10 Cash and cash equivalents (cont'd)

Cash and cash equivalents are denominated in the following currencies:

	Unaudited 31 March 2009 RMB	Audited 31 December 2008 RMB
United States dollar	**266,072**	160,201
Renminbi	**15,879,591**	14,994,035
Singapore dollar	**54,761**	96,788
Euro	**165,064**	397,249
Canadian dollar	**4,114**	4,226
Hong Kong dollar	**176**	–
	16,369,778	15,652,499

11 Share capital

	Number of shares		**Unaudited**		Audited	
	31 March 2009	31 December 2008	**31 March 2009 S$**	**31 March 2009 RMB**	31 December 2008 S$	31 December 2008 RMB
Issued and fully paid with no par value:						
Balance at beginning and end of period/year	**369,232**	369,232	**369,232**	**1,848,006**	369,232	1,848,006
Shareholders:						
Sino Grandness Food Industry Group Pte. Ltd						
Huang Yupeng (黄育鹏)	**350,771**	350,771	**350,771**	**1,755,609**	350,771	1,755,609
Huang Zhoupeng (黄周鹏)	**18,461**	18,461	**18,461**	**92,397**	18,461	92,397
	369,232	369,232	**369,232**	**1,848,006**	369,232	1,848,006

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

Notes to the interim consolidated financial statements

12 Other components of equity

	Unaudited 31 March 2009 RMB	Audited 31 December 2008 RMB
Statutory common reserve		
Balance at beginning of period/year	**15,993,197**	10,039,972
Movement during the period/year	**–**	5,953,225
Balance at end of period/year	**15,993,197**	15,993,197
Translation of foreign operations		
Balance at beginning of period/year	**–**	–
Movement during the period/year	**(20,791)**	–
Balance at end of period/year	**(20,791)**	–
Merger reserve		
Balance at beginning of period/year	**(31,413,600)**	(31,413,600)
Movement during the period/year	**–**	–
Balance at end of period/year	**(31,413,600)**	(31,413,600)
Grand total	**(15,441,194)**	(15,420,403)

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 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.

13 Amount owing to the then shareholders

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

	Unaudited 31 March 2009 RMB	Audited 31 December 2008 RMB
Huang Yupeng (黄育鹏)	**35,909,126**	36,095,490
Huang Zhoupeng (黄周鹏)	**7,349,494**	7,349,494
	43,258,620	43,444,984

Notes to the interim consolidated financial statements

13 Amount owing to the then shareholders (cont'd)

Pursuant to an undertaking dated 25 September 2009, Huang Yupeng and Huang Zhoupeng had undertaken not to demand payment of the net amount of RMB43,456,000 (the "Loans") owing to them, quasi-equity loan, as at 19 December 2008 until the first, second and third anniversary, of the date of admission of the Company to the Official List of the SGX-ST for 30%, 30% and 40% of the Loans. Such repayments shall be subject to the approval of the Audit Committee, taking into account, inter alia, the Group's working capital and gearing positions.

Had the amortised cost been determined on the average of 7% on the prevailing rate applied by the commercial banks in the PRC, the interest expense to be recognised would have been RMB 757,000.

The cumulative effect on interest cost charged since 1 January 2008 would have been RMB 3,798,000.

14 Trade and other payables

	Unaudited 31 March 2009 RMB	Audited 31 December 2008 RMB
Trade payables	**30,833,111**	39,158,631
Accruals	**3,477,454**	3,502,053
	34,310,565	42,660,684
Other payables		
Amount owing to (non-trade)		
- contractors	**4,670,946**	5,033,450
- suppliers of property, plant and equipment	**418,849**	950,350
- suppliers	**49,655**	101,691
- employees	**728,170**	726,735
- third parties	**3,452,470**	90,352
- farmers	**13,886**	18,225
- companies in which directors have interests		
- 福建省成功果蔬食品有限公司	**–**	70,659
- 中鹏成都农业发展有限公司	**668,481**	668,481
Liability owing for land premium	**2,757,250**	2,757,250
Accrued interest	**58,662**	–
VAT payable	**28,180**	451,351
Others	**10,138,725**	4,314,028
	22,985,274	15,182,572
Less:		
Non-current amount owing to a third party	**(3,375,000)**	–
	19,610,274	15,182,572
	53,920,839	57,843,256

Notes to the interim consolidated financial statements

14 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 statement of financial position to be reasonable approximation of their fair values. The ageing of trade payables approximates 138 (2008 - 61) days.

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

The non-trade amounts owing are unsecured, interest-free and are repayable on demand:

- the amount owing to contractors relates to the road construction works, painting on the existing premises and construction of existing factory; and
- the amount owing to employees relate to money withheld for employees' uniform;
- the amount owing to farmers relates to costs of vegetables supplies.

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

The non-current amount owing to a third party, Financial Bureau of Qionglai City, Sichuan Province（四川省邛崃市财政局）of RMB3,375,000 granted to Sichuan Grandness is in support of agricultural business development. The amount is secured by a pledge on Sichuan Grandness' land use rights to the extent of 80 mu (equivalent to 53,333 sq m), is interest-free and repayable as follows:

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

15 Note payables

The note payables which are non-interest bearing mature at varying dates between 19 April 2009, the earliest date and 15 June 2009, the latest date.

Notes to the interim consolidated financial statements

16 Non-interest bearing loans

		Source currency S$	Unaudited 31 March 2009 RMB	Audited 31 December 2008 RMB
- #1	Philip Ventures Enterprise Fund Ltd	**3,980,000**	**17,809,306**	18,833,360
- #2	Kim Seng Holdings Pte. Ltd.	**1,500,000**	**6,712,050**	7,098,000
- #3	Kenmoore Mezzanine Investments Ltd	**770,000**	**3,642,507**	3,744,140
- #4	Lim Joo Boon	**250,000**	**1,118,675**	1,183,000
- #5	SkyVen Growth Capital Fund Pte Ltd	**500,000**	**2,368,675**	2,433,000
- #6	Inkatha Group Limited	**860,000**	**4,194,940**	4,246,400
- #7	Global Top Financial Group Limited	**140,000**	**700,000**	700,000
		8,000,000	**36,546,153**	38,237,900

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

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

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

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

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

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

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

Notes to the interim consolidated financial statements

16 Non-interest bearing loans (cont'd)

The parties to the First Supplemental Agreement (except for Shenzhen Grandness) and Venstar entered into an agreement on 13 July 2009 (the "Second Supplemental Agreement").

The payment obligations of the Company to the Secured Bond Holders pursuant to the Convertible Loan Agreement are secured by a personal guarantee by Huang Yupeng in favour of the Secured Bond Holders. Huang Yupeng has also assigned, by way of security, 30% of the advances repayable by the Group to him, to the Secured Bond Holders.

In respect of the Convertible Loan, each of the Lenders may elect, during the period commencing from the drawdown of Tranche 1 up to the Longstop Date, to convert the portion of the principal amount of the Convertible Loan outstanding to it into fully-paid Shares (the "Conversion Shares") at an issue price (the "Issue Price") set at a 50% discount to the indicative issue price (the "PIPO") of the Shares in relation to the Initial Public Offering (as determined by the issue manager of the Initial Public Offering), provided that if the PIPO is more than ten (10) times the Borrower's (the "Company") earnings per share ("EPS") as determined in accordance with the net profit after tax of the Group for FY2008 (such determination shall exclude the portion of any grant or subsidy from the PRC government above RMB3.0 million and the EPS to be calculated based on the Borrower's issued share capital immediately before the Initial Public Offering, such share capital including the Conversion Shares but excluding the new Shares issued in relation to the Initial Public Offering), the Issue Price shall be five (5) times the EPS. For the avoidance of doubt, the Convertible Loan shall be deemed fully repaid upon the conversion of the entire principal sum of the Convertible Loan into Conversion Shares.

For determining (i) whether the PIPO is more than ten (10) times the Borrower's EPS or (ii) whether the Issue Price which shall be five (5) times the EPS, the exchange rate of RMB to S$ shall be as set out in the draft Prospectus to be lodged with the Monetary Authority of Singapore.

In the event the Borrower does not qualify for a Listing by the Longstop Date, the Convertible Loan shall be repaid in full together with interest thereon calculated at a rate of ten per cent. (10%) per annum compounded annually (for the period commencing from the drawdown of Tranche 1) up to the date of the Repayment; or

In the event the Borrower qualifies for a Listing but the Borrower does not proceed with the Initial Public Offering by the Longstop Date, the Convertible Loan shall be repaid in full together with interest thereon calculated at a rate of twenty per cent (20%) per annum compounded annually for the period commencing from the drawdown of Tranche 1 up to the date of the Repayment.

The convertible loans may be converted into Shares at a discount of 50% to the Issue Price, subject to a maximum price earnings ratio of 10 times.

The effect on the amortised cost is insignificant as the loans are regarded as short-term roll-over in nature which are expected to be converted to Shares upon successful application of the Company going for listing with Singapore Exchange Securities Trading Limited.

Notes to the interim consolidated financial statements

17 Bank borrowings

	Note	**Unaudited 31 March 2009 RMB**	Audited 31 December 2008 RMB
Bank loans			
- 中国农业发展银行师宗县支行		**6,000,000**	7,000,000
- 深圳平安银行景田支行		**18,500,000**	24,000,000
- 单县农村信用合作联社		**3,000,000**	–
- Export letters of credit		**1,980,963**	–
		29,480,963	31,000,000
Comprises			
Bank loans (secured)			
- #1	(a)	**3,700,000**	4,300,000
- #2	(b)	**14,800,000**	17,200,000
- #3	(c)	**6,000,000**	7,000,000
- #4	(d)	**3,000,000**	–
	A	**27,500,000**	28,500,000
Bank loans (unsecured)			
- #5	(e)	**–**	2,500,000
	B	**–**	2,500,000
	A + B	**27,500,000**	31,000,000
Export letters of credit (secured)	(f)	**1,980,963**	–
		29,480,963	31,000,000
Amount repayable:			
Not later than one year		**29,480,963**	31,000,000
Later than one year and not later than five years		**–**	–
Later than five years		**–**	–
		29,480,963	31,000,000

a. The secured bank loan facility #1 of RMB5,500,000 granted to Shenzhen Grandness is repayable on or before 20 June 2009. These loans are secured by, inter-alia:

(i) personal guarantee by a director of the Group, Huang Yupeng (黄育鹏);

(ii) a corporate guarantee provided by an institution, 深圳市中心小企业担保中心有限公司 who is then guaranteed by the following:

- personal guarantees by a director of the Group, Huang Yupeng (黄育鹏) and his spouse Zong Liping (宗丽萍);

Notes to the interim consolidated financial statements

17 Bank borrowings (cont'd)

- corporate guarantees provided by the following:
  - Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司);
  - Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司);
  - Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司); and
  - Grandness (Shanxian) Food Co., Ltd (山东单县振鹏达食品有限公司); and
- a mortgage over the Shenzhen Grandness's office units costing RMB 2,728,907.

Interest is charged at 7.5% per annum.

b. The secured bank loan facility #2 of RMB18,000,000 granted to Shenzhen Grandness is repayable on or before 11 November 2009. These loans are secured by, inter-alia:

(i) personal guarantees by a director of the Group, Huang Yupeng (黄育鹏);

(ii) a corporate guarantee provided by an institution, 深圳市中心中小企业担保中心有限公司 who is then guaranteed by:

- corporate guarantees provided by the following:
  - Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司);
  - Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司);
  - Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司); and
  - Grandness (Shanxian) Food Co., Ltd (山东单县振鹏达食品有限公司); and
- land use rights costing RMB4,028,700 and factory and warehouse premises costing RMB12,712,531 belonging to Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司), a subsidiary.

Interest is charged at 6.66% per annum.

c. The secured bank loan facility #3 of RMB10,000,000 granted to Yunnan Grandness has been repaid on 23 April 2009. This loan is secured by a mortgage over the Yunnan Grandness' factory and warehouse premise costing RMB7,134,835 and land use rights costing RMB3,757,250 [Note 5(b)].

Interest is charged at 7.02% (31 December 2008 - 7.02%) per annum.

d. The secured bank loan facility of RMB 3,000,000 granted to the Shanxian Grandness is repayable on or before 20 December 2009. This loan is secured by a mortgage over the Shanxian Grandness' factory and warehouse premises costing RMB 35,088,321 and land use rights costing RMB 8,435,741 [Note 5(b)].

Interest is charged at 10.62% (31 December 2008 - Nil) per annum.

Notes to the interim consolidated financial statements

17 Bank borrowings (cont'd)

e. The unsecured bank loan facility #5 of RMB4,500,000 granted to Shenzhen Grandness was repaid on 23 February 2009. These loans were secured by, inter-alia:

(i) personal guarantee by a director of the Group, Huang Yupeng (黄育鹏);

(ii) a corporate guarantee provided by an institution, 深圳市中心小企业担保中心有限公司 who is then guaranteed by:

- personal guarantees by a director of the Group, Huang Yupeng (黄育鹏) and his spouse Zong Liping (宗丽萍);
- corporate guarantees provided by the following:
  - Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司);
  - Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司);
  - Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司); and
- assignment of certain assets belonging to Huang Yupeng (黄育鹏), Huang Zhoupeng (黄周鹏), Huang Yuyin (黄育吟), Fang Kunrong (方坤荣), Huang Yuqing (黄育清), Huang Yushan (黄育珊) and Lin Yuxi (林玉喜).

Interest was charged at 7.5% per annum.

f. The export letters of credit are secured by, inter-alia:

(i) personal guarantee by a director of the Group, Huang Yupeng (黄育鹏);

(ii) corporate guarantees provided by the following:

- Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司) and
- Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司).

(iii) pledge of deposit and interest in a designated banking account.

Interest is charged at London Inter-bank Offer Rate +4% per annum.

The table below analyses the maturity profile of the Group's borrowings excluding export letters of credit based on contractual undiscounted cash flows.

The Group	**Unaudited 31 March 2009 Carrying amount RMB**	**Unaudited 31 March 2009 Contractual cash flows RMB**	Audited 31 December 2008 Carrying amount RMB	Audited 31 December 2008 Contractual cash flows RMB
<u>Less than 1 year</u>				
Variable interest rate loans	**27,500,000**	**28,449,569**	31,000,000	31,891,435

Notes to the interim consolidated financial statements

17 Bank borrowings (cont'd)

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

	Unaudited 31 March 2009 RMB	Audited 31 December 2008 RMB
Net debt	**153,861,797**	156,823,641
Total equity	**86,453,928**	84,728,492
Total capital	**240,315,725**	241,552,133
Gearing ratio	**64%**	65%

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

18(a) Other operating income

	Unaudited Period ended 31 March 2009 RMB	Unaudited Period ended 31 March 2008 RMB
Sale of scrap	**70,375**	73,054
Cost of scrap	**(111,157)**	(33,651)
	(40,782)	39,403
Government grants	**1,492**	1,408
Interest income - banks	**13,836**	76,764
Exchange gain	**1,710,070**	493,135
Miscellaneous income	**23,227**	30,174
	1,707,843	640,884

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

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

Notes to the interim consolidated financial statements

18(b) Distribution costs

	Unaudited Period ended 31 March 2009 RMB	Unaudited Period ended 31 March 2008 RMB
Employee benefit costs	**307,280**	352,778
Transportation	**1,168,511**	525,302
Entertainment	**26,255**	41,706
Travelling	**32,522**	64,212
Consumable expenses	**302,254**	19,642
Packaging	**258,162**	627,694
Inspection and custom	**18,235**	117,172
Depreciation expense	**88,232**	123,859
Others	**150,100**	70,110
	2,351,551	1,942,475

18(c) Administrative expenses

	Unaudited Period ended 31 March 2009 RMB	Unaudited Period ended 31 March 2008 RMB
Employee benefit costs	**1,027,986**	862,667
Motor vehicle expenses	**74,758**	82,925
Entertainment	**330,153**	96,203
Travelling expenses	**98,562**	74,251
Consumable expenses	**37,834**	26,809
Inspection and custom	**2,268**	314
Depreciation expense	**989,099**	322,433
Amortisation of subsidy	**33,504**	33,504
Rental expenses	**62,249**	110,234
Bank charges	**142,691**	193,192
Utilities	**46,074**	61,568
Repair and maintenance	**7,885**	6,125
Others	**257,956**	541,379
	3,111,019	2,411,604

Notes to the interim consolidated financial statements

18(d) Finance costs

	Unaudited Period ended 31 March 2009 RMB	Unaudited Period ended 31 March 2008 RMB
Interest on bank borrowings	**593,037**	327,667

The effective interest rate on bank borrowings varies from 6.45% to 10.62% (2008 – 7.02% to 7.08%) per annum.

18(e) Employee benefit costs

	Unaudited Period ended 31 March 2009 RMB	Unaudited Period ended 31 March 2008 RMB
Director's remuneration		
- salaries and related costs	**38,700**	43,425
- defined contributions	**3,098**	107,686
Key management personnel		
- salaries and related costs	**12,000**	9,472
- defined contributions	**1,569**	–
Other than directors		
- salaries and related costs	**1,467,719**	1,972,800
- defined contributions	**49,680**	71,615
	1,572,766	2,204,998

Employee benefit costs are charged to:

	Unaudited Period ended 31 March 2009 RMB	Unaudited Period ended 31 March 2008 RMB
Cost of sales	**237,500**	989,553
Distribution costs	**307,280**	352,778
Administrative expenses	**1,027,986**	862,667
	1,572,766	2,204,998

Notes to the interim consolidated financial statements

19 Profit before taxation

	Notes	**Unaudited Period ended 31 March 2009 RMB**	Unaudited Period ended 31 March 2008 RMB
Profit before taxation has been arrived at after charging/(crediting):			
Amortisation of subsidy	6	**33,504**	33,504
Depreciation of property, plant and equipment	5	**1,234,570**	708,889
Exchange gain		**(1,710,070)**	(493,135)
Write-off of inventories due to quality of products		**63,383**	–
Rental - factory and warehouse		**90,522**	111,000

The gain in exchange relates mainly to currency exposure in trading transactions denominated in United States dollar and Euro dollar and translation of non-interest bearing loans denominated in Singapore dollar.

20 Taxation

	Unaudited Period ended 31 March 2009 RMB	Unaudited Period ended 31 March 2008 RMB
Current taxation	**1,310,579**	570,000

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

The Group	**Unaudited Period ended 31 March 2009 RMB**	Unaudited Period ended 31 March 2008 RMB
Profit before taxation	**3,036,015**	619,458
Tax at statutory rate of 33%	**–**	(1,049,000)
Tax at statutory rate of 25%	**(1,058,000)**	–
Tax at statutory rate of 20%	**1,277,000**	–
Tax at statutory rate of 18%	**–**	(17,000)
Tax at statutory rate of 17.5%	**–**	77,000
Tax at statutory rate of 17%	**122,000**	–
Tax at statutory rate of 16.5%	**121,000**	–
Tax at statutory rate of 15%	**(85,000)**	390,000
Tax effect on non-taxable income	**(276,000)**	(77,000)
Tax effect on non-deductible expenses	**35,000**	51,000
Deferred tax asset not recognised	**1,175,000**	1,195,000
	1,311,000	570,000

Notes to the interim consolidated financial statements

20 Taxation (cont'd)

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

A subsidiary which has been granted such incentive from 2005 to 2009 is Shanxi Yongji Huaxin Food Co., Ltd.

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

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

Shenzhen Grandness Industry Groups Co., Ltd. is taxed at a preferential tax rate of 15% now revised to 20% for financial year beginning 1 January 2009 as it is located in Shenzhen which is one of the Special Economic Zones ("SEZ") in PRC as designated by the Chinese government.

The Group has unabsorbed tax losses amounting to approximately RMB 19,245,000 (2008 - RMB 14,277,000), which are subject to agreement with the relevant tax authorities. These unabsorbed tax losses can be carried forward for offsetting against future taxable income provided that the provisions of the relevant tax legislations are complied with. These unabsorbed losses cannot be allowed to offset the taxable profits of other subsidiaries.

Unutilised tax benefits of RMB 4,031,000 (2008 - RMB 2,863,000) arising from these unabsorbed tax losses have not been recognised since there is no reasonable certainty of their realisation in future periods.

Notes to the interim consolidated financial statements

21 Commitments

Operating lease commitment (non-cancellable)

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

The Group	**Unaudited Period ended 31 March 2009 RMB**	Year ended Audited 31 December 2008 RMB
Not later than one year	**185,867**	207,400
Later than one year and not later than five years	**680,000**	680,000
Later than five years	**2,145,500**	2,188,000

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

Location	Land area (sq m)	Effective date	Expiry date	Rental per annum (RMB)
Factory and warehouse premises				
山西省永济市南郊粮库内	1,909.41	1 January 2007	31 December 2026	168,000
永济市蒲州镇	10,025.13	26 November 2007	20 November 2015	2,000
Office premises				
福田区南方国际广场	86.34	11 June 2008	10 June 2009	81,600

Capital commitments

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

The Group	**Unaudited Period ended 31 March 2009 RMB**	Audited Year ended 31 December 2008 RMB
Expenditure contracted for the construction of:		
- administration building and warehouse	**5,000,000**	12,000,000
- factory plant	**1,446,745**	–
	6,446,745	12,000,000

Notes to the interim consolidated financial statements

22 Statement of operations by segments

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

Geographical segment

The Group	**Unaudited Period ended 31 March 2009 RMB**	Unaudited Period ended 31 March 2008 RMB
Revenue		
- Europe	**16,869,924**	11,825,400
- North America	**12,905,839**	5,815,259
- China	**369,243**	306,071
- others	**133,061**	161,833
	30,278,067	18,108,563

23 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 March 2009, the Group's financial instruments mainly consisted of cash and cash equivalents, financial assets and financial liabilities.

22.1 Foreign currency risk

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

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

Notes to the interim consolidated financial statements

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

23.1 Foreign currency risk (cont'd)

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

Unaudited **31 March 2009**	**Gain/(loss)** **RMB'000**
United States dollar	**1,527**
Singapore dollar	**(1,517)**
Euro dollar	**36**

Audited 31 December 2008	Gain/(loss) RMB'000
United States dollar	2,562
Euro dollar	102
Singapore dollar	(1,600)

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

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

23.2 Cash flow and fair value interest rate risk

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

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

<u>Sensitivity analysis</u>

For the variable rate financial assets on the deposits placed in banks and liabilities owing for bank borrowings, a change of 50 basis points ("bp") in interest rate at the reporting date would increase (decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
Unaudited **31 March 2009**	50bp increase RMB'000	50bp decrease RMB'000
Variable rate instruments	73	(73)

Notes to the interim consolidated financial statements

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

23.3 Credit risk

The carrying amounts of trade receivables and other receivables represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other significant concentration of credit risk other than as at period end 31 March 2009, the five largest trade receivables which represents approximately 82% of the total trade receivables at the end of the reporting period. No other financial assets carry a significant exposure to credit risk.

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

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

23.4 Liquidity risk

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

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

24 Critical accounting estimates

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

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

(i) Net realisable value of inventories

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

Notes to the interim consolidated financial statements

25 Capital management

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern;

(b) To support the Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Group's risk management capability.

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

26 Financial instruments

Fair values

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

The Group does not anticipate that the carrying amounts recorded at end of the reporting period would be significantly different from the values that would eventually be received or settled.

27 Listing of significant companies in the group

Name	Country of incorporation/ principal place of business	Effective percentage of of equity held		Principal activities
		31 March 2009 %	31 December 2008 %	
Held by the Company				
Grandness (HK) Industry Co., Limited (振鹏达(香港)实业有限公司)	Hong Kong	**100**	100	Investment holding
Held by Grandness (HK) Industry Co., Limited (振鹏达(香港)实业有限公司)				
Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司)	People's Republic of China	**51**	51	Production and sale of canned vegetables and fruits
Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司)	People's Republic of China	**100**	100	Production and sale of canned vegetables and fruits

Notes to the interim consolidated financial statements

27 Listing of significant companies in the group (cont'd)

Name	Country of incorporation/ principal place of business	Effective percentage of of equity held		Principal activities
		31 March 2009 %	31 December 2008 %	
Held by Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司)				
Shenzhen Grandness Industry Groups Co., Ltd. (深圳振鹏达实业集团有限公司)	People's Republic of China	**100**	100	Production and sale of canned vegetables and fruits
Held by Shenzhen Grandness Industry Groups Co., Ltd. (深圳振鹏达实业集团有限公司)				
Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司)	People's Republic of China	**81**	81	Production and sale of canned vegetables and fruits
Dongpeng (Chengdu) Agricultural Development Co., Ltd. (成都东鹏农业发展有限公司)	People's Republic of China	**100**	100	Research and development
Grandness (Shanxian) Food Co., Ltd. (山东单县振鹏达食品有限公司)	People's Republic of China	**100**	100	Production and sale of canned vegetables and fruits

Unaudited pro forma group financial statements

Sino Grandness Food Industry Group Limited

For the financial year ended 31 December 2008 and
three months ended 31 March 2009

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Compilation report of the Reporting Accountants on the unaudited pro forma financial information of the group

This Compilation Report has been prepared for inclusion in the Prospectus (the "Prospectus") in connection with the Invitation in respect of the New Shares in the capital of Sino Grandness Food Industry Group Limited (the "Company").

We report on the unaudited pro forma financial information set out in pages C-5 to C-67 which has been prepared, for illustrative purposes only and are based on certain assumptions and after making certain adjustments to show what:

(i) the financial results of the Company and its subsidiaries (collectively the "pro forma group") for the financial year ended 31 December 2008 and the three months ended 31 March 2009 would have been if the group structure as of the date of registration of the Prospectus had been in place since the beginning of the period being reported on;

(ii) the financial position of the pro forma group as at 31 December 2008 and 31 March 2009 would have been if the group structure as of the date of registration of the Prospectus had been in place on that date; and

(iii) the equity changes and cash flows of the pro forma group for the financial year ended 31 December 2008 and the three-month period ended 31 March 2009 would have been if the group structure as of the date of registration of the Prospectus had been in place since 1 January 2008.

The unaudited pro forma financial information, because of their nature, may not give a true picture of the pro forma group's actual financial position, financial results, changes in equity and cash flows of the pro forma group.

The unaudited pro forma financial information is the responsibility of the directors of the Company. Our responsibility is to express an opinion on the unaudited pro forma financial information based on our work.

We carried out procedures in accordance with Singapore Statement of Auditing Practice - SAP 24: "Auditors and Public Offering Documents". Our work, which involved no independent examination of the underlying unaudited pro forma financial statements, consisted primarily of comparing the unaudited pro forma consolidated financial information to the financial statements (or where financial statements are not available, to accounting records) of the Company and the companies in the pro forma group, where applicable, considering the evidence supporting the adjustments and discussing the unaudited pro forma consolidated financial information with the directors of the Company.

Compilation report (cont'd)

In our opinion,

(a) the unaudited pro forma financial information have been properly prepared:

(i) in a manner consistent with both the format of the financial statements and the accounting policies of the Company which are prepared in accordance with the Singapore Financial Reporting Standards; and

(ii) on the basis stated in Note 2(a) of this report; and

(b) each material adjustment made to the information used in the preparation of the unaudited pro forma financial information is appropriate for the purpose of preparing such financial statements.

Foo Kon Tan Grant Thornton
Public Accountants and
Certified Public Accountants

Yeo Boon Chye
Partner-in-charge

Singapore, 13 November 2009

Unaudited pro forma group balance sheets

	Notes	31 March 2009 RMB	31 December 2008 RMB
ASSETS			
Non-Current			
Property, plant and equipment	6	121,303,139	100,885,542
Subsidy	7	770,550	804,054
		122,073,689	101,689,596
Current			
Inventories	8	44,686,342	46,543,777
Trade and other receivables	9	63,924,050	89,234,185
Prepayments	10	10,942,223	10,009,345
Cash and cash equivalents	11	16,371,341	15,654,062
		135,923,956	161,441,369
Total assets		257,997,645	263,130,965
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital contribution	12	42,028,409	42,028,409
Retained profits		90,957,158	90,416,542
Other reserves	13	(15,441,194)	(15,420,403)
		117,544,373	117,024,548
Minority interests		5,457,271	5,943,407
		123,001,644	122,967,955
Liabilities			
Non-Current			
Amount owing to the then shareholders	14	43,258,620	43,444,984
Amount owing to a third party	15	3,375,000	–
		46,633,620	43,444,984
Current			
Trade and other payables	15	53,920,839	57,843,256
Note payables	16	3,650,000	1,950,000
Current tax payable		1,310,579	5,924,770
Bank borrowings	17	29,480,963	31,000,000
		88,362,381	96,718,026
Total equity and liabilities		257,997,645	263,130,965

Director　　　　Director

13 November 2009

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

Unaudited pro forma group income statements

	Notes	**Three months ended 31 March 2009 RMB**	Financial year ended 31 December 2008 RMB
Revenue	5	**30,278,067**	330,268,779
Cost of sales		**(22,894,288)**	(236,083,298)
Gross profit		**7,383,779**	94,185,481
Other operating income	18(a)	**36,887**	1,763,501
Distribution costs	18(b)	**(2,351,551)**	(17,849,484)
Administrative expenses	18(c)	**(3,111,019)**	(11,722,270)
Finance costs	18(d)	**(593,037)**	(2,291,832)
Profit before taxation	19	**1,365,059**	64,085,396
Taxation	20	**(1,310,579)**	(13,305,961)
Profit after taxation for the period/year attributable to shareholders		**54,480**	50,779,435
Attributable to:			
Equity holders of the parent		**540,616**	53,074,992
Minority interests		**(486,136)**	(2,295,557)
		54,480	50,779,435

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

Statements of adjustments

Statement of adjustments to the consolidated balance sheet of the pro forma group

The following adjustments have been made in arriving at the consolidated balance sheet of the pro forma group as at 31 March 2009:

As at 31 March 2009	Per aggregation of the balance sheets of the Company and its subsidiaries 31 March 2009 RMB	Effect on conversion of Convertible Loan to share capital RMB	Effect on issuance of shares to Huang Yupeng and Huang Zhoupeng RMB	Per pro forma group balance sheet 31 March 2009 RMB
ASSETS				
Non-Current				
Property, plant and equipment	121,303,139	–	–	121,303,139
Subsidy	770,550	–	–	770,550
	122,073,689	–	–	122,073,689
Current				
Inventories	44,686,342	–	–	44,686,342
Trade and other receivables	63,924,050	–	–	63,924,050
Prepayments	10,942,223	–	–	10,942,223
Cash and cash equivalents	16,369,778	–	1,563	16,371,341
	135,922,393	–	1,563	135,923,956
Total assets	257,996,082	–	1,563	257,997,645
EQUITY AND LIABILITIES				
Capital and Reserves				
Capital contribution	1,848,006	40,178,840	1,563	42,028,409
Retained profits	94,589,845	(3,632,687)	–	90,957,158
Other reserves	(15,441,194)	–	–	(15,441,194)
	80,996,657	36,546,153	1,563	117,544,373
Minority interests	5,457,271	–	–	5,457,271
	86,453,928	36,546,153	1,563	123,001,644
Liabilities				
Non-Current				
Amount owing to the then shareholders	43,258,620	–	–	43,258,620
Amount owing to a third party	3,375,000	–	–	3,375,000
	46,633,620	–	–	46,633,620
Current				
Trade and other payables	53,920,839	–	–	53,920,839
Note payables	3,650,000	–	–	3,650,000
Non-interest bearing loans	36,546,153	(36,546,153)	–	–
Current tax payable	1,310,579	–	–	1,310,579
Bank borrowings	29,480,963	–	–	29,480,963
	124,908,534	(36,546,153)	–	88,362,381
Total equity and liabilities	257,996,082	–	1,563	257,997,645

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

Statements of adjustments (cont'd)

Statement of adjustments to the consolidated balance sheet of the pro forma group (cont'd)

The following adjustments have been made in arriving at the consolidated balance sheet of the pro forma group as at 31 December 2008:

As at 31 December 2008	Per aggregation of the balance sheets of the Company and its subsidiaries 31 December 2008 RMB	Effect on conversion of Convertible Loan to share capital RMB	Effect on issuance of shares to Huang Yupeng and Huang Zhoupeng RMB	Per pro forma group balance sheet 31 December 2008 RMB
ASSETS				
Non-Current				
Property, plant and equipment	100,885,542	–	–	100,885,542
Subsidy	804,054	–	–	804,054
	101,689,596	–	–	101,689,596
Current				
Inventories	46,543,777	–	–	46,543,777
Trade and other receivables	89,234,185	–	–	89,234,185
Prepayments	10,009,345	–	–	10,009,345
Cash and cash equivalents	15,652,499	–	1,563	15,654,062
	161,439,806	–	1,563	161,441,369
Total assets	263,129,402	–	1,563	263,130,965
EQUITY AND LIABILITIES				
Capital and Reserves				
Capital contribution	1,848,006	40,178,840	1,563	42,028,409
Retained profits	92,357,482	(1,940,940)	–	90,416,542
Other reserves	(15,420,403)	–	–	(15,420,403)
	78,785,085	38,237,900	1,563	117,024,548
Minority interests	5,943,407	–	–	5,943,407
	84,728,492	38,237,900	1,563	122,967,955
Liabilities				
Non-Current				
Amount owing to the then shareholders	43,444,984	–	–	43,444,984
	43,444,984	–	–	43,444,984
Current				
Trade and other payables	57,843,256	–	–	57,843,256
Note payables	1,950,000	–	–	1,950,000
Non-interest bearing loans	38,237,900	(38,237,900)	–	–
Current tax payable	5,924,770	–	–	5,924,770
Bank borrowings	31,000,000	–	–	31,000,000
	134,955,926	(38,237,900)	–	96,718,026
Total equity and liabilities	263,129,402	–	1,563	263,130,965

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

Statements of adjustments (cont'd)

Notes to pro forma adjustments and assumptions:

- Effect of the share capital of the Company on the assumption that the convertible loans of RMB40,178,840 (S$8,000,000) were converted into new ordinary shares in the share capital of the Company as at the beginning of the balance sheet date under the Convertible Loan Agreement dated 4 May 2007 and supplemented by a supplemental agreement dated 2 September 2008 in respect of the Restructuring Exercise. The said loans are short term in nature and on a roll over basis. The face value of the loans approximates the fair value.

- Effect of the share capital of the Company on the assumption that a further 30,768 Shares were issued to Huang Yupeng and Huang Zhoupeng as at the beginning of the balance sheet date in respect of the Restructuring Exercise.

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

Statements of adjustments (cont'd)

Statement of adjustments to the consolidated balance sheet of the pro forma group (cont'd)

The following adjustments have been made in arriving at the consolidated balance sheet of the pro forma group as at 31 March 2009:

As at 31 March 2009	Per aggregation of the balance sheets of the Company and its subsidiaries 31 March 2009 RMB	Pro forma adjustments to pro forma group balance sheet RMB	Per pro forma group balance sheet 31 March 2009 RMB
ASSETS			
Non-Current			
Property, plant and equipment	121,303,139	–	121,303,139
Subsidy	770,550	–	770,550
	122,073,689	–	122,073,689
Current			
Inventories	44,686,342	–	44,686,342
Trade and other receivables	63,924,050	–	63,924,050
Prepayments	10,942,223	–	10,942,223
Cash and cash equivalents	16,369,778	1,563	16,371,341
	135,922,393	1,563	135,923,956
Total assets	257,996,082	1,563	257,997,645
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital contribution	1,848,006	40,180,403	42,028,409
Retained profits	94,589,845	(3,632,687)	90,957,158
Other reserves	(15,441,194)	–	(15,441,194)
	80,996,657	36,547,716	117,544,373
Minority interests	5,457,271	–	5,457,271
	86,453,928	36,547,716	123,001,644
Liabilities			
Non-Current			
Amount owing to the then shareholders	43,258,620	–	43,258,620
Amount owing to a third party	3,375,000	–	3,375,000
	46,633,620	–	46,633,620
Current			
Trade and other payables	53,920,839	–	53,920,839
Note payables	3,650,000	–	3,650,000
Non-interest bearing loans	36,546,153	(36,546,153)	–
Current tax payable	1,310,579	–	1,310,579
Bank borrowings	29,480,963	–	29,480,963
	124,908,534	(36,546,153)	88,362,381
Total equity and liabilities	257,996,082	1,563	257,997,645

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

Statements of adjustments (cont'd)

Notes to pro forma adjustments and assumptions:

- Effect of the share capital of the Company on the assumption that the convertible loans of RMB40,178,840 (S$8,000,000) were converted into new ordinary shares in the share capital of the Company as at the beginning of the balance sheet date under the Convertible Loan Agreement dated 4 May 2007 and supplemented by a supplemental agreement dated 2 September 2008 in respect of the Restructuring Exercise. The said loans are short term in nature and on a roll over basis. The face value of the loans approximates the fair value.

- Effect of the share capital of the Company on the assumption that a further 30,768 Shares were issued to Huang Yupeng and Huang Zhoupeng as at the beginning of the balance sheet date in respect of the Restructuring Exercise.

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

Statements of adjustments (cont'd)

Statement of adjustments to the consolidated balance sheet of the pro forma group (cont'd)

The following adjustments have been made in arriving at the consolidated balance of the pro forma group as at 31 December 2008:

As at 31 December 2008	Per aggregation of the balance sheets of the Company and its subsidiaries 31 December 2008 RMB	Pro forma adjustments to pro forma group balance sheet RMB	Per pro forma group balance sheet 31 December 2008 RMB
ASSETS			
Non-Current			
Property, plant and equipment	100,885,542	–	100,885,542
Subsidy	804,054	–	804,054
	101,689,596	–	101,689,596
Current			
Inventories	46,543,777	–	46,543,777
Trade and other receivables	89,234,185	–	89,234,185
Prepayments	10,009,345	–	10,009,345
Cash and cash equivalents	15,652,499	1,563	15,654,062
	161,439,806	1,563	161,441,369
Total assets	263,129,402	1,563	263,130,965
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital contribution	1,848,006	40,180,403	42,028,409
Retained profits	92,357,482	(1,940,940)	90,416,542
Other reserves	(15,420,403)	–	(15,420,403)
	78,785,085	38,239,463	117,024,548
Minority interests	5,943,407	–	5,943,407
	84,728,492	38,239,463	122,967,955
Liabilities			
Non-Current			
Amount owing to the then shareholders	43,444,984	–	43,444,984
	43,444,984	–	43,444,984
Current			
Trade and other payables	57,843,256	–	57,843,256
Note payables	1,950,000	–	1,950,000
Non-interest bearing loans	38,237,900	(38,237,900)	–
Current tax payable	5,924,770	–	5,924,770
Bank borrowings	31,000,000	–	31,000,000
	134,955,926	(38,237,900)	96,718,026
Total equity and liabilities	263,129,402	1,563	263,130,965

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

Statements of adjustments (cont'd)

Notes to pro forma adjustments and assumptions:

- Effect of the share capital of the Company on the assumption that the convertible loans of RMB40,178,840 (S$8,000,000) were converted into new ordinary shares in the share capital of the Company as at the beginning of the balance sheet date under the Convertible Loan Agreement dated 4 May 2007 and supplemented by a supplemental agreement dated 2 September 2008 in respect of the Restructuring Exercise. The said loans are short term in nature and on a roll over basis. The face value of the loans approximates the fair value.

- Effect of the share capital of the Company on the assumption that a further 30,768 Shares were issued to Huang Yupeng and Huang Zhoupeng as at the beginning of the balance sheet date in respect of the Restructuring Exercise.

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

Statements of adjustments (cont'd)

Statement of adjustment to the consolidated income statement of the pro forma group

The following adjustment has been made in arriving at the consolidated income statement of the pro forma group for the three months financial period ended 31 March 2009:

Financial period ended 31 March 2009	Per aggregation of the income statements of the Company and its subsidiaries 31 March 2009 RMB	Effect on conversion of Convertible Loan to share capital RMB	Per pro forma group income statement 31 March 2009 RMB
Revenue	30,278,067	–	30,278,067
Cost of sales	(22,894,288)	–	(22,894,288)
Gross profit	7,383,779	–	7,383,779
Other operating income	1,728,634	(1,691,747)	36,887
Distribution costs	(2,351,551)	–	(2,351,551)
Administrative expenses	(3,111,019)	–	(3,111,019)
Finance costs	(593,037)	–	(593,037)
Profit before taxation	3,056,806	(1,691,747)	1,365,059
Taxation	(1,310,579)	–	(1,310,579)
Profit after taxation for the period attributable to shareholders	1,746,227	(1,691,747)	54,480
Attributable to:			
Equity holders of the parent	2,232,363	(1,691,747)	540,616
Minority interests	(486,136)	–	(486,136)
	1,746,227	(1,691,747)	54,480

Note to pro forma adjustments and assumptions:

- Effect of the adjustment on exchange translation on the assumption that the convertible loans of RMB40,178,840 (S$8,000,000) were converted into new ordinary shares in the share capital of the Company as at the beginning of the balance sheet date under the Convertible Loan Agreement dated 4 May 2007 and supplemented by a supplemental agreement dated 2 September 2008 in respect of the Restructuring Exercise.

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

Statements of adjustments (cont'd)

Statement of adjustment to the consolidated income statement of the pro forma group (cont'd)

The following adjustment has been made in arriving at the consolidated income statement of the pro forma group for the financial year ended 31 December 2008:

Financial year ended 31 December 2008	Per aggregation of the income statements of the Company and its subsidiaries 31 December 2008 RMB	Effect on conversion of Convertible Loan to share capital RMB	Per pro forma group income statement 31 December 2008 RMB
Revenue	330,268,779	–	330,268,779
Cost of sales	(236,083,298)	–	(236,083,298)
Gross profit	94,185,481	–	94,185,481
Other operating income	3,592,090	(1,828,589)	1,763,501
Distribution costs	(17,849,484)	–	(17,849,484)
Administrative expenses	(11,609,919)	(112,351)	(11,722,270)
Finance costs	(2,291,832)	–	(2,291,832)
Profit before taxation	66,026,336	(1,940,940)	64,085,396
Taxation	(13,305,961)	–	(13,305,961)
Profit after taxation for the period attributable to shareholders	52,720,375	(1,940,940)	50,779,435
Attributable to:			
Equity holders of the parent	55,015,932	(1,940,940)	53,074,992
Minority interests	(2,295,557)	–	(2,295,557)
	52,720,375	(1,940,940)	50,779,435

Note to pro forma adjustments and assumptions:

- Effect of the adjustment on exchange translation on the assumption that the convertible loans of RMB40,178,840 (S$8,000,000) were converted into new ordinary shares in the share capital of the Company as at the beginning of the balance sheet date under the Convertible Loan Agreement dated 4 May 2007 and supplemented by a supplemental agreement dated 2 September 2008 in respect of the Restructuring Exercise.

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

Statements of adjustments (cont'd)

Statement of adjustments to the consolidated income statement of the pro forma group (cont'd)

The following adjustment has been made in arriving at the consolidated income statement of the pro forma group for the three months financial period ended 31 March 2009:

Financial period ended 31 March 2009	Per aggregation of the income statements of the Company and its subsidiaries 31 March 2009 RMB	Pro forma adjustment to pro forma group income statement RMB	Per pro forma group income statement 31 March 2009 RMB
Revenue	30,278,067	–	30,278,067
Cost of sales	(22,894,288)	–	(22,894,288)
Gross profit	7,383,779	–	7,383,779
Other operating income	1,728,634	(1,691,747)	36,887
Distribution costs	(2,351,551)	–	(2,351,551)
Administrative expenses	(3,111,019)	–	(3,111,019)
Finance costs	(593,037)	–	(593,037)
Profit before taxation	3,056,806	(1,691,747)	1,365,059
Taxation	(1,310,579)	–	(1,310,579)
Profit after taxation for the period attributable to shareholders	1,746,227	(1,691,747)	54,480
Attributable to:			
Equity holders of the parent	2,232,363	(1,691,747)	540,616
Minority interests	(486,136)	–	(486,136)
	1,746,227	(1,691,747)	54,480

Note to pro forma adjustments and assumptions:

- Effect of the adjustment on exchange translation on the assumption that the convertible loans of RMB40,178,840 (S$8,000,000) were converted into new ordinary shares in the share capital of the Company as at the beginning of the balance sheet date under the Convertible Loan Agreement dated 4 May 2007 and supplemented by a supplemental agreement dated 2 September 2008 in respect of the Restructuring Exercise.

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

Statements of adjustments (cont'd)

Statement of adjustment to the consolidated income statement of the pro forma group (cont'd)

The following adjustment has been made in arriving at the consolidated income statement of the pro forma group for the financial year ended 31 December 2008:

Financial year ended 31 December 2008	Per aggregation of the income statements of the Company and its subsidiaries 31 December 2008 RMB	Pro forma adjustment to pro forma group income statement RMB	Per pro forma group income statement 31 December 2008 RMB
Revenue	330,268,779	–	330,268,779
Cost of sales	(236,083,298)	–	(236,083,298)
Gross profit	94,185,481	–	94,185,481
Other operating income	3,592,090	(1,828,589)	1,763,501
Distribution costs	(17,849,484)	–	(17,849,484)
Administrative expenses	(11,609,919)	(112,351)	(11,722,270)
Finance costs	(2,291,832)	–	(2,291,832)
Profit before taxation	66,026,336	(1,940,940)	64,085,396
Taxation	(13,305,961)	–	(13,305,961)
Profit after taxation for the period attributable to shareholders	52,720,375	(1,940,940)	50,779,435
Attributable to:			
Equity holders of the parent	55,015,932	(1,940,940)	53,074,992
Minority interests	(2,295,557)	–	(2,295,557)
	52,720,375	(1,940,940)	50,779,435

Note to pro forma adjustments and assumptions:

- Effect of the adjustment on exchange translation on the assumption that the convertible loans of RMB40,178,840 (S$8,000,000) were converted into new ordinary shares in the share capital of the Company as at the beginning of the balance sheet date under the Convertible Loan Agreement dated 4 May 2007 and supplemented by a supplemental agreement dated 2 September 2008 in respect of the Restructuring Exercise.

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

Unaudited pro forma group statement of changes in equity

	Capital Contribution RMB	Retained profits RMB	Exchange translation reserve RMB	Merger reserve RMB	Statutory common reserve RMB	Total attributable to equity holders of the parent RMB	Minority interests RMB	Total RMB
Balance as at 1 January 2008	1,848,006	43,294,775	–	(31,413,600)	10,039,972	23,769,153	8,238,964	32,008,117
Total recognised income for the year - net profit	–	53,074,992	–	–	–	53,074,992	(2,295,557)	50,779,435
Issue of shares	1,563	–	–	–	–	1,563	–	1,563
Conversion of Convertible Loan into share capital	40,178,840	–	–	–	–	40,178,840	–	40,178,840
Transfer to statutory reserve	–	(5,953,225)	–	–	5,953,225	–	–	–
Balance as at 31 December 2008	42,028,409	90,416,542	–	(31,413,600)	15,993,197	117,024,548	5,943,407	122,967,955
Total recognised income for the period - net profit	–	540,616	–	–	–	540,616	(486,136)	54,480
Exchange difference not recognised in income statement	–	–	(20,791)	–	–	(20,791)	–	(20,791)
Balance as at 31 March 2009	42,028,409	90,957,158	(20,791)	(31,413,600)	15,993,197	117,544,373	5,457,271	123,001,644

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

Unaudited pro forma group cash flow statements

	Three months ended 31 March 2009 RMB	Financial year ended 31 December 2008 RMB
Cash Flows from Operating Activities		
Profit before taxation	1,365,059	64,085,396
Adjustments for:		
Depreciation of property, plant and equipment	1,234,570	3,882,142
Amortisation of subsidy	33,504	134,016
Exchange difference on translation	(20,791)	–
Property, plant and equipment written off	–	44,822
Inventories written off	63,383	386,576
Interest expense	593,037	2,291,832
Interest income	(13,836)	(326,305)
Operating profit before working capital changes	3,254,926	70,498,479
(Increase)/decrease in deposits pledged with banks	(400,000)	9,650,000
Decrease/(increase) in inventories	1,794,052	(18,816,950)
Decrease in operating receivables	26,108,519	17,662,064
Decrease in operating payables	(3,284,790)	(7,750,744)
Cash generated from operations	27,472,707	71,242,849
Income tax paid	(5,940,393)	(18,823,174)
Interest paid	(534,375)	(2,291,832)
Net cash generated from operating activities	20,997,939	50,127,843
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(21,653,272)	(59,877,218)
VAT on property, plant and equipment refunded	1,105	50,000
Interest received	13,836	326,305
Net cash used in investing activities	(21,638,331)	(59,500,913)
Cash Flows from Financing Activities		
Issue of shares	–	40,180,403
Non-interest bearing loans	–	(40,178,840)
Bank loans obtained	4,980,963	24,000,000
Bank loans repaid	(6,500,000)	(15,624,493)
Amount owing to a company in which a director has an interest	–	78,079
Amount owing by:		
- third parties	(699,045)	3,471,812
Amount owing to:		
- a director of the pro forma group (黄育鹏)	(186,364)	(5,465,850)
- third parties	3,362,117	67,663
Net cash generated from financing activities	957,671	6,528,774
Net increase/(decrease) in cash and cash equivalents	317,279	(2,844,296)
Cash and cash equivalents at beginning of period/year	13,704,062	16,548,358
Cash and cash equivalents at end of period/year (Note 11)	14,021,341	13,704,062

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

Unaudited pro forma group cash flow statement (cont'd)

	Consolidated financial statements for three months ended 31 March 2009 RMB	Pro forma adjustments RMB	Pro forma financial statements for three months ended 31 March 2009 RMB
Cash Flows from Operating Activities			
Profit before taxation	3,056,806	(1,691,747)	1,365,059
Adjustments for:			
Depreciation of property, plant and equipment	1,234,570	–	1,234,570
Amortisation of subsidy	33,504	–	33,504
Exchange difference on translation	(1,712,538)	1,691,747	(20,791)
Inventories written off	63,383	–	63,383
Interest expense	593,037	–	593,037
Interest income	(13,836)	–	(13,836)
Operating profit before working capital changes	3,254,926	–	3,254,926
Increase in deposits pledged with banks	(400,000)	–	(400,000)
Decrease in inventories	1,794,052	–	1,794,052
Decrease in operating receivables	26,108,519	–	26,108,519
Decrease in operating payables	(3,284,790)	–	(3,284,790)
Cash generated from operations	27,472,707	–	27,472,707
Income tax paid	(5,940,393)	–	(5,940,393)
Interest paid	(534,375)	–	(534,375)
Net cash generated from operating activities	20,997,939	–	20,997,939
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	(21,653,272)	–	(21,653,272)
VAT on property, plant and equipment refunded	1,105	–	1,105
Interest received	13,836	–	13,836
Net cash used in investing activities	(21,638,331)	–	(21,638,331)
Cash Flows from Financing Activities			
Bank loans obtained	4,980,963	–	4,980,963
Bank loans repaid	(6,500,000)	–	(6,500,000)
Amount owing by:			
- third parties	(699,045)	–	(699,045)
Amount owing to:			
- a director of the Group (黄育鹏)	(186,364)	–	(186,364)
- third parties	3,362,117	–	3,362,117
Net cash generated from financing activities	957,671	–	957,671
Net increase in cash and cash equivalents	317,279	–	317,279
Cash and cash equivalents at beginning of period	13,702,499	1,563	13,704,062
Cash and cash equivalents at end of period (Note 11)	14,019,778	1,563	14,021,341

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

Unaudited pro forma group cash flow statement (cont'd)

	Consolidated financial statements for year ended 31 December 2008 RMB	Pro forma adjustments RMB	Pro forma financial statements for year ended 31 December 2008 RMB
Cash Flows from Operating Activities			
Profit before taxation	66,026,336	(1,940,940)	64,085,396
Adjustments for:			
Depreciation of property, plant and equipment	3,882,142	–	3,882,142
Amortisation of subsidy	134,016	–	134,016
Exchange difference on translation	(1,940,940)	1,940,940	–
Property, plant and equipment written off	44,822	–	44,822
Inventories written off	386,576	–	386,576
Interest expense	2,291,832	–	2,291,832
Interest income	(326,305)	–	(326,305)
Operating profit before working capital changes	70,498,479	–	70,498,479
Decrease in deposits pledged with banks	9,650,000	–	9,650,000
Increase in inventories	(18,816,950)	–	(18,816,950)
Decrease in operating receivables	17,662,064	–	17,662,064
Decrease in operating payables	(7,750,744)	–	(7,750,744)
Cash generated from operations	71,242,849	–	71,242,849
Income tax paid	(18,823,174)	–	(18,823,174)
Interest paid	(2,291,832)	–	(2,291,832)
Net cash generated from operating activities	50,127,843	–	50,127,843
Cash Flows from Investing Activities			
Acquisition of property, plant and equipment	(59,877,218)	–	(59,877,218)
Proceeds from disposal of long-term investment	50,000	–	50,000
Interest received	326,305	–	326,305
Net cash used in investing activities	(59,500,913)	–	(59,500,913)
Cash Flows from Financing Activities			
Issue of shares	–	40,180,403	40,180,403
Non-interest bearing loans	–	(40,178,840)	(40,178,840)
Bank loans obtained	24,000,000	–	24,000,000
Bank loans repaid	(15,624,493)	–	(15,624,493)
Amount owing to a company in which a director has an interest	78,079	–	78,079
Amount owing by:			
- third parties	3,471,812	–	3,471,812
Amount owing to:			
- a director of the pro forma group (黄育鹏)	(5,465,850)	–	(5,465,850)
- third parties	67,663	–	67,663
Net cash generated from financing activities	6,527,211	1,563	6,528,774
Net decrease in cash and cash equivalents	(2,845,859)	1,563	(2,844,296)
Cash and cash equivalents at beginning of year	16,548,358	–	16,548,358
Cash and cash equivalents at end of year (Note 11)	13,702,499	1,563	13,704,062

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

Notes to the unaudited pro forma group financial statements

1 General information

The unaudited pro forma consolidated financial statements of the Company and its subsidiaries (collectively referred as the "pro forma group") are prepared for the year ended 31 December 2008 and three months ended 31 March 2009.

The registered office is located at 80 Raffles Place, #25-01 UOB Plaza 1, Singapore 048624.

The Company was incorporated as a limited liability company and is domiciled in the Republic of Singapore.

The Company was incorporated in the Republic of Singapore on 20 April 2007 as a limited private company under the name of Sino Grandness Food Industry Group Pte. Ltd. On 12 November 2009, the Company was converted to a public company and assumed the present name Sino Grandness Food Industry Group Limited.

Pursuant to Section 23 of Part IX of the Fifth Schedule of the Securities Futures Regulations, the pro forma consolidated financial statements for the year ended 31 December 2008 and three months ended 31 March 2009 were prepared based on the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2008 and review report of the unaudited financial statements for the three months ended 31 March 2009.

The unaudited pro forma consolidated financial statements have been prepared for internal management purposes in accordance with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Council on Corporate Disclosure and Governance ("CCDG"), now replaced by Accounting Standards Council ("ASC").

The following subsidiaries maintain their accounting records and prepare financial statements in accordance with accounting standards and regulations of the PRC Generally Accepted Accounting Principles ("GAAP") except as mentioned:

(i) Grandness (HK) Industry Co., Limited*
(ii) Shenzhen Grandness Industry Groups Co., Ltd.
(iii) Grandness (Sichuan) Foods Co., Ltd.
(iv) Shanxi Yongji Huaxin Food Co., Ltd.
(v) Yunnan Shizong Zhenhua Food Co., Ltd.
(vi) Dongpeng (Chengdu) Agricultural Development Co., Ltd.
(vii) Grandness (Shandong) Food Co., Ltd.
(viii) Grandness (Shanxian) Food Co., Ltd.

* in accordance with the relevant Hong Kong Financial Reporting Standards

The accounting policies and bases adopted in the preparation of the financial statements of the subsidiaries differ in certain respects from FRS. The differences arising from the restatement of the results of operations and the net assets for compliance with FRS are adjusted in the unaudited pro forma consolidated financial statements but are not taken up in the accounting records of the subsidiaries.

Notes to the unaudited pro forma group financial statements (cont'd)

2(a) Basis of preparation of the consolidated financial statements of the pro forma group

The unaudited pro forma consolidated financial statements of the pro forma group for the financial year ended 31 December 2008 and three months ended 31 March 2009 are expressed in Renminbi ("RMB"), being the functional and reporting currency of the principal companies within the pro forma group, and have been prepared in accordance with the historical cost convention and in accordance with the accounting policies set out on pages C-33 to C-41 of this report. There have been no changes to the accounting policies of the companies within the pro forma group during the financial year/period under review.

The unaudited pro forma consolidated financial statements of the pro forma group for the financial year ended 31 December 2008 and period ended 31 March 2009 are prepared in accordance with FRS.

The unaudited pro forma consolidated financial statements have been prepared on the assumption that the current pro forma group structure has been in existence throughout the period, or since the respective dates of incorporation/establishment of the companies in the pro forma group, whichever is earlier, in a manner similar to the "pooling of interest" method as if the Restructuring Exercise had been completed on 1 January 2008. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period, as a single economic enterprise. Also taking into consideration, the conversion of non-interest bearing convertible loans into equity from the Pre-IPO investors, other than two subsidiaries, Grandness (Sichuan) Foods Co., Ltd. and Yunnan Shizong Zhenhua Food Co., Ltd. which are accounted for under the acquisition method.

The unaudited pro forma consolidated financial statements of the pro forma group comprise the pro forma group income statement, pro forma group balance sheet, pro forma group statement of changes in equity, pro forma group statement of cash flows and notes to the pro forma group financial statements.

The objective of the unaudited pro forma consolidated financial statements is to show what the historical information might have been had the pro forma group structure existed throughout the financial year under review, or since the respective dates of incorporation/establishment of the companies in the pro forma group, whichever is earlier, and thus they are for illustrative purposes only.

However, the unaudited pro forma consolidated financial statements are not necessarily indicative of the results of the operations, changes in shareholders' equity and cash flows that would have been attained had the pro forma group actually existed earlier, and therefore may not give a true picture of the pro forma group's actual results, changes in shareholders' equity and cash flows.

In arriving at the unaudited pro forma consolidated financial statements, adjustments have been made as considered necessary in order to present the financial statements on a consistent and comparable basis as if the pro forma group existed throughout the year, or since the respective dates of incorporation/establishment of the companies in the pro forma group, whichever is earlier. The pro forma adjustments are set out on pages C-7 to C-17 of this report.

Notes to the unaudited pro forma group financial statements (cont'd)

2(a) Basis of preparation of the consolidated financial statements of the pro forma group (cont'd)

The unaudited pro forma consolidated financial statements of the pro forma group for the financial year/period under review were prepared based on the following:

(i) audited financial statements of Sino Grandness Food Industry Group Pte. Ltd. for the financial year ended 31 December 2008 prepared in accordance with FRS;

(ii) unaudited financial statements for the financial period from 1 January 2009 to 31 March 2009 prepared in accordance with FRS.

(iii) For the purpose of preparing the unaudited pro forma consolidated income statement of the pro forma group, the following basis is adopted:-

(1) For the financial year ended 31 December 2008, the aggregation of the audited income statement of Sino Grandness Food Industry Group Pte. Ltd. for the financial year ended 31 December 2008 and the income statements of its subsidiaries for the financial year ended 31 December 2008.

(2) For the financial period ended 31 March 2009, the aggregation of the unaudited income statement of Sino Grandness Food Industry Group Pte. Ltd. for the financial period ended 31 March 2009 and the unaudited income statements of its subsidiaries for the financial period ended 31 March 2009.

(iv) audited financial statements of Grandness (HK) Industry Co., Limited for the financial year ended 31 December 2008 and the unaudited financial statements of Grandness (HK) Industry Co., Limited for the financial period from 1 January 2009 to 31 March 2009 prepared in accordance with FRS.

(v) audited financial statements of Shenzhen Grandness Industry Groups Co., Ltd. for the financial year ended 31 December 2008 and the unaudited financial statements of Shenzhen Grandness Industry Groups Co., Ltd. for the financial period from 1 January 2009 to 31 March 2009 prepared in accordance with FRS.

(vi) audited financial statements of Grandness (Sichuan) Foods Co., Ltd. for the financial year ended 31 December 2008 and the unaudited financial statements of Grandness (Sichuan) Foods Co., Ltd. for the financial period from 1 January 2009 to 31 March 2009 prepared in accordance with FRS.

(vii) audited financial statements of Shanxi Yongji Huaxin Food Co., Ltd. for the financial year ended 31 December 2008 and the unaudited financial statements of Shanxi Yongji Huaxin Food Co., Ltd. for the financial period from 1 January 2009 to 31 March 2009 prepared in accordance with FRS.

(viii) audited financial statements of Yunnan Shizong Zhenhua Food Co., Ltd. for the financial year ended 31 December 2008 and the unaudited financial statements of Yunnan Shizong Zhenhua Food Co., Ltd. for the financial period from 1 January 2009 to 31 March 2009 prepared in accordance with FRS.

Notes to the unaudited pro forma group financial statements (cont'd)

2(a) Basis of preparation of the consolidated financial statements of the pro forma group (cont'd)

(ix) audited financial statements of Dongpeng (Chengdu) Agricultural Development Co., Ltd. for the financial year ended 31 December 2008 and the unaudited financial statements of Dongpeng (Chengdu) Agricultural Development Co., Ltd. for the financial period from 1 January 2009 to 31 March 2009 prepared in accordance with FRS.

(x) audited financial statements of Grandness (Shanxian) Food Co., Ltd. for the financial year ended 31 December 2008 and the unaudited financial statements of Grandness (Shanxian) Food Co., Ltd. for the financial period from 1 January 2009 to 31 March 2009 prepared in accordance with FRS.

(xi) audited financial statements of Grandness (Shandong) Food Co., Ltd. for the financial period ended 22 December 2008 prepared in accordance with FRS. In financial year 2008, Grandness (Shandong) Food Co., Ltd. has ceased business and was struck-off towards the end of 2008. The operating loss for the period ended 22 December 2008 was RMB 2,781,714.

The audited financial statements of:

– Sino Grandness Food Industry Group Pte. Ltd. for the financial year ended 31 December 2008 were audited by Foo Kon Tan Grant Thornton, a member of the Institute of Certified Public Accountants of Singapore.

– Grandness (HK) Industry Co., Limited for the financial year ended 31 December 2008 were audited by C.H. Lee Certified Public Accountant;

– Shenzhen Grandness Industry Groups Co., Ltd. for the financial year ended 31 December 2008 were audited by Shenzhen Zhong Qi Hua Nan Certified Public Accountants Ltd. (深圳中企华南会计师事务所), a member of the Chinese Institute of Certified Public Accountants;

– Grandness (Sichuan) Foods Co., Ltd. for the financial year ended 31 December 2008 were audited by Shenzhen Zhong Qi Hua Nan Certified Public Accountants Ltd. (深圳中企华南会计师事务所), a member of the Chinese Institute of Certified Public Accountants;

– Shanxi Yongji Huaxin Food Co., Ltd. for the financial year ended 31 December 2008 were audited by Yong Ji Zheng Xing Certified Public Accountants Ltd. (永济正兴会计师事务所有限公司), a member of the Chinese Institute of Certified Public Accountants;

– Yunnan Shizong Zhenhua Food Co., Ltd. for the financial year ended 31 December 2008 were audited by Qujing Tongle Certified Public Accountants Ltd. (曲靖同乐会计师事务所), a member of the Chinese Institute of Certified Public Accountants.

– Dongpeng (Chengdu) Agricultural Development Co., Ltd. for the financial year ended 31 December 2008 were audited by Sichuan San He Certified Public Accountants Ltd. (四川三和会计师事务所有限责任公司), a member of the Chinese Institute of Certified Public Accountants.

Notes to the unaudited pro forma group financial statements (cont'd)

2(a) Basis of preparation of the consolidated financial statements of the pro forma group (cont'd)

– Grandness (Shanxian) Food Co., Ltd. for the financial year ended 31 December 2008 were audited by Shandong Fa Zheng Certified Public Accountants Ltd. (山东法正会计师事务所有限公司), a member of the Chinese Institute of Certified Public Accountants.

These audited financial statements were not subject to any audit qualifications, modifications or disclaimers except for Grandness (HK) Industry Co., Limited where the 2008 financial statements were qualified on non-consolidation. In addition, the financial statements drew attention on the compliance of labour laws where the company does not have any employees.

For the purpose of this report, the financial statements for the financial year ended 31 December 2008 has been prepared in accordance with FRS. Foo Kon Tan Grant Thornton, a member of the Institute of Certified Public Accountants of Singapore, was engaged to audit the financial statements of the subsidiaries for the financial year ended 31 December 2008 prepared in accordance with FRS and the auditors' report on these financial statements was not subject to any qualifications, modifications or disclaimers.

All material intra-group transactions and balances, if any, have been eliminated in the preparation.

(xii) On 11 November 2009, the Convertible Loan of RMB 40,178,840 was assumed to be converted into 55,172,414 shares in the Company pursuant to the Restructuring Exercise.

Significant accounting estimates and judgements

The preparation of the unaudited pro forma 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 unaudited pro forma financial statements and the reported amounts of revenues 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 high degree of judgement are disclosed as below:

<u>Depreciation of property, plant and equipment</u>

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 3 to 40 years except for land use rights which are depreciated over the period of the grant of originally 50 years. The carrying amounts of the pro forma group's property, plant and equipment as at 31 December 2008 and 31 March 2009 are RMB 100,885,542 and RMB 121,303,139 respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

<u>Income tax</u>

Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income tax. There are certain transactions and computations for which the ultimate tax determination is uncertain during the course of business. The pro forma group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions, if any in the period in which such determination is made.

Notes to the unaudited pro forma group financial statements (cont'd)

2(a) Basis of preparation of the consolidated financial statements of the pro forma group (cont'd)

Critical judgements and key sources of estimation uncertainty

In the process of applying the entity's accounting policies, which are described in Note 4, management had made the following judgement that has the most significant effect on the amounts recognised in the unaudited pro forma financial statements:

Impairment of property, plant and equipment

The pro forma group assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

Allowance for bad and doubtful debts

Allowances for bad and doubtful debts are based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact carrying value of trade and other receivables and doubtful debt expenses in the period in which such estimate has been changed.

Allowances for inventory obsolescence

Inventories are stated at the lower of cost and net realisable value. In determining the net realisable value, the directors estimate the future selling price in the ordinary course of business, less the estimated costs of selling expenses. The carrying amounts of inventories at the balance sheet date are disclosed in Note 8 to the unaudited pro forma group financial statements.

2(b) Changes in accounting policies

On 1 January 2008, the pro forma group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application from that date. Changes to the group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended INT FRS that are relevant to the pro forma group:

INT FRS 29	Disclosure – Service Concession Arrangements
INT FRS 104	Determining whether an Arrangement contains a Lease
INT FRS 111	FRS 102 – Group and Treasury Share Transactions
INT FRS 112	Service Concession Arrangements
INT FRS 114	FRS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the above INT FRS did not result in substantial changes to the group's accounting policies.

On 1 January 2009, the pro forma group adopted the new or amended FRS and INT FRS that are mandatory for application from that date. Changes to the pro forma group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

Notes to the unaudited pro forma group financial statements (cont'd)

2(b) Changes in accounting policies (cont'd)

The following are the new or amended INT FRS that are relevant to the pro forma group:

FRS 1 (Revised)	Presentation of Financial Statements – Revised presentation
Amendments to FRS 1	Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
FRS 2 (Revised)	Inventories
FRS 7 (Amendment)	Cash Flow Statements
FRS 8 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 11 (Amendment)	Construction Contracts
FRS 16 (Revised)	Property, Plant and Equipment
FRS 19 (Amendment)	Employee Benefits
FRS 23 (Revised)	Borrowing Costs
FRS 27 (Revised)	Consolidated and Separate Financial Statements
Amendments to FRS 32	Amendments to FRS 32 Financial Instruments: Presentation and FRS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
FRS 33 (Revised)	Earnings per Share
FRS 34 (Amendment)	Interim Financial Reporting
FRS 36 (Revised)	Impairment of Assets
FRS 38 (Revised)	Intangible Assets
Amendments to FRS 39	Amendments to FRS 39 Financial Instruments: Recognition and Measurement and FRS 107 Financial Instruments: Disclosures – Reclassification of Financial Assets
FRS 102 (Amendment)	Share-based Payment – Amendments relating to vesting conditions and cancellations
FRS 104 (Revised)	Insurance Contracts – Implementation Guidance
FRS 105 (Amendment)	Non-current Assets Held for Sale and Discontinued Operations
FRS 106 (Amendment)	Exploration for and Evaluation of Mineral Resources
Amendments to FRS 107	Amendments to FRS 39 Financial Instruments: Recognition and Measurement and FRS 107 Financial Instruments: Disclosures – Reclassification of Financial Assets – Implementation Guidance
Amendments to FRS 107	Amendments to FRS 107 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments – Implementation Guidance
FRS 108	Operating Segments
INT FRS 101	Changes in Existing Decommissioning, Restoration and Similar Liabilities
INT FRS 112 (Amendment)	Service Concession Arrangements
INT FRS 113	Customer Loyalty Programmes
INT FRS 116	Hedges of a Net Investment in a Foreign Operation

The adoption of the above INT FRS did not result in substantial changes to the pro forma group's accounting policies.

Notes to the unaudited pro forma group financial statements (cont'd)

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

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for the company's and the group's accounting periods beginning on or after 1 January 2009 or later periods and which the pro forma group has not early adopted. The following FRS and INT FRS that are applicable to the group are set out below:

FRS 27 (Amendment)	Consolidated and Separate Financial Statements
Amendments to FRS 39	Amendments to FRS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items
Amendments to FRS 39	Amendments to INT FRS 109 and FRS 39 – Embedded Derivatives
FRS 103 (Revised)	Business Combinations
Amendments to INT FRS 109	Amendments to INT FRS 109 and FRS 39 - Embedded Derivatives
INT FRS 117	Distributions of Non-cash Assets to Owners
INT FRS 118	Transfer of Assets from Customers

The directors do not anticipate that the adoption of the FRS and INT FRS will result in any material impact to the financial statements in the period of initial application.

3 Restructuring exercise

The Restructuring Exercise comprising the following steps were undertaken by the Group in connection with the Invitation:

(a) Incorporation of the Company

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

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

On 23 May 2007, Hong Kong Grandness acquired 75% of the registered capital of Shanxi Grandness from Shenzhen Grandness Industry Groups Co., Ltd. ("Shenzhen Grandness") for a cash consideration of RMB9.0 million. The acquisition consideration was determined based on 75% of the registered capital of Shanxi Grandness then. This resulted in Shanxi Grandness becoming a wholly-owned subsidiary of Hong Kong Grandness as the latter was already holding 25% of the registered capital of Shanxi Grandness.

(c) Acquisition of Hong Kong Grandness by the Company

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

Notes to the unaudited pro forma group financial statements (cont'd)

3 Restructuring exercise (cont'd)

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

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

On 26 August 2008, Lin Junjin (林俊金) transferred all the registered capital in Shenzhen Yaxinda to Huang Yupeng at no consideration.

(e) Acquisition of Shenzhen Grandness by Shanxi Grandness

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

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

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

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

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

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

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

Notes to the unaudited pro forma group financial statements (cont'd)

3 Restructuring exercise (cont'd)

(g) Further subscription for Shares by Huang Yupeng and Huang Zhoupeng

On 11 November 2009, Huang Yupeng and Huang Zhoupeng subscribed for 29,229Shares and 1,539 Shares, respectively, at S$0.01 each. In aggregate, they subscribed for 30,768 Shares for the aggregate subscription price of S$307.68. Upon the allotment and issue of the 30,768 Shares on 11 November 2009, the issued and paid-up capital was increased to S$369,539.68 comprising 400,000 Shares. As a result, Huang Yupeng and Huang Zhoupeng held 380,000 Shares (which comprised 95% of all the issued Shares) and 20,000 Shares (which comprised 5% of all the issued Shares).

(h) Subdivision of one Share into 300 Shares

At an extraordinary general meeting held on 11 November 2009, the Shareholders approved the subdivision of every one (1) Share into 300 Shares, whereupon the issued and paid-up capital was changed to S$369,539.38 comprising 120,000,000 Shares. As a result, Huang Yupeng and Huang Zhoupeng held 114,000,000 Shares and 6,000,000 Shares, respectively.

(i) Conversion of Convertible Loans from Bond Holders

The Company entered into the Convertible Loan Agreement with the Bond Holders. The aggregate convertible loan amount extended by the Bond Holders was S$8,000,000. The principal amount of the convertible loans is convertible into fully-paid Shares (the "Conversion Shares") at an issue price of 14.5 cents.

On 11 November 2009, the Company allotted and issued such number of Shares as set out below to the Bond Holders pursuant to the conversion of the convertible loans:

Bond Holders	No. of Shares
Phillip Ventures Enterprise Fund Ltd ("PVEF")	27,448,275
Kim Seng Holdings Pte. Ltd. ("Kim Seng Holdings")	10,344,827
Inkatha Group Limited ("Inkatha")	5,931,034
Venstar Investments Pte. Ltd. ("Venstar")	5,310,344
Huang Yupeng ("HYP")	3,448,280
Lim Joo Boon ("LJB")	1,724,137
Global Top Financial Group Limited ("Global Top")	965,517
Total	**55,172,414**

On 13 November 2009, PVEF transferred 1,300,000 Shares to Lim Joo Boon at S$0.29 per Share, for an aggregate consideration of S$377,000. The resultant shareholdings of PVEF and Lim Joo Boon are 26,148,275 Shares and 3,024,137 Shares respectively, accounting for 14.9% and 1.7% respectively of the issued and paid-up share capital of the Company immediately before the Invitation.

The original convertible loan agreement (the "Original Agreement") was entered into, on 4 May 2007, amongst the Company, as borrower; PVEF, Kim Seng Holdings, SkyVen Growth Capital Fund Pte Ltd ("SkyVen"), Kenmoore Mezzanine Investments Ltd ("Kenmoore") and LJB, as lenders; and HYP as warrantor, under which the lenders would advance an aggregate sum of S$7.0 million as convertible loan to the Company (the "Original Loan").

Notes to the unaudited pro forma group financial statements (cont'd)

3 Restructuring exercise (cont'd)

(i) Conversion of Convertible Loans from Bond Holders (cont'd)

The parties to the Original Agreement and Inkatha, Global Top and Shenzhen Grandness entered into a supplemental agreement (the "First Supplemental Agreement") on 2 September 2008. The First Supplemental Agreement provides, amongst other things, that:

(a) the following agreements were terminated:

(i) the investment agreement ("Inkatha Investment Agreement") dated 14 April 2007 entered into amongst HYP, Shenzhen Grandness and Inkatha under which Inkatha advanced an aggregate sum of S$1.0 million as a convertible loan to Shenzhen Grandness (the "Original Inkatha Loan");

(ii) the supplemental agreement dated 14 November 2007 entered into amongst HYP, Shenzhen Grandness and Inkatha under which they amended the Inkatha Investment Agreement, in particular to assign and transfer S$140,000 of the Original Inkatha Loan; and

(iii) the investment agreement dated 14 November 2007 entered into amongst HYP, Shenzhen Grandness and Global Top under which Global Top advanced the sum of S$140,000 as a convertible loan to Shenzhen Grandness;

(b) in consideration of S$20,000 and certain undertakings by Kenmoore, PVEF assigned and transferred all its right, title and interest in and under the Original Agreement in respect of S$20,000 of the Original Loan to Kenmoore (the "PVEF Assignment");

(c) the Original Loan amount was increased from S$7.0 million to S$8.0 million;

(d) the lenders were changed to include Inkatha (for S$860,000) and Global Top (for S$140,000); and the loan amounts from Kenmoore and PVEF were varied taking into account the PVEF Assignment;

(e) under the Original Agreement, should the net profit after tax of the Group for FY2007 be than RMB45 million, the lenders will be compensated (the "Compensation") by the allotment and issue of shares by the Company, the Compensation be satisfied in cash instead;

(f) the number of Shares that each lender is entitled to sell at the listing of the Company was increased from 20% to 45%, and accordingly, the lender's moratorised Shares was decreased from 80% to 55%; and

(g) the long-stop date was extended to the earlier of 28 February 2009 or the date of the listing of the Company on the SGX-ST, whichever is earlier.

The parties to the First Supplemental Agreement (except for Shenzhen Grandness) and Venstar entered into an agreement on 13 July 2009 (the "Second Supplemental Agreement"). The Second Supplemental Agreement provided, amongst other things, that:-

(a) in consideration of S$612,180 and certain undertakings by HYP, SkyVen assigned and transferred all its right, title and interest in and under the Original Agreement in respect of S$500,000 of the Original Loan to HYP (the "SkyVen Assignment");

Notes to the unaudited pro forma group financial statements (cont'd)

3 Restructuring exercise (cont'd)

(i) Conversion of Convertible Loans from Bond Holders (cont'd)

(b) in consideration of S$770,000 and certain undertakings by Venstar, Kenmoore assigned and transferred all its right, title and interest in and under the Original Agreement in respect of S$770,000 of the Original Loan to Venstar (the "Kenmoore Assignment");

(c) the lenders were changed to include HYP and Venstar, and to exclude SkyVen and Kenmoore taking into account the SkyVen Assignment and the Kenmoore Assignment;

(d) the Compensation amount was reduced by 50% and payable to the lenders (excluding HYP) only if the listing of the Company on the SGX-ST does not occur by 31 December 2009;

(e) the number of Shares that each lender (excluding HYP) is entitled to sell at the IPO was changed to 30% and accordingly, his moratorised Shares was changed to 70%; and

(f) in consideration of a fee (the "Extension Fee") payable by the Company to the Bond Holders (save for Huang Yupeng) (the "Secured Bond Holders"), the parties to the Convertible Loan Agreement agreed to extend the Longstop Date to the earlier of (a) 28 February 2010; and (b) the date of the listing of the Company on the SGX-ST. The Extension Fee payable to each Secured Bond Holder shall be computed based on the rate of 10% per annum on the principal amount of the convertible loan he had extended for the period commencing 1 March 2009 and ending on the later of (a) the conversion of the convertible loan, and (b) 1 March 2010, with annual rest and calculated based on a 365-days year.

The payment obligations of the Company to the Secured Bond Holders pursuant to the Convertible Loan Agreement are secured by a personal guarantee by Huang Yupeng in favour of the Secured Bond Holders. Huang Yupeng has also assigned, by way of security, 30% of the advances repayable by the Group to him, to the Secured Bond Holders.

4 Summary of significant accounting policies

Subsidiaries and principles of consolidation

The pro forma group financial statements of the Group for the financial year ended 31 December 2008 and three months ended 31 March 2009 have been prepared in accordance with the principles of merger accounting as the restructuring exercise completed as described in Note 3 is a legal reorganisation of entities under common control.

Subsidiaries

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

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

Notes to the unaudited pro forma group financial statements (cont'd)

4 Summary of significant accounting policies (cont'd)

Subsidiaries and principles of consolidation (cont'd)

Pro forma group financial statements

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for line transactions and events in similar circumstances.

Acquisition of entities that are under common control have been consolidated using the pooling-of-interest method as set out in Note 2(a).

Under this method, 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 pro forma group financial statements.

In applying merger accounting, financial statement items of the combining entities or businesses for the relevant financial year 2008 and three months to 31 March 2009 in which the common control combination occurs are included in the unaudited pro forma 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 pro forma group financial statements of the controlling party or parties prior to the common control combination.

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

The purchase method of accounting is used to account for the acquisition of other subsidiaries. The two subsidiaries, namely, Grandness (Sichuan) Foods Co., Ltd. and Yunnan Shizong Zhenhua Food Co., Ltd. for which the group did not own the entire interest in the capital and these minority interests have no intention to dispose their respective shareholding to the group in the forseeable future, the accounting of investments in these subsidiaries are under the acquisition method.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

Notes to the unaudited pro forma group financial statements (cont'd)

4 Summary of significant accounting policies (cont'd)

Subsidiaries and principles of consolidation (cont'd)

Pro forma group financial statements (cont'd)

Any excess of the pro forma group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised in the income statement on the date of acquisition.

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

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the pro forma group as well as contingent liabilities. They are presented in the pro forma group balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the pro forma group income statement.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed utilising the straight-line method to write off the cost of the assets after deducting the residual value over the estimated useful lives as follows:

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

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

The residual values and useful lives of property, plant and equipment are reviewed and adjusted as appropriate at each balance sheet date. The useful life and depreciation method are reviewed at each financial year-end to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

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

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

Notes to the unaudited pro forma group financial statements (cont'd)

4 Summary of significant accounting policies (cont'd)

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

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

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

Government grant

Government grant is recognised as income over the periods necessary to match the grant with the related costs which they are intended to compensate. Government grant is not recognised as income until there is a reasonable assurance that the pro forma group will comply with the conditions attaching to it. Receipt of the grant will not of itself provide conclusive evidence that the conditions attaching to the grant have been or will be fulfilled.

Financial assets

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

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

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

The pro forma group has only investment in assets held-to-maturity.

<u>Held-to-maturity investments</u>

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the pro forma group has the positive intent and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method. In addition, if there is objective evidence that the investment has been impaired, the financial asset is measured at the present value of estimated cash flows. Any changes to the carrying amount of the investment are recognised in the unaudited pro forma group income statement. Any reversal shall not result in a carrying amount that exceeds what the amortised cost would have been had any impairment loss not been recognised at the date the impairment is reversed. Any reversal is recognised in the unaudited pro forma group income statement.

Notes to the unaudited pro forma group financial statements (cont'd)

4 Summary of significant accounting policies (cont'd)

Financial assets (cont'd)

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 pro forma 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 balance sheet date. These are classified as non-current assets, if any.

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

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

Loans and receivables include trade and other receivables and deposits held in banks.

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis and includes freight and handling charges, if any. In the case of manufactured inventory, cost includes production overheads. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits held in banks with a short maturity of three months or less.

Related parties

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

Notes to the unaudited pro forma group financial statements (cont'd)

4 Summary of significant accounting policies (cont'd)

Financial liabilities

The pro forma group's financial liabilities include trade and other payables.

Financial liabilities are recognised when the pro forma group becomes a party to the contractual agreements of the instrument. All interest related charges is recognised as an expense in "finance costs" in the unaudited pro forma group income statement.

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 unaudited pro forma income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the unaudited pro forma group balance sheet 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 balance sheet date. Borrowings to be settled within the pro forma group's normal operating cycle are considered as current. Other borrowings due to be settled more than twelve months after the balance sheet date are included in non-current borrowings in the unaudited pro forma group balance sheet.

Equity instruments issued by the pro forma group are recorded at the proceeds received, net of direct issue costs.

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

Financial guarantees

The pro forma group has issued corporate guarantees to banks for bank borrowings of related parties. These guarantees are financial guarantee contracts as they require the pro forma group to reimburse the banks if the related party fail to make principal or interest payments when due in accordance with the terms of its borrowings.

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

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

Notes to the unaudited pro forma group financial statements (cont'd)

4 Summary of significant accounting policies (cont'd)

Operating lease

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rentals on operating leases are charged to the unaudited pro forma group income statement on a straight-line basis over the lease term. Lease incentives, if any, are recognised as an integral part of the net consideration agreed for the use of the leased asset. Penalty payments on early termination, if any, are recognised in the unaudited pro forma group income statement when incurred.

Income taxes

The liability method of tax effect accounting is adopted by the pro forma group. Current taxation is provided at the current taxation rate based on the tax payable on the income for the financial period that is chargeable to tax. Deferred taxation is provided at the current taxation rate on all temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the unaudited pro forma group financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be recognised.

The statutory tax rates enacted at the balance sheet date are used to determine deferred income tax.

Provisions

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

The 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 due to the passage of time is recognised as finance costs.

Employee benefits

Pension obligations

The pro forma group participates in the defined contribution national pension and other welfare schemes as provided by the laws in the PRC. The contributions to these schemes are charged to the unaudited pro forma group income statement in the period to which the contributions relate.

Employee leave entitlements

No provision has been made for employee leave entitlements as any unconsumed annual leave will be forfeited.

Notes to the unaudited pro forma group financial statements (cont'd)

4 Summary of significant accounting policies (cont'd)

Impairment of non-financial assets

The carrying amounts of the pro forma group's non-financial assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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

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

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

An impairment loss, if any, is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation.

An impairment loss is charged to the unaudited pro forma group income statement.

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

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

A reversal of an impairment loss is credited as income in the unaudited pro forma group income statement.

Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes relevant value-added tax. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from the sale of canned vegetables and fruits is recognised when significant risks and rewards of ownership are transferred to the buyer and the amount of revenue and the costs of the transactions can be measured reliably.

Interest income is recognised on a time-apportioned basis using the effective interest method.

Notes to the unaudited pro forma group financial statements (cont'd)

4 Summary of significant accounting policies (cont'd)

Functional currency

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

Conversion of foreign currencies

The accounting records of the companies within the pro forma group are maintained in their respective functional currencies.

Assets and liabilities in foreign currencies are translated into RMB at rates of exchange closely approximating those ruling at balance sheet date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Except for the situation described below, exchange differences arising from such transactions are taken to the unaudited pro forma income statements:

- Any assets and liabilities of the Company and a subsidiary in Hong Kong denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The income statements of the Company are translated using the average monthly rates. Foreign currency translation adjustments arising from the unaudited pro forma group financial statements are recorded directly in exchange fluctuation account.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Currency translation differences on non-monetary items, whereby the gains or losses are recognised in the unaudited pro forma income statements, if any, are reported as part of the fair value gains or losses in "other gains/losses - net". Currency translation differences on non-monetary items, if any, whereby the gains and losses are recognised directly in equity, such as equity investments classified as available-for-sale financial assets, investment properties and property, plant and equipment are included in the fair value reserve and asset revaluation reserve respectively.

Financial instruments

Financial instruments carried on the unaudited pro forma group balance sheets 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 24.

Segment reporting

A segment is a distinguishable component of the pro forma group to a particular industry (business segment) and within a particular economic environment (geographical segment) which is subject to risks and rewards that are different from those of other segments.

For the financial period presented, the pro forma group has one operating segment, which is the manufacturing and sale of canned vegetables and fruits. The pro forma group's manufacturing activities operate predominantly in PRC. Information for geographical segment revenue is based on where the customers are located.

Notes to the unaudited pro forma group financial statements (cont'd)

5 Revenue

Revenue represents the sale of canned vegetables and fruits, excluding applicable value-added tax.

	Three months ended 31 March 2009 RMB	Financial year ended 31 December 2008 RMB
Sale of		
- canned asparagus	**8,779,417**	149,262,238
- canned long beans	**6,997,150**	80,234,731
- canned mushrooms	**13,427,221**	55,073,434
- others	**1,074,279**	45,698,376
	30,278,067	330,268,779

Notes to the unaudited pro forma group financial statements (cont'd)

6 Property, plant and equipment

	Factory and warehouse premises RMB	Land use rights RMB	Office units RMB	Renovation RMB	Plant and machinery RMB	Motor vehicles RMB	Office equipment RMB	Construction-in-progress RMB	Total RMB
The Group									
Cost									
At 1 January 2008	20,923,594	9,677,750	2,728,907	2,995,811	8,536,122	3,267,460	679,607	2,601,848	51,411,099
Additions	1,140,196	6,543,901	–	28,310	3,034,957	6,420	389,301	48,734,133	59,877,218
Disposals	(40,068)	–	–	–	(7,880)	(4,881)	(9,770)	–	(62,599)
Reclassifications	34,457,917	–	–	–	1,046,299	27,000	173,514	(35,704,730)	–
At 31 December 2008	56,481,639	16,221,651	2,728,907	3,024,121	12,609,498	3,295,999	1,232,652	15,631,251	111,225,718
Additions	11,967	40	–	37,000	75,968	–	15,780	21,512,517	21,653,272
Adjustment	–	–	–	–	–	–	(1,105)	–	(1,105)
At 31 March 2009	**56,493,606**	**16,221,691**	**2,728,907**	**3,061,121**	**12,685,466**	**3,295,999**	**1,247,327**	**37,143,768**	**132,877,885**
Accumulated depreciation									
At 1 January 2008	1,342,499	339,293	116,660	1,633,336	1,610,500	1,196,314	237,209	–	6,475,811
Depreciation for the year	1,601,136	234,185	51,850	470,043	901,891	467,665	155,372	–	3,882,142
Disposals	(1,964)	–	–	–	(4,677)	(4,394)	(6,742)	–	(17,777)
Reclassification	(583)	–	–	–	(65,303)	2,835	63,051	–	–
At 31 December 2008	2,941,088	573,478	168,510	2,103,379	2,442,411	1,662,420	448,890	–	10,340,176
Depreciation for the period	569,419	80,748	12,962	118,740	285,418	117,798	49,485	–	1,234,570
Reclassification	167	–	–	–	–	–	(167)	–	–
At 31 March 2009	**3,510,674**	**654,226**	**181,472**	**2,222,119**	**2,727,829**	**1,780,218**	**498,208**	**–**	**11,574,746**
Net book value									
At 31 March 2009	**52,982,932**	**15,567,465**	**2,547,435**	**839,002**	**9,957,637**	**1,515,781**	**749,119**	**37,143,768**	**121,303,139**
At 31 December 2008	53,540,551	15,648,173	2,560,397	920,742	10,167,087	1,633,579	783,762	15,631,251	100,885,542

Notes to the unaudited pro forma group financial statements (cont'd)

6 Property, plant and equipment (cont'd)

(a) Depreciation is charged to:

	Three months ended 31 March 2009 RMB	Financial year ended 31 December 2008 RMB
Cost of sales	**157,239**	1,574,270
Distribution costs	**88,232**	415,436
Administrative expenses	**989,099**	1,892,436
	1,234,570	3,882,142

(b) Land use rights relate to the following parcel of lands:

	Location	Period	Land area (square metres) ["sq m"]
#1	Land at Qiongxin Road side, Linqiong Town, Qionglai City People's Republic of China (邛崃市临邛镇邛新路侧)	50 years (expiring on 2 March 2055)	134,289.91
#2	Danfeng Town, Shizong County, Yunnan Province People's Republic of China (云南省师宗县单凤镇)	50 years (expiring on 9 April 2055)	66,366.30
#3	West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County People's Republic of China (单县开发区园艺路南段路西)	50 years (expiring on 30 December 2057)	70,895.00

These land use rights are acquired from:

(i) 邛崃市人民政府;

(ii) 师宗县人民政府; and

(iii) 单县人民政府

Notes to the unaudited pro forma group financial statements (cont'd)

6 Property, plant and equipment (cont'd)

(c) Included in factory and warehouse premises are:

	31 March 2009 RMB	31 December 2008 RMB
Warehouse and factory premises		
- #1 [Note 6(b)]	**12,712,531**	12,712,531
- #2 [Note 6(b)]	**7,134,835**	7,134,835
- #3 [Note 6(b)]	**35,088,321**	35,076,354
*	**1,557,919**	1,557,919
	56,493,606	56,481,639

* relate to the following lands:

Location	Land area (sq m)	Ownership	Effective date	Expiry date
山西省永济市南郊粮库内	1,909.41	永济市粮食局	1 January 2007	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 2007	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 22.

(d) Office units comprise:

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

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

Notes to the unaudited pro forma group financial statements (cont'd)

6 Property, plant and equipment (cont'd)

(e) As at the balance sheet date, property, plant and equipment of the pro forma group which have been pledged to financial institutions to secure bank facilities are as follows:

	Notes	**31 March 2009 RMB**	31 December 2008 RMB
At cost			
Factory and warehouse premises	17(b) and (c)	**19,847,366**	19,847,366
Factory and warehouse premises	17(d)	**35,088,321**	–
Office units	17(a)	**2,728,907**	2,728,907
Land use rights	17(b) and (c)	**7,785,950**	7,785,950
Land use rights	17(d)	**8,435,741**	–
		73,866,285	30,362,223
Net book value		**66,539,969**	28,000,969

(f) The 2009 construction-in-progress relates to:

(i) the expansion of existing factory warehouse and production facilities located at 山西省永济市南郊粮库内.

(ii) construction of the administration building and warehouse at Qiongxin Road Side, Linqiong Town, Qionglai City

(iii) the construction of warehouse on the existing land West of Nanduan Road, Yuanyi Road, Economic Development Zone, Shan County, PRC (单县开发区园艺路南段路西).

7 Subsidy

	31 March 2009 RMB	31 December 2008 RMB
Subsidy	**1,236,102**	1,236,102
Less: Amortisation		
Balance at beginning	**432,048**	298,032
Amortisation for the period/year	**33,504**	134,016
Balance at end of period/year	**465,552**	432,048
	770,550	804,054

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

Notes to the unaudited pro forma group financial statements (cont'd)

8 Inventories

	31 March 2009 RMB	31 December 2008 RMB
Finished goods, at cost	**40,386,453**	41,964,852
Work-in-progress, at cost	**174,073**	261,324
Packaging materials, at cost	**2,915,588**	3,162,187
Raw materials, at cost	**1,210,228**	1,155,414
	44,686,342	46,543,777

	Three months ended 31 March 2009 RMB	Financial year ended 31 December 2008 RMB
Included in cost of sales are inventories charged of:	**21,551,036**	231,758,419
Write-off of inventories due to quality of products	**63,383**	386,576

The ageing of the inventory turnover approximates 179 (31 December 2008 - 58) days.

The write-off of inventories relate to normal loss which is the course of normal business operations where certain goods were discarded due to quality control purpose.

No provision for inventory obsolescence is considered necessary.

Notes to the unaudited pro forma group financial statements (cont'd)

9 Trade and other receivables

	31 March 2009 RMB	31 December 2008 RMB
Trade receivables		
- External parties	**44,074,113**	57,232,786
Other receivables		
Advances to		
- contractors	**162,455**	17,540
- suppliers of property, plant and equipment	**191,986**	164,586
- suppliers	**1,192,162**	627,815
- employees	**475,284**	493,603
- a customer	**300,000**	300,000
- third parties	**1,809,805**	1,110,760
- farmers	**175,050**	150,409
- 深圳市诚兴旺进出口有限公司	**1,120,370**	1,120,370
- a minority shareholder of a subsidiary		
- 福建省成功果蔬食品有限公司	**44,400**	44,400
VAT receivable	**13,499,326**	12,182,823
Export tax refunds	**855,735**	15,764,179
Deposits	**23,364**	23,364
Others	**–**	1,550
	19,849,937	32,001,399
	63,924,050	89,234,185

Trade and other receivables are denominated in the following currencies:

	31 March 2009 RMB	31 December 2008 RMB
Trade		
United States dollar	**40,084,725**	51,004,828
Renminbi	**3,415,927**	4,557,088
Euro	**573,461**	1,670,870
	44,074,113	57,232,786
Non-trade		
United States dollar	**–**	65,240
Renminbi	**19,849,895**	31,936,159
Singapore dollar	**42**	–
	19,849,937	32,001,399
	63,924,050	89,234,185

Notes to the unaudited pro forma group financial statements (cont'd)

9 Trade and other receivables (cont'd)

Trade receivables are usually due within 60-90 days and do not bear any effective interest rate. All trade receivables are subject to credit risk exposure. However, the pro forma group does not identify specific concentrations of credit risk with regards to trade and other receivables, as the amounts recognised resemble a large number of receivables from various customers. The ageing analysis of the trade receivables approximates 151 (31 December 2008 - 81) days. No allowance for impairment has been considered necessary.

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

	31 March 2009 RMB	31 December 2008 RMB
Within 1 month	**13,160,310**	41,098,353
Past due over 1 month but not over 2 months	**6,794,086**	15,947,886
Past due over 2 months but not over 3 months	**8,116,571**	12,997
Past due over 3 months but not over 4 months	**15,650,586**	1,300
Past due over 4 months	**352,560**	172,250
	44,074,113	57,232,786

The advances made to:

– contractors relate to the construction of existing factory and warehouse;

– suppliers of property, plant and equipment relate to the purchase of machinery;

– suppliers relate to the purchase of packing materials;

– the farmers relate to the cost of seedlings for vegetable farming; and

– third parties relate to temporary fund extended for working capital.

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

The advances made to employees are for business purpose.

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

Export tax refunds relate to tax refunds which is calculated at 4% on overseas sales.

10 Prepayments

These relate to pre-IPO costs incurred for the proposed listing of Sino Grandness Food Industry Group Limited and other prepaid operating expenses.

Notes to the unaudited pro forma group financial statements (cont'd)

11 Cash and cash equivalents

	31 March 2009 RMB	31 December 2008 RMB
Cash on hand	**33,827**	38,777
Bank balances	**16,337,514**	15,615,285
	16,371,341	15,654,062
Deposits placed in banks for notes payable	**(2,350,000)**	(1,950,000)
	14,021,341	13,704,602

Cash and cash equivalents are denominated in the following currencies:

	31 March 2009 RMB	31 December 2008 RMB
United States dollar	**266,072**	160,201
Renminbi	**15,879,591**	14,994,035
Singapore dollar	**56,324**	98,351
Euro	**165,064**	397,249
Canadian dollar	**4,114**	4,226
Hong Kong dollar	**176**	–
	16,371,341	15,654,062

12 Capital contribution

	31 March 2009 RMB	31 December 2008 RMB
Paid-in capital	**42,028,409**	42,028,409

Notes to the unaudited pro forma group financial statements (cont'd)

13 Other reserves

		31 March 2009 RMB	31 December 2008 RMB
Statutory common reserve			
Balance at beginning		**15,993,197**	10,039,972
Movement during the period/year		**–**	5,953,225
Balance at end	(i)	**15,993,197**	15,993,197
Exchange translation reserve			
Balance at beginning		**–**	–
Movement during the period/year		**(20,791)**	–
Balance at end	(ii)	**(20,791)**	–
Merger reserve			
Balance at beginning		**(31,413,600)**	(31,413,600)
Movement during the period/year		**–**	–
Balance at end	(iii)	**(31,413,600)**	(31,413,600)
Grand total	(i) + (ii) + (iii)	**(15,441,194)**	(15,420,403)

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 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.

The exchange translation reserve relates to the exchange difference arising from translation of the financial statements of the company.

Merger reserve

The merger reserve arises from the difference between the purchase consideration and the carrying value of the share capital acquired under the pooling-of-interests method of consolidation in the restructuring described in Note 3.

Notes to the unaudited pro forma group financial statements (cont'd)

14 Amount owing to the then shareholders

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

	31 March 2009 RMB	31 December 2008 RMB
Huang Yupeng (黄育鹏)	**35,909,126**	36,095,490
Huang Zhoupeng (黄周鹏)	**7,349,494**	7,349,494
	43,258,620	43,444,984

Pursuant to an undertaking dated 25 September 2009, Huang Yupeng and Huang Zhoupeng had undertaken not, to demand payment of the net amount of RMB 43,456,000 (the "Loans") owing to them, a quasi-equity loan as at the Latest Practicable Date until the first, second and third anniversary of the date of admission of the Company to the Official List of the SGX-ST for the 30%, 30% and 40% of the Loans. Such repayments shall be subject to the approval of the Audit Committee, taking into account, inter alia, the Group's working capital and gearing positions.

Had the amortised cost been determined on the average of 7% on the prevailing rate applied by the commercial banks in the PRC, the interest expense to be recognised would have been RMB 757,000.

The cumulative effect on interest cost charged since 1 January 2008 would have been RMB 3,798,000.

Notes to the unaudited pro forma group financial statements (cont'd)

15 Trade and other payables

	31 March 2009 RMB	31 December 2008 RMB
Trade payables	**30,833,111**	39,158,631
Accruals	**3,477,454**	3,502,053
	34,310,565	42,660,684
Other payables		
Amount owing to (non-trade)		
- contractors	**4,670,946**	5,033,450
- suppliers of property, plant and equipment	**418,849**	950,350
- suppliers	**49,655**	101,691
- employees	**728,170**	726,735
- third parties	**3,452,470**	90,352
- farmers	**13,886**	18,225
- companies in which directors have interests		
- 福建省成功果蔬食品有限公司	**–**	70,659
- 中鹏成都农业发展有限公司	**668,481**	668,481
Liability owing for land premium	**2,757,250**	2,757,250
Accrued interest	**58,662**	–
VAT payable	**28,180**	451,351
Others	**10,138,725**	4,314,028
	22,985,274	15,182,572
Less:		
Non-current amount owing to a third party	**(3,375,000)**	–
	19,610,274	15,182,572
	53,920,839	57,843,256

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 balance sheet to be reasonable approximation of their fair values. The ageing of trade payables approximates 138 (31 December 2008 - 61) days.

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

The non-trade amounts owing are unsecured, interest-free and are repayable on demand:

– the amount owing to contractors relates to the road construction works, painting on the existing premises and construction of existing factory;

– the amount owing to employees relate to money withheld for employees' uniform; and

– the amount owing to farmers relates to costs of vegetables supplies.

Notes to the unaudited pro forma group financial statements (cont'd)

15 Trade and other payables (cont'd)

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

The non-current amount owing to a third party, Financial Bureau of Qionglai City, Sichuan Province (四川省邛崃市财政局) of RMB3,375,000 granted to Sichuan Grandness is in support of agricultural business development. The amount is secured by a pledge on Sichuan Grandness' land use rights to the extent of 80 mu (equivalent to 53,333 sq m), is interest-free and repayable as follows:

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

16 Note payables

The note payables which are non-interest bearing mature at varying dates as follows:

	31 March 2009 RMB	31 December 2008 RMB
The earliest date	**19 April 2009**	12 February 2009
The latest date	**15 June 2009**	15 June 2009

Notes to the unaudited pro forma group financial statements (cont'd)

17 Bank borrowings

	Note	**31 March 2009 RMB**	31 December 2008 RMB
Bank loans			
- 中国农业发展银行师宗县支行		**6,000,000**	7,000,000
- 深圳平安银行景田支行		**18,500,000**	24,000,000
- 单县农村信用合作联社		**3,000,000**	–
- Export letters of credit		**1,980,963**	–
		29,480,963	31,000,000
Comprises			
Bank loans (secured)			
- #1	(a)	**3,700,000**	4,300,000
- #2	(b)	**14,800,000**	17,200,000
- #3	(c)	**6,000,000**	7,000,000
- #4	(d)	**3,000,000**	–
	A	**27,500,000**	28,500,000
Bank loans (unsecured)			
- #5	(e)	**–**	2,500,000
	B	**–**	2,500,000
	A + B	**27,500,000**	31,000,000
Export letters of credit (secured)	(f)	**1,980,963**	–
		29,480,963	31,000,000
Amount repayable:			
Not later than one year		**29,480,963**	31,000,000
Later than one year and not later than five years		**–**	–
Later than five years		**–**	–
		29,480,963	31,000,000

a. The secured bank loan facility #1 of RMB 5,500,000 granted to Shenzhen Grandness is repayable on or before 20 June 2009. These loans are secured by, inter-alia:

(i) personal guarantee by a director of the Group, Huang Yupeng (黄育鹏);

(ii) a corporate guarantee provided by an institution, 深圳市中心小企业担保中心有限公司 who is then guaranteed by the following:

– personal guarantees by a director of the Group, Huang Yupeng (黄育鹏) and his spouse Zong Liping (宗丽萍);

– corporate guarantees provided by the following:

– Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司);
– Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司);
– Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司); and
– Grandness (Shanxian) Food Co., Ltd (山东单县振鹏达食品有限公司); and

– a mortgage over the Shenzhen Grandness's office units costing RMB 2,728,907.

Interest is charged at 7.5% per annum.

Notes to the unaudited pro forma group financial statements (cont'd)

17 Bank borrowings (cont'd)

b. The secured bank loan facility #2 of RMB 18,000,000 granted to Shenzhen Grandness is repayable on or before 11 November 2009. These loans are secured by, inter-alia:

(i) personal guarantees by a director of the Group, Huang Yupeng (黄育鹏);

(ii) a corporate guarantee provided by an institution, 深圳市中心中小企业担保中心有限公司 who is then guaranteed by:

– corporate guarantees provided by the following:

– Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司);
– Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司);
– Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司); and
– Grandness (Shanxian) Food Co., Ltd (山东单县振鹏达食品有限公司); and

– land use rights costing RMB 4,028,700 and factory and warehouse premises costing RMB 12,712,531 belonging to Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司), a subsidiary.

Interest is charged at 6.66% per annum.

c. The secured bank loan facility #3 of RMB 10,000,000 granted to Yunnan Grandness has been repaid on 23 April 2009. This loan is secured by a mortgage over the Yunnan Grandness' factory and warehouse premise costing RMB 7,134,835 and land use rights costing RMB 3,757,250 [Note 6(e)].

Interest is charged at 7.02% (31 December 2008 - 7.02%) per annum.

d. The secured bank loan facility of RMB 3,000,000 granted to the Shanxian Grandness is repayable on or before 20 December 2009. This loan is secured by a mortgage over the Shanxian Grandness' factory and warehouse premises costing RMB 35,088,321 and land use rights costing RMB 8,435,741 [Note 6(e)].

Interest is charged at 10.62% (31 December 2008 - Nil) per annum.

e. The unsecured bank loan facility #5 of RMB 4,500,000 granted to Shenzhen Grandness was repaid on 23 February 2009. These loans were secured by, inter-alia:

(i) personal guarantee by a director of the Group, Huang Yupeng (黄育鹏);

(ii) a corporate guarantee provided by an institution, 深圳市中心中小企业担保中心有限公司 who is then guaranteed by:

– personal guarantees by a director of the Group, Huang Yupeng (黄育鹏) and his spouse Zong Liping (宗丽萍);

– corporate guarantees provided by the following:

– Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司);
– Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司);
– Yunnan Shizong Zhenhua Food Co., Ltd. (云南师宗振华食品有限公司); and

– assignment of certain assets belonging to Huang Yupeng (黄育鹏), Huang Zhoupeng (黄周鹏), Huang Yuyin (黄育吟), Fang Kunrong (方坤荣), Huang Yuqing (黄育清), Huang Yushan (黄育珊) and Lin Yuxi (林玉喜).

Interest was charged at 7.5% per annum.

Notes to the unaudited pro forma group financial statements (cont'd)

17 Bank borrowings (cont'd)

f. The export letters of credit are secured by, inter-alia:

(i) personal guarantee by a director of the Group, Huang Yupeng (黄育鹏);

(ii) corporate guarantees provided by the following:

– Shanxi Yongji Huaxin Food Co., Ltd. (山西永济华鑫食品有限公司) and

– Grandness (Sichuan) Foods Co., Ltd. (四川振鹏达食品有限公司).

(iii) pledge of deposit and interest in a designated banking account.

Interest is charged at London Inter-bank Offer Rate +4% per annum.

The table below analyses the maturity profile of the company's borrowings excluding export letters of credit based on contractual undiscounted cash flows.

The Group	31 March 2009 Carrying amount RMB	31 March 2009 Contractual cash flows RMB	31 December 2008 Carrying amount RMB	31 December 2008 Contractual cash flows RMB
Less than 1 year				
Variable interest rate loans	27,500,000	28,449,569	31,000,000	31,891,435

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

	The Group	
	31 March 2009 RMB	31 December 2008 RMB
Net debt	**117,314,081**	118,584,178
Total equity	**123,001,644**	122,967,955
Total capital	**240,315,725**	241,552,133
Gearing ratio	**49%**	49%

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

Notes to the unaudited pro forma group financial statements (cont'd)

18(a) Other operating income

	Three months ended 31 March 2009 RMB	Financial year ended 31 December 2008 RMB
Sale of scrap	**70,375**	226,369
Cost of scrap	**(111,157)**	(154,709)
	(40,782)	71,660
Government grants	**1,492**	883,415
Interest income - banks	**13,836**	326,305
Exchange gain	**39,114**	–
Rental income	**–**	3,000
Miscellaneous income	**23,227**	479,121
	36,887	1,763,501

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

The effective interest rate on bank deposits is 0.36% (31 December 2008 – 0.72%) per annum.

18(b) Distribution costs

	Three months ended 31 March 2009 RMB	Financial year ended 31 December 2008 RMB
Employee benefit costs	**307,280**	1,767,039
Transportation	**1,168,511**	11,020,868
Entertainment	**26,255**	461,964
Travelling	**32,522**	283,257
Consumable expenses	**302,254**	198,350
Packaging	**258,162**	2,779,227
Inspection and custom	**18,235**	287,838
Depreciation expense	**88,232**	415,436
Others	**150,100**	635,505
	2,351,551	17,849,484

Notes to the unaudited pro forma group financial statements (cont'd)

18(c) Administrative expenses

	Three months ended 31 March 2009 RMB	Financial year ended 31 December 2008 RMB
Employee benefit costs	**1,027,986**	3,917,590
Motor vehicle expenses	**74,758**	303,174
Entertainment	**330,153**	387,259
Travelling expenses	**98,562**	376,527
Consumable expenses	**37,834**	15,304
Inspection and custom	**2,268**	384,542
Depreciation expense	**989,099**	1,892,436
Exchange loss	**–**	112,351
Rental expenses	**62,249**	221,300
Property, plant and equipment written off	**–**	44,822
Bank charges	**142,691**	609,668
Utilities	**46,074**	245,561
Repair and maintenance	**7,885**	46,993
Others	**291,460**	3,164,743
	3,111,019	11,722,270

18(d) Finance costs

	Three months ended 31 March 2009 RMB	Financial year ended 31 December 2008 RMB
Interest on bank borrowings	**593,037**	560,000
Cost of financial guarantee contract	**–**	1,731,832
	593,037	2,291,832

The effective interest rate on bank loan varies from 6.4% to 10.6% (31 December 2008 - 5.8% to 7.2%) per annum.

Notes to the unaudited pro forma group financial statements (cont'd)

18(e) Employee benefit costs

	Three months ended 31 March 2009 RMB	Financial year ended 31 December 2008 RMB
Directors' remuneration		
- salaries and related costs	**38,700**	190,250
- defined contributions	**3,098**	7,950
Key management personnel		
- salaries and related costs	**12,000**	44,176
- defined contributions	**1,569**	3,600
Other than directors		
- salaries and related costs	**1,467,719**	13,150,024
- defined contributions	**49,680**	302,131
	1,572,766	13,698,131

Employee benefit costs are charged to:

	Three months ended 31 March 2009 RMB	Financial year ended 31 December 2008 RMB
Cost of sales	**237,500**	8,013,502
Distribution costs	**307,280**	1,767,039
Administrative expenses	**1,027,986**	3,917,590
	1,572,766	13,698,131

19 Profit before taxation

	Note	**Three months ended 31 March 2009 RMB**	Financial year ended 31 December 2008 RMB
Profit before taxation has been arrived at after charging/(crediting):			
Amortisation of subsidy	7	**33,504**	134,016
Depreciation of property, plant and equipment	6	**1,234,570**	3,882,142
Exchange (gain)/loss		**(39,114)**	112,351
Write-off of inventories due to quality of products		**63,383**	386,576
Rental - factory and warehouse		**90,522**	199,580
Property, plant and equipment written off		**–**	44,822

The (gain)/loss in exchange relates mainly to currency exposure in trading transactions denominated in United States dollar and Euro dollar.

Notes to the unaudited pro forma group financial statements (cont'd)

20 Taxation

	Three months ended 31 March 2009 RMB	Financial year ended 31 December 2008 RMB
Current taxation	**1,310,579**	13,302,139
Underprovision of current taxation in respect of prior year	**–**	3,822
	1,310,579	13,305,961

The tax expense on the results of the financial period/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:

	Three months ended 31 March 2009 RMB	Financial year ended 31 December 2008 RMB
Profit before taxation	**1,365,059**	64,085,396
Tax at statutory rate of 25%	**(1,058,000)**	(2,277,000)
Tax at statutory rate of 20%	**1,277,000**	–
Tax at statutory rate of 18%	**–**	12,615,000
Tax at statutory rate of 17.5%	**–**	266,000
Tax at statutory rate of 17%	**(165,000)**	–
Tax at statutory rate of 16.5%	**121,000**	–
Tax at statutory rate of 15%	**(85,000)**	(512,000)
Tax at statutory rate of 12.5%	**–**	231,000
Tax effect on non-taxable income	**(130,000)**	(269,000)
Tax effect on non-deductible expenses	**176,000**	758,000
Deferred tax asset not recognised	**1,175,000**	2,490,000
	1,311,000	13,302,000

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

A subsidiary which has been granted such incentive from 2005 to 2009 is Shanxi Yongji Huaxin Food Co., Ltd.

Notes to the unaudited pro forma group financial statements (cont'd)

20 Taxation (cont'd)

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

	Rate		Basis
	Three months ended 31 March 2009	Financial year ended 31 December 2008	
- Grandness (HK) Industry Co., Limited	16.5%	17.5%	Full tax
- Shenzhen Grandness Industry Groups Co., Ltd.	20%	18%	Concessionary
- Grandness (Sichuan) Foods Co., Ltd.	25%	25%	Full tax
- Shanxi Yongji Huaxin Food Co., Ltd.	25%	12.5%	Concessionary
- Yunnan Shizong Zhenhua Food Co., Ltd.	15%	15%	Concessionary
- Dongpeng (Chengdu) Agricultural Development Co., Ltd.	25%	25%	Full tax
- Grandness (Shanxian) Food Co., Ltd.	25%	25%	Full tax

Shenzhen Grandness Industry Groups Co., Ltd. is taxed at a preferential tax rate of 15% now revised to 20% for financial year beginning 1 January 2009 as it is located in Shenzhen which is one of the Special Economic Zones ("SEZ") in PRC as designated by the Chinese government.

The Group has unabsorbed tax losses amounting to approximately RMB 21,186,000 (2008 – RMB 16,218,000), 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.

Unutilised tax benefits of RMB 4,361,000 (2008 – RMB 3,212,000) arising from these unabsorbed tax losses have not been recognised since there is no reasonable certainty of their realisation in future periods.

21 Significant related party transactions

Other than the interested party information disclosed elsewhere in the unaudited pro forma financial statements, the following are significant interested party transactions entered into between the pro forma group and its related parties:

	Three months ended 31 March 2009 RMB	Financial year ended 31 December 2008 RMB
Purchases from a company in which a director has interest - 福建省成功果蔬食品有限公司	–	2,036,857

Notes to the unaudited pro forma group financial statements (cont'd)

22 Commitments

Operating lease commitment (non-cancellable)

At the balance sheet date, the pro forma group was committed to making the following lease rental payment under non-cancellable operating leases for factory and warehouse premises and office space:

	31 March 2009 RMB	31 December 2008 RMB
Not later than one year	**185,867**	207,400
Later than one year and not later than five years	**680,000**	680,000
Later than five years	**2,145,500**	2,188,000

The current rent payables on the leases on the pro forma group's factory and warehouse premises per annum are as follows:

Location	Land area (sq m)	Effective date	Expiry date	Rental per annum (RMB)
山西省永济市南郊粮库内	1,909.41	1 January 2007	31 December 2026	168,000
永济市蒲州镇	10,025.13	26 November 2007	20 November 2015	2,000

The current rent payable on the lease on an office unit is as follows:

Location Office unit	Built-in area (sq m)	Effective date	Expiry date	Rental per annum (RMB)
福田区南方国际广场A座1502	86.34	11 June 2008	10 June 2009	81,600

Capital commitments

The pro forma group's capital commitments not provided for in the unaudited pro forma financial statements are as follows:

	31 March 2009 RMB	31 December 2008 RMB
Expenditure contracted for the construction of:		
- factory plant	**1,446,745**	–
- administration building and warehouse	**5,000,000**	12,000,000
	6,446,745	12,000,000

Notes to the unaudited pro forma group financial statements (cont'd)

23 Statements of operations by segments

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

Geographical segment

	Three months ended 31 March 2009 RMB	Financial year ended 31 December 2008 RMB
Revenue		
- Europe	**16,869,924**	274,320,669
- North America	**12,905,839**	39,773,880
- China	**369,243**	15,815,061
- others	**133,061**	359,169
	30,278,067	330,268,779

24 Financial risk management objectives and policies

The board of directors meets periodically to analyse and formulate measures to manage the pro forma group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the pro forma group employs a conservative strategy regarding its risk management. As the pro forma group's exposure to market risk is kept at a minimum level, the pro forma group has not used any derivatives or other instruments for hedging purposes. The pro forma group does not hold or issue derivative financial instruments for trading purposes.

As at 31 March 2009, the pro forma group's financial instruments mainly consisted of cash and cash equivalents, financial assets and financial liabilities.

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

Notes to the unaudited pro forma group financial statements (cont'd)

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

24.1 Foreign currency risk (cont'd)

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

31 March 2009	Gain/(loss) RMB'000
United States dollar	1,527
Euro dollar	36
Singapore dollar	(46)

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

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

24.2 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 pro forma group's exposure to interest rate risk relates principally to its bank borrowings with financial institutions. The effective interest rate of bank borrowings ranges from 6.7% to 7.5% and 6.7% to 10.6% per annum as at 31 December 2008 and 31 March 2009 respectively.

<u>Sensitivity analysis</u>

For the variable rate financial assets on the deposits placed in banks and liabilities owing for bank borrowings, a change of 50 basis points ("bp") in interest rate at the reporting date would increase/(decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	50bp increase RMB'000	50bp decrease RMB'000
31 March 2009		
Variable rate instruments	73	(73)

Notes to the unaudited pro forma group financial statements (cont'd)

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

24.3 Credit risk

The carrying amounts of trade receivables and other receivables represent the pro forma group's maximum exposure to credit risk in relation to its financial assets. The pro forma group has no other significant concentration of credit risk other than as at 31 March 2009, the five largest trade receivables which represents approximately 82% of the total trade receivables at the balance sheet date. No other financial assets carry a significant exposure to credit risk.

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

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

24.4 Liquidity risk

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

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

25 Critical accounting estimates

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

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

(i) Net realisable value of inventories

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

Notes to the unaudited pro forma group financial statements (cont'd)

26 Capital management

The pro forma group's objectives when managing capital are:

(a) To safeguard the pro forma group's ability to continue as a going concern;

(b) To support the pro forma group's stability and growth; and

(c) To provide capital for the purpose of strengthening the pro forma group's risk management capability.

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

27 Financial instruments

Fair values

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

The pro forma group does not anticipate that the carrying amounts recorded at balance sheet date would be significantly different from the values that would eventually be received or settled.

The following is a discussion of certain tax matters arising under the current tax laws in Singapore and is not intended to be and does not constitute legal or tax advice. While this discussion is considered to be a correct interpretation of existing laws in force as at the Latest Practicable Date, no assurance can be given that courts or fiscal authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur. The discussion is limited to a general description of certain tax consequences in Singapore with respect to ownership of our Shares, and does not purport to be a comprehensive nor exhaustive description of all of the tax considerations that may be relevant to a decision to acquire our Shares.

Prospective investors should consult their tax advisers regarding Singapore tax and other tax consequences of owning and disposing our Shares. It is emphasised that neither our Company, our Directors, the Issue Manager, the Joint Underwriters nor the Joint Placement Agents or any other persons involved in the Invitation accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of our Shares.

The following discussion describes the material Singapore income tax, stamp duty, goods and services tax and estate duty consequences of the purchase, ownership and disposal of our Shares.

INCOME TAX

General

Singapore tax residents are subject to Singapore income tax on income that is accrued in or derived from Singapore and on foreign income received in Singapore, subject to certain exceptions.

Non-resident corporate taxpayers are subject to income tax on income that is accrued in or derived from Singapore, and on foreign income received in Singapore, subject to certain exceptions. All individuals resident and non-resident, subject to certain exceptions, are subject to income tax on income accrued in or derived from Singapore. With effect from year of assessment 2005 (i.e. for calendar year ended in 2004), all foreign sourced income received in Singapore by all individuals will be exempt from Singapore tax. The latter exemption will not apply to such income received from a partnership in Singapore.

A company is tax resident in Singapore if the control and management of its business is exercised in Singapore (for example, if the company's Board of Directors meets and conducts the business of the company in Singapore). An individual is tax resident in Singapore in a year of assessment if, in the preceding year, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for 183 days or more, or if he resides in Singapore.

The corporate income tax rate in Singapore is 18.0% for the year of assessment 2009. It is proposed that the corporate rate be reduced to 17% for the year of assessment 2010. Further, corporate tax exemption will apply to the first S$300,000 of a company's chargeable income as follows:-

(i) 75.0% of up to the first S$10,000 of a company's chargeable income; and

(ii) 50.0% of up to the next S$290,000 of a company's chargeable income.

Further, certain companies will, subject to certain conditions, be eligible for full tax exemption on their normal chargeable income of up to S$100,000 a year for each of the company's first three years of assessment falling in or after year of assessment 2008. The conditions which a new company must satisfy in order to claim this exemption for a year of assessment include (a) it must be incorporated in Singapore; (b) it must be tax resident in Singapore for that year of assessment; and (c) it must have no more than 20 shareholders all of whom are individuals or at least one of whom is an individual holding at least 10% of the total number of issued ordinary shares of the company throughout the basis period for that year of assessment. The remaining chargeable income (after the tax exemption) will be taxed at the applicable corporate tax rate.

For a Singapore tax resident individual, the tax rate will vary according to the individual's circumstances but is subject to a maximum rate of 20% for year of assessment 2009 (i.e. calendar year 2008). It is proposed that the maximum rate will remain at 20% for year of assessment 2010 (i.e. calendar year 2009).

Non-resident individuals, subject to certain exceptions, are generally subject to income tax on income accrued in or derived from Singapore at the prevailing corporate tax rate. It is proposed that the corporate tax rate be reduced to 17% for year of assessment 2010.

CASH DIVIDEND DISTRIBUTIONS

As our Company will be tax resident in Singapore, dividends paid by our Company would be considered as sourced from Singapore. Dividends received in respect of our Shares by either Singapore tax resident or non-Singapore tax resident taxpayers are not subject to Singapore withholding tax. The exemption will not apply to a partnership in Singapore. There is no withholding tax on dividends paid to non-Singapore tax resident shareholders.

Dividend Distribution – Imputation System

Prior to 1 January 2003, Singapore applied an imputation system of taxing all dividends, except normal exempt dividends, paid by a Singapore tax resident company. Under the imputation system, the tax paid by a Singapore tax resident company on income subject to tax at the normal corporate tax rate would be imputed to, and deemed paid on behalf of, its shareholders upon distribution of such income as dividends. Thus, the shareholders would receive dividends ("**franked dividends**") net of such tax. The shareholders would be taxed in Singapore on the gross amount of the franked dividends (that is, on the amount of net dividends plus the tax credit attached to the dividends). The tax paid by the company would effectively become available to the shareholders as a tax credit to offset their Singapore income tax liabilities.

Dividend Distribution – One-tier Corporate Tax System ("one-tier system")

With effect from 1 January 2003, the imputation system (see "**Dividend Distribution – Imputation System**") has been replaced by a new one-tier system. Under this new system, the tax on corporate profits is final and Singapore dividends paid under the one-tier system would be tax exempt in the hands of the shareholder (both corporate or individual), regardless of whether the shareholder is a Singapore tax resident or otherwise. There will be no tax credits attached to such dividends.

Our Company, being a newly incorporated company, does not have any accumulated franking credits and will therefore, automatically be in the one-tier system and can only declare one-tier exempt dividends to our shareholders.

BONUS ISSUES AND SCRIP DIVIDENDS

Under current Singapore tax law and practice, a capitalisation of profits followed by the issue of new shares, credited as fully paid, *pro rata* to shareholders ("**bonus issue**") does not represent a distribution of dividends by a company to its shareholders. Therefore, a Singapore resident shareholder receiving shares by way of a bonus issue should not have a liability to Singapore tax.

When a dividend is to be satisfied wholly or in part in the form of an allotment of ordinary shares credited as fully paid, the dividend declared will be treated as income to its shareholder. However, as our Company is under the One-Tier System, such a dividend will be exempt from Singapore tax. Similarly, when shareholders are given the right to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash, the dividend declared will be treated as one-tier exempt dividend income and will not be subject to Singapore tax.

GAINS ON DISPOSAL OF SHARES

Singapore does not impose tax on capital gains. However, there are no specific laws or regulations which deal with the characterisation of capital gains. Hence, gains may be construed to be of an income nature and subject to tax especially if they arise from activities which the Inland Revenue Authority of Singapore ("**IRAS**") regards as the carrying on of a trade or business in Singapore.

Any profits from the disposal of our Shares, if regarded as capital gains by the IRAS, are not taxable in Singapore unless the seller is regarded as having derived gains of an income nature in Singapore, in which case, the disposal profits would be taxable as trading income and not treated as non-taxable capital gains.

ADOPTION OF FRS 39 TREATMENT FOR SINGAPORE INCOME TAX PURPOSES

On 30 December 2005, the IRAS issued a circular entitled "Income Tax Implications arising from the adoption of FRS 39 Financial Instruments: Recognition and Measurement" ("FRS 39 Circular"). Legislative amendments to give effect to the FRS 39 Circular have been enacted via the Income Tax (Amendment) Act 2006, with such amendments having been deemed to come into operation on 1 January 2005.

Prospective investors should consult their own accounting and tax advisers regarding FRS 39 and the related Singapore income tax consequences of their acquisition, holding or conversion of the Shares.

STAMP DUTY

No stamp duty is payable on the allotment or holding of our Shares. Stamp duty is payable on the instrument of transfer of our Shares at the rate of $2.00 for every $1,000 of the consideration for, or market value of our Shares, whichever is higher.

The purchaser is liable for stamp duty, unless otherwise agreed. No stamp duty is payable if no instrument of transfer is executed or the instrument of transfer is executed outside Singapore. However, stamp duty may be payable if the instrument of transfer which is executed outside Singapore is received in Singapore.

The above stamp duty is not applicable to electronic transfers of our Shares through the CDP. Please refer to the section "**Clearance and Settlement**" for further details.

GOODS AND SERVICES TAX ("GST")

The sale of our Shares by an investor belonging to Singapore through an SGX-ST member or to another person belonging in Singapore is an exempt supply not subject to GST. Any GST directly or indirectly incurred by an investor in respect of this exempt supply will become an additional cost to the investor.

Where our Shares are sold by an investor belonging outside Singapore, the sale is a taxable supply subject to GST at zero-rate. Any GST incurred by a GST-registered investor in the making of this supply in the course of furtherance of a business is claimable as a refund from the Comptroller of GST.

With effect from 1 July 2007, services such as brokerage, handling and clearing services rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's purchase, sale or holding of our Shares will be subject to GST at the current rate of 7 per cent. Similar services rendered to an investor belonging outside Singapore are subject to GST at zero-rate.

APPENDIX E: DESCRIPTION OF OUR SHARES

The following statements are brief summaries of our capital structure and of the more important rights and privileges of our ordinary shareholders as conferred by the laws of Singapore and our Articles of Association ("**Articles**"). These statements summarize the material provisions of our Articles but are qualified in entirety by reference to our Articles, a copy of which will be available for inspection at our offices during normal business hours for a period of 6 months from the date of this Prospectus.

ORDINARY SHARES

All of our Shares are in registered form. We may, subject to the provisions of the Act and the rules of the SGX-ST, purchase our own Shares. However, we may not, except in circumstances permitted by the Act, grant any financial assistance for the acquisition or proposed acquisition of our Shares.

NEW SHARES

New Shares may only be issued with the prior approval of our Shareholders in a general meeting. The aggregate number of Shares to be issued pursuant to a share issue mandate may not exceed 100% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital, of which the aggregate number of Shares to be issued other than on a *pro rata* basis to our Shareholders may not exceed 50% (or such other limit as may be prescribed by the SGX-ST) of our issued share capital (the percentage of issued share capital being based on our Company's issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of Shares). The approval, if granted, will lapse at the conclusion of the annual general meeting following the date on which the approval was granted or the date by which the annual general meeting is required by law to be held, whichever is the earlier. Subject to the foregoing, the provisions of the Act and any special rights attached to any class of shares currently issued, all new Shares are under the control of our Board of Directors who may allot and issue the same with such rights and restrictions as it may think fit.

SHAREHOLDERS

Only persons who are registered in our Register of Members and, in cases in which the person so registered is CDP, the persons named as the Depositors in the Depository Register maintained by CDP for the Shares, are recognised as our Shareholders. We will not, except as required by law, recognize any equitable, contingent, future or partial interest in any Share or other rights for any Share other than the absolute right thereto of the registered holder of that Share or of the person whose name is entered in the Depository Register for that Share. We may close our Register of Members for any time or times if we provide the Accounting and Corporate Regulatory Authority of Singapore with at least 14 days' notice and the SGX-ST at least ten clear Market Days' notice. However, the Register of Members may not be closed for more than 30 days in aggregate in any calendar year. We typically close our Register of Members to determine shareholders' entitlement to receive dividends and other distributions.

TRANSFER OF SHARES

There is no restriction on the transfer of fully paid Shares except where required by law or the Listing Manual or the rules or by-laws of any stock exchange on which our Company is listed. Our Board of Directors may decline to register any transfer of Shares which are not fully paid Shares or Shares on which we have a lien. Our Shares may be transferred by a duly signed instrument of transfer in a form approved by the SGX-ST or any stock exchange on which our Company is listed. Our Board of Directors may also decline to register any instrument of transfer unless, among other things, it has been duly stamped and is presented for registration together with the share certificate and such other evidence of title as they may require. We will replace lost or destroyed certificates for Shares if it is properly notified and if the applicant pays a fee which will not exceed $2 and furnishes any evidence and indemnity that our Board of Directors may require.

GENERAL MEETINGS OF SHAREHOLDERS

We are required to hold an annual general meeting every year. Our Board of Directors may convene an Extraordinary General Meeting whenever it thinks fit and must do so if shareholders representing not less than 10% of the total voting rights of all shareholders request in writing that such a meeting be held.

In addition, 2 or more shareholders holding not less than 10% of our issued share capital may call a meeting. Unless otherwise required by law or by our Articles, voting at general meetings is by ordinary resolution, requiring an affirmative vote of a simple majority of the votes cast at the meeting. An ordinary resolution suffices, for example, for the appointment of directors. A special resolution, requiring the affirmative vote of at least 75% of the votes cast at the meeting, is necessary for certain matters under Singapore law, including voluntary winding up, amendments to the Memorandum of Association and our Articles, a change of our corporate name and a reduction in our share capital. We must give at least 21 days' notice in writing for every general meeting convened for the purpose of passing a special resolution. Ordinary resolutions generally require at least 14 days' notice in writing.

The notice must be given to each of our shareholders who have supplied us with an address in Singapore for the giving of notices and must set forth the place, the day and the hour of the meeting and, in the case of special business, the general nature of that business.

VOTING RIGHTS

A holder of our Shares is entitled to attend, speak and vote at any general meeting, in person or by proxy. Proxies need not be shareholders. A person who holds Shares through the Depository will only be entitled to vote at a general meeting as a Shareholder if his name appears on the depository register maintained by CDP 48 hours before the general meeting. Except as otherwise provided in our Articles, 2 or more shareholders must be present in person or by proxy to constitute a quorum at any general meeting. Under our Articles, on a show of hands, every Shareholder present in person and by proxy shall have one vote (provided that in the case of a Shareholder who is represented by 2 proxies, the chairman of the meeting shall be entitled to treat the first named proxy as the authorised representative to vote on a show of hands), and on a poll, every Shareholder present in person or by proxy shall have one vote for each Share which he holds or represents. A poll may be demanded in certain circumstances, including by the chairman of the meeting or by any Shareholder present in person or by proxy and representing not less than 10% of the total voting rights of all shareholders having the right to attend and vote at the meeting or by any 2 shareholders present in person or by proxy and entitled to vote. In the case of an equality of votes, whether on a show of hands or a poll, the chairman of the meeting shall be entitled to a casting vote.

Dividends

We may, by ordinary resolution of our Shareholders, declare dividends at a general meeting, but we may not pay dividends in excess of the amount recommended by our Board of Directors. We must pay all dividends out of our profits. All dividends are paid *pro rata* among our Shareholders in proportion to the amount paid up on each Shareholder's Shares, unless the rights attaching to an issue of any Share provides otherwise. Unless otherwise directed, dividends are paid by cheque or warrant sent through the post to each Shareholder at his registered address. Notwithstanding the foregoing, the payment by us to CDP of any dividend payable to a Shareholder whose name is entered in the Depository Register shall, to the extent of payment made to CDP, discharge us from any liability to that Shareholder in respect of that payment.

Bonus and Rights Issue

Our Board of Directors may, with approval of our Shareholders at a general meeting, capitalise any reserves or profits (including profits or moneys carried and standing to any reserve) and distribute the same as bonus Shares credited as paid-up to our Shareholders in proportion to their shareholdings.

Our Board of Directors may also issue rights to take up additional Shares to Shareholders in proportion to their shareholdings. Such rights are subject to any conditions attached to such issue and the regulations of any stock exchange on which we are listed.

TAKEOVERS

Under the Singapore Code on Take-overs and Mergers (“**Singapore Take-over Code**“), issued by the Authority pursuant to section 321 of the Securities and Futures Act, any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30% or more of the voting Shares must extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Take-over Code. In addition, a mandatory takeover offer is also required to be made if a person holding, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% of the voting shares acquires additional voting shares representing more than 1.0% of the voting shares in any 6 month period. Under the Singapore Take-over Code, the following individuals and companies will be presumed to be persons acting in concert with each other unless the contrary is established:–

(a) the following companies:–

  (i) a company

  (ii) the parent company of (i);

  (iii) the subsidiaries of (i);

  (iv) the fellow subsidiaries of (i);

  (v) the associated companies of (i), (ii), (iii) or (iv); and

  (vi) companies whose associated companies include any of (i), (ii), (iii), (iv) or (v);

(b) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(e) a financial or other professional adviser, including a stockbroker, with its customer in respect of the shareholdings of:–

  (i) the adviser and persons controlling, controlled by or under the same control as the adviser; and

  (ii) all the funds which the adviser manages on a discretionary basis, where the shareholdings

  of the adviser and any of those funds in the customer total 10.0% or more of the customer’s equity share capital;

(f) directors of a company (together with their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for their company may be imminent;

(g) partners; and

(h) the following persons and entities:–

  (i) an individual;

  (ii) the close relatives of (i);

  (iii) the related trusts of (i);

  (iv) any person who is accustomed to act in accordance with the instructions of (i); and

  (v) companies controlled by any of (i), (ii), (iii) or (iv).

Under the Singapore Take-over Code, a mandatory offer made with consideration other than cash must be accompanied by a cash alternative at not less than the highest price paid by the offeror or any person acting in concert within the preceding 6 months.

LIQUIDATION OR OTHER RETURN OF CAPITAL

If we liquidate or in the event of any other return of capital, holders of our Shares will be entitled to participate in any surplus assets in proportion to their shareholdings, subject to any special rights attaching to any other class of shares.

INDEMNITY

As permitted by Singapore law, our Articles provide that, subject to the Act, our Board of Directors and officers shall be entitled to be indemnified by us against any liability incurred in defending any proceedings, whether civil or criminal, which relate to anything done or omitted to have been done as an officer, director or employee and in which judgement is given in their favour or in which they are acquitted or in connection with any application under any statute for relief from liability in respect thereof in which relief is granted by the court. We may not indemnify our Directors and officers against any liability which by law would otherwise attach to them in respect of any negligence, default, breach of duty or breach of trust of which they may be guilty in relation to us.

LIMITATIONS ON RIGHTS TO HOLD OR VOTE SHARES

Except as described in “Voting Rights” and “Takeovers” above, there are no limitations imposed by Singapore law or by our Articles on the rights of non-resident shareholders to hold or vote in respect of our Shares.

MINORITY RIGHTS

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Act, which gives the Singapore courts a general power to make any order, upon application by any of our shareholders, as they think fit to remedy any of the following situations where:

(a) our affairs are being conducted or the powers of our Board of Directors are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of our shareholders; or

(b) we take an action, or threaten to take an action, or our shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of our shareholders, including the applicant.

Singapore courts have a wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Act itself. Without prejudice to the foregoing, the Singapore courts may:

(a) direct or prohibit any act or cancel or vary any transaction or resolution;

(b) regulate the conduct of our affairs in the future;

(c) authorise civil proceedings to be brought in our name of, or on behalf of, by a person or persons and on such terms as the court may direct;

(d) provide for the purchase of a minority shareholder's Shares by our other shareholders or by us and, in the case of a purchase of Shares by us, a corresponding reduction of our share capital; or

(e) provide that we be wound up.

APPENDIX F: SUMMARY OF OUR MEMORANDUM AND ARTICLES OF ASSOCIATION

The discussion below provides a summary of the principal objects of our Company as set out in our Memorandum of Association and certain provisions of our Articles of Association and the laws of Singapore. This discussion is only a summary and is qualified by reference to Singapore law and our Memorandum and Articles of Association.

MEMORANDUM OF ASSOCIATION AND REGISTRATION NUMBER

We are registered in Singapore with the Registrar of Companies and Businesses. Our company registration number is 200706801H. Our Memorandum of Association sets out the objects for which our Company was formed, including taking, or otherwise acquiring, and holding shares, debentures, or other securities of any other company.

Summary of our Articles of Association

1. Directors

(a) Ability of interested directors to vote

A Director shall not vote in respect of any contract, proposed contract or arrangement or any other proposal whatsoever in which he has any personal material interest, whether directly or indirectly. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

(b) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by our Company by an ordinary resolution of our Company, shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the general meeting.

The remuneration in the case of a Director other than an Executive Director shall be payable by a fixed sum and shall not at any time be by a commission on or percentage of profits or turnover, and no Director whether an Executive Director or otherwise shall be remunerated by a commission on or a percentage of turnover.

Any Director who holds any executive office, or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine.

The Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme of fund to pay premiums.

The Directors may from time to time appoint one or more of their body to be Chief Executive Officer or Chief Executive Officers. Where an appointment is for a fixed term such term shall not exceed five years. A Chief Executive Officer (or person holding an equivalent position) who is a Director shall, subject to the provisions of any contract between him and our Company, be subjected to the same provisions as to rotation, resignation and removal as the other Directors of our Company.

The remuneration of a Chief Executive Officer (or person holding an equivalent position) shall from time to time be fixed by the Directors and may subject to these articles be by way of salary or commission or participation in profits or by any of all these modes but he shall not under any circumstances be remunerated by a commission on or a percentage of turnover.

(c) Borrowing

The Directors may exercise all the powers of our Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability, or obligation of our Company or of any third party.

(d) Shareholding Qualification

A Director shall not be required to hold any shares of our Company by way of qualification. A Director who is not a member of our Company shall nevertheless be entitled to attend and speak at general meetings.

2. Share rights and restrictions

(a) Issuance of Shares

No shares may be issued by the Directors without the prior approval of our Company in general meeting. The Directors may allot and issue shares or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of our Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors.

Any issue of shares for cash to members holding shares of any class shall be offered to such members in proportion as nearly as may be to the number of shares of such class then held by them. Any other issue of shares, the aggregate of which would exceed the limits referred to, shall be subject to the approval of our Company in general meeting.

(b) Dividends and Distribution

Our Company may by ordinary resolution declare dividends, but no such dividend shall exceed the amount recommended by the Directors. If and so far as in the opinion of the Directors the profits of our Company justify such payments, the Directors may declare and pay the fixed dividends.

All dividends in respect of shares must be paid in proportion to the number of shares held by a member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares.

All dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid.

No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes. No dividend or other moneys payable on or in respect of a share shall bear interest as against our Company. Any dividend or other moneys payable in case on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members. The payment by our Company to the Depository of any dividend payable to a Depositor shall, to the extent of the payment made to the Depository, discharge our Company from any liability to the Depositor in respect of that payment.

The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute our Company a trustee in respect thereof. All dividends and other moneys payable on or in respect of a share that are unclaimed after first becoming payable may be invested or otherwise made use of by the Directors for the benefit of our Company and any dividend or any such moneys unclaimed after a period of six years from the date they are first payable may be forfeited and if so shall revert to our Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the moneys so forfeited to the person entitled thereto prior to the forfeiture.

The Directors may retain any dividends or other moneys payable on or in respect of a share on which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

(c) Voting Rights

A holder of a share shall be entitled to be present and to vote at any general meeting. Each member entitled to vote may vote in person or by proxy. For the purpose of determining the number of votes which a member, being a Depositor, or his proxy may cast at any general meeting on a poll, the reference to shares held or represented shall, in relation to shares of that Depositor, be the number of shares entered against his name in the Depository Register as at 48 hours before the time of the relevant general meeting as certified by the Depository to our Company.

On a show of hands, every shareholder present in person and by proxy shall have one vote, and on a poll, every shareholder present in person or by proxy shall have one vote for each ordinary share which he holds or represents. Save as herein otherwise provided, the quorum at any general meeting shall be two or more members present in person or by proxy.

A poll demanded on any question shall be taken either immediately or at such subsequent time (not being more than 30 days from the date of the meeting) and place as the Chairman may direct. No notice need be given of a poll not taken immediately. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded. In the case of an equality of votes, whether on a show of hands or a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote.

3. Change in capital

Our Company may by ordinary resolution: consolidate and divide all or any of its shares; sub-divide its shares, or any of them (subject, nevertheless, to the provisions of the Statutes), and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as our Company has power to attach to new shares; and subject to the provisions of the Statutes, convert any class of shares into any other class of shares.

4. Variation of rights of existing shares or classes of shares

Whenever the share capital of our Company is divided into different classes, any rights attached to any class may be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting all the provisions of these articles relating to general meetings of our Company and to proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two persons at least holding or representing by proxy at least one-third of the issued shares of the class, and that any holder of shares of the class present in person or by proxy may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him. Where the necessary majority for such a special resolution is not obtained at such general meeting, consent in writing if obtained from the holders of three-quarters of the issued shares of the class concerned within two months of such general meeting shall be as valid and effectual as a special resolution carried at such general meeting. The foregoing provisions of this article shall apply to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied.

LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws and regulations. Decided court cases do not constitute binding precedents, although they may be used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC (the "**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing the State organs, civil and criminal matters. Pursuant to the PRC Constitution, the Standing Committee of the NPC is empowered to interpret the PRC Constitution and laws and to enact and amend the laws except those within the NPC's power to enact. When the NPC is not in session, the Standing Committee of the NPC may, to a limited extent, make supplementaries and amendments to the laws enacted by the NPC. However, such supplementaries and amendments shall not conflict with the basic principles of the laws enacted by the NPC.

The State Council is the highest organ of State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must not conflict with the PRC Constitution and the national laws enacted by the NPC and its Standing Committee. In the event of conflict, the NPC is empowered to amend or repeal laws enacted by the Standing Committee of the NPC, which are considered as inappropriate, and to repeal regulations on the exercise of autonomy and specific rules, which are approved by the Standing Committee of the NPC and are contrary to the PRC Constitution. In addition, the Standing Committee of the NPC is empowered to repeal administrative regulations which are contrary to the PRC Constitution and laws, to repeal regional laws which are contrary to the PRC Constitution, laws and administrative regulations and to repeal regulations on the exercise of autonomy and specific rules which are approved by the Standing Committees of the People's Congress at the provinces, autonomous regions and cities under the jurisdiction of the central government and are contrary to the PRC Constitution.

At the regional level, the people's congresses of provinces and municipalities and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local laws and regulations cannot be in conflict with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

Rules, regulations or directives may be enacted or issued at the provincial or municipal level or by the State Council or its ministries and commissions in the first instance for experimental purposes. After sufficient experience has been gained, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The power to interpret law is vested by the PRC Constitution in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Law)（全国人民代表大会常务委员会关于加强法律解释工作的决议）passed on 10 June 1981, the Supreme People's Court has the power to give general interpretation on application of laws in judicial proceedings in addition to its power to issue specific interpretation for specific cases. The State Council and its ministries and commissions are also vested with the power to give interpretation of the rules and regulations which they have promulgated. At the regional level, the power to give interpretations of the regional laws is vested in the regional legislative and administrative organs which promulgate such laws.

All such interpretations carry legal effect.

JUDICIAL SYSTEM

The people's courts are the judicial organs of the PRC. Under the PRC Constitution (中国人民共和国宪法) and the Law of Organization of the People's Courts of the PRC (中国人民共和国人民法院组织法), the people's courts are made up of the Supreme People's Court, the local people's courts at different levels, military courts and other specialised people's courts. The local people's courts are divided into 3 levels, namely, the grass-root people's courts, the intermediate people's courts and the higher people's courts. The grass-root people's courts are divided into civil, criminal, economic and administrative divisions. The intermediate people's courts have divisions similar to those of the grass-root people's courts and other special divisions (such as the intellectual property division) in accordance with needs. The judicial work of people's courts at lower levels is subject to supervision of people's courts at higher levels. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and the lower level. The Supreme People's Court is the highest judicial organ of the PRC. It supervises the administration of justice by the people's courts at all levels.

The people's courts adopt a 2-tier final appeal system. A party may, before the taking effect of a judgment or order, appeal against the judgment or order of the first instance of a local people's court to the people's court at the next higher level. Judgments or orders of the second instance of the same level and at the next higher level are final and binding. Judgments or orders of the first instance of the Supreme People's Court are also final and binding. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a final and binding judgment which has taken effect in the court over which he presides, a retrial of the case may be conducted according to the judicial supervision procedures.

The PRC civil procedures are governed by the Civil Procedure law of the PRC (中华人民共和国民事诉讼法) (the "**Civil Procedure Law**") adopted on 9 April 1991 and amended on 28 October 2007 and effective on 1 April 2008 which prescribes the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action, the court procedures, and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. A civil case is generally heard by a court located in the defendant's place of domicile. The jurisdiction may also be selected by explicit agreement by the parties to a contract provided that the people's court having the jurisdiction is located at the plaintiff's or the defendant's place of domicile, the place of execution or implementation of the contract or the object of the action but it must not violate the regulations in respect of hierarchy and jurisdiction of the courts as stated in the Civil Procedure Law. A foreign national or foreign enterprise is given the same litigation rights and obligations as a citizen or legal person of the PRC. Should a court of a foreign country limit the litigation rights of PRC citizens and enterprises, the PRC courts shall apply the same limitations to the citizens and enterprises of that foreign country. If any party to a civil action refuses to comply with a judgment or order made by a people's court or an award made by an arbitration organ in the PRC, the aggrieved party may apply to the people's court to enforce the judgment, order or award. There are time limits imposed on the right to apply for such enforcement. If at least one of the parties to the dispute is an individual, the time limit is one year. If both parties to the dispute are legal persons or other institutions, the time limit is 6 months. However, from 1 April 2008, such time limit was extended to 2 years, no matter the nature of the parties to the dispute. If a person fails to satisfy a judgment which the court has granted approval to enforce within the stipulated time, the court will, upon application of either party, mandatory enforce the judgment.

A party seeking to enforce a judgment or order of a people's court against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of such judgment or order. A foreign judgment or ruling may also be recognised and enforced according to the PRC enforcement procedures by the people's court in accordance with the principle of reciprocity or if the PRC has entered into an international treaty with the relevant foreign country or which is acceded to by the PRC which provides for such recognition and enforcement unless the people's court considers that the recognition of a judgment or ruling will violate the basic legal principles of the PRC or its sovereignty or security, or for reasons of social and public interest.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (中华人民共和国仲裁法) (the "**Arbitration Law**") was promulgated by the Standing Committee of the NPC on 31st August, 1994 and came into effect on 1st September, 1995. It is applicable to, among other matters, trade disputes involving foreign parties where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by an agreement provided arbitration as a method for dispute resolution, the parties are not permitted to institute legal proceedings in a people's court.

Under the Arbitration Law, an arbitral award is final and binding on the parties and if a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration committee if there were mistakes, an absence of material evidence or irregularities over the arbitration proceedings, or the jurisdiction or constitution of the arbitration committee. A party seeking to enforce an arbitral award of a foreign affairs arbitration body of the PRC against a party who or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognised and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC.

In respect of contractual and non-contractual commercial-law-related disputes which are recognised as such for the purposes of the PRC law, the PRC has acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Award ("**New York Convention**") adopted on 10th June, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on 2nd December, 1986. The New York Convention provides that all arbitral awards made by a state which is a party to the New York Convention shall be recognised and enforced by other parties to the New York Convention subject to their right to refuse enforcement under certain circumstances including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC at the time of the accession of the PRC that (1) the PRC would only recognize and enforce foreign arbitral awards on the principle of reciprocity and (2) the PRC would only apply the New York Convention in disputes considered under PRC laws to be arising from contractual and non-contractual mercantile legal relations.

LAWS RELATING TO WHOLLY FOREIGN-OWNED ENTERPRISE ("WFOE")

WFOEs are governed by the Law of the People's Republic of China on WFOE (中华人民共和国外资企业法) which was promulgated on 12th April 1986 and revised on 31st October 2000, and its Implementation Regulations promulgated on 12th December 1990 as amended on 12 April 2001 (together the "**WFOE Law**").

Procedures for Establishment of a WFOE

The establishment of a WFOE will have to be approved by MOC (or its delegated authorities). If 2 or more foreign investors jointly apply for the establishment of a WFOE, a copy of the contract between the parties must also be submitted to MOC (or its delegated authorities) for its record. A WFOE must also obtain a business licence from State Administration for Industry and Commerce before it can commence business.

Nature

A WFOE is generally a limited liability company under the WFOE Law. It is a legal person which may independently assume civil obligations, enjoy civil rights and has the right to own, use and dispose of property. It is required to have a registered capital contributed by the foreign investor(s). The liability of the foreign investor may make its contributions by amount of registered capital contributed. A foreign investor may make its contributions by instalments and the registered capital must be contributed within the period as approved by MOC (or its delegated authorities) in accordance with relevant regulations.

Profit Distribution

The WFOE Law provides that after payment of taxes, a WFOE must make contributions to a reserve fund and an employee bonus and welfare fund. The allocation ratio for the employee bonus and welfare fund may be determined by the enterprise. However, at least 10% of the after tax profits must be allocated to the reserve fund. If the cumulative total of allocated reserve funds reaches 50% of an enterprise's registered capital, the enterprise will not be required to make any additional contribution. The enterprise is prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

COMPANY LAW

The establishment and operation of corporate entities in China is governed by the Chinese Company Law, which was promulgated by the Standing Committee of the NPC on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004, and 27 October 2005.

The Chinese Company Law generally governs 2 types of companies — limited liabilities companies and joint stock limited companies. Both types of companies have the status of legal persons, and the liability of a company to its debtors is limited to the value of assets owned by the company. Liabilities of shareholders of a limited liability company are limited to the amount of registered capital they have contributed.

The amendments to Chinese Company Law adopted in October 2005 seek to reform various aspects of the 1993 China Company Law and simplify the establishment and operation of companies incorporated in China by lowering capitalisation requirements, increasing shareholder and creditor protection, improving corporate governance, and relaxing rules regarding the establishment of subsidiaries. Further, the restriction relating to the total investment of a company in other entities exceeding 50% of its net assets has been removed, the incorporation of one-shareholder limited liability companies in addition to wholly State-owned enterprises is permitted, and the Chinese Company Law shall apply to foreign invested limited liability companies. Where laws on foreign investment have other stipulations, such stipulations shall apply.

FOREIGN EXCHANGE CONTROL

Prior to 31 December 1993, enterprises in the PRC requiring foreign currency were required to obtain approval from the State Planning Committee and the Ministry of Foreign Trade and Economic Cooperation before it could convert RMB into foreign currency, and such conversion had to be effected at the official rate prescribed by the State Administration for Foreign Exchange ("**SAFE**"). RMB reserved by foreign investment enterprises ("**FIE**"s) could also be converted into foreign currency at swap centres with the prior examination and verification by SAFE. The exchange rates used by swap centres were largely determined by the supply of and demand for foreign currencies and RMB.

On 28 December 1993, the People's Bank of China announced that the dual exchange rate system for RMB against foreign currencies would be abolished with effect from 1 January 1994 and be replaced by the unified exchange rate system. Under the new system, the People's Bank of China publishes the RMB exchange rate against the United States dollar daily. The daily exchange rate is set by reference to the RMB/US$ trading price on the previous day on the "inter-bank foreign exchange market".

On 1 April 1996, the Foreign Exchange Control Regulations of the PRC (中华人民共和国外汇管理条例) (as amended on 14 January 1997) came into effect. On 20 June 1996, the Regulations on Sale and Purchase of and Payment in Foreign Exchange (结汇、售汇及付汇管理规定) were promulgated by the People's Bank of China and came into effect on 1 July 1996.

On 25 October 1998, the People's Bank of China and SAFE issued a Joint Announcement on Abolishment of Foreign Exchange Swap Business (中国人民银行、国家外汇管理局关于停办外汇调剂业务的通知) which stated that from 1 December 1998, foreign exchange transactions for FIEs may only be conducted at designated banks.

On 9 September 2002, Notice on Further Policy and Related Issues Concerning Current Transaction Foreign Exchange Accounts of Domestic Entities (国家外汇管理局关于进一步调整经常项目外汇账户管理政策有关问题的通知) was promulgated by SAFE.

On 21 October 2005, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in financing and in Return Investment via Overseas Special Purpose Companies (国家外汇管理局关于境内居民通过境外特殊目的公司融资及返程投资外汇管理有关问题的通知) ("**Notice 75**") which came into effect on 1 November 2005. Under Notice 75, PRC residents, including PRC Companies and PRC resident individuals, have to register their foreign investments with the local SAFE prior to incorporating or taking control of a special purpose vehicle (the "**SPV**"). Where a PRC resident contributes the assets or stock rights of a domestic enterprise that it owns into a SPV, or engages in capital financing abroad after contributing assets or stock rights into SPV, it has to register such change. Other than the abovementioned registration requirement, Notice 75 also requires PRC residents to register, modify or record with the local foreign exchange authority within 30 days from the date of increase/decrease of capital, share transfer, mergers or division, change in long-term equity or debt investments and guarantees in or by the SPV. In addition, the proceeds from overseas listing of the SPV shall, according to the repatriation plan submitted to the foreign exchange administration for record, be repatriated according to current regulations for the administration of foreign exchange. In addition, the foreign exchange income from profits, bonus and capital change obtained by the PRC residents from the SPV shall be repatriated within 180 days.

On 6 June 2006, SAFE issued a Circular on the Revision of Certain Foreign Exchange Control Policies Relating to Overseas Investment (国家外汇管理局关于调整部分境外投资外汇管理政策的通知) ("**Circular 27**"), which came into effect on 1 July 2006. Circular 27 provides the preliminary resources and procedures for the purchase and payment of foreign exchange required of domestic investors qualified as legal persons when investing overseas and sets out the requirements for purpose of use and the maximum amount of the preliminary costs for an overseas investment project to be remitted out of the PRC as well as the approval procedures for the remittance thereof.

On 12 August 2007, SAFE promulgated Notice on the Retaining of Foreign Exchange Earnings by Domestic Entity (关于境内机构自行保留经常项目外汇收入的通知), which provides that from 12 August 2007, domestic entity may retain its recurrent foreign exchange earnings according to their needs for operation.

On 1 August 2008, the revised Foreign Exchange Control Regulations of the PRC was adopted by the State Council and was promulgated for implementation on 5 August 2008.

In summary, taking into account the promulgation of the recent new regulations and to the extent the existing provisions stipulated in previous regulations do not contradict these new regulations, the present position under the PRC law relating to foreign exchange control are as follows:

1. The previous dual exchange rate system for RMB was abolished and a managed floating exchange rate system based largely on supply and demand with reference to a basket of currencies was introduced. The People's Bank of China, will announce the closing price of foreign currencies against the RMB in the inter-bank foreign exchange market after the closing of the market on each working day, and will make it the central parity for trading against the RMB on the following working day.

2. Foreign exchange earnings of domestic entities may be transferred to China or held abroad according to the regulations stipulated by SAFE.

3. FIEs may have their own foreign currency accounts and are also permitted to retain their recurrent exchange earnings according to their needs of operation and the sums retained may be deposited into foreign exchange bank accounts maintained with designated banks.

4. Reservation or sale of capital account foreign exchange earnings to designated banks shall be approved by the foreign exchange control administration unless stated otherwise. Foreign exchange funds from capital account shall only be used according to the purpose approved by the foreign exchange control administration and the relevant competent authorities.

5. Where a foreign enterprise makes a direct investment or carries out the issuance and/or business of securities or other derivatives within the PRC, or where a domestic entity makes a direct investment or carries out the issuance and/or business of securities or other derivatives outside the PRC, it shall go through the registration procedure according to the relevant regulations stipulated by SAFE. A guarantee or a commercial loan provided to the entity outside the PRC by a domestic entity shall be subject to approval and registration with relevant foreign exchange administration. The utilisation of foreign debts by an enterprise shall be in compliance with relevant regulations and has to undergo foreign debt registration with the foreign exchange control administration.

6. FIEs which require foreign exchange for their ordinary trading activities such as trade services and payment of interest on foreign debts may purchase foreign exchange from designated foreign exchange banks if the application is supported by proper payment notices or supporting documents.

7. FIEs may require foreign exchange for the payment of dividends that are payable in foreign currencies under applicable regulations, such as distributing profits to their foreign investors. They can withdraw funds from their foreign exchange bank accounts kept with designated foreign exchange banks, subject to the due payment of tax on dividends. Where the amount of the funds in foreign exchange is insufficient, the FIE may, upon the presentation of the resolutions of the directors on the profit distribution plan and other relevant documents, purchase foreign exchange from designated foreign exchange banks.

8. FIEs may apply to the Bank of China or other designated foreign exchange banks to remit profit out of the PRC to the foreign parties if the requirements provided by the PRC laws, rules and regulations are met.

9. Strict supervision and control by foreign exchange control administration has been imposed upon FIEs established in the manner of acquisitions of the PRC enterprises by foreign enterprises with PRC residents as shareholders.

TAXATION

Income Tax

Pursuant to the Income Tax Law of the PRC on Foreign Investment Enterprises and Foreign Enterprises (中华人民共和国外商投资企业和外国企业所得税法), together with its Implementation Rules (中华人民共和国外商投资企业和外国企业所得税法实施细则) which came into effect on 1 July 1994, (collectively the "**Income Tax Law**") sino-foreign equity joint ventures, and wholly-owned foreign investment enterprises in PRC (collectively, FIEs) are subject to a 30% income tax plus a 3% local income tax.

FIEs engaged in production having a period of operation of not less than 10 years shall be exempted from income tax for the first 2 profit making years and a 50% reduction in the income tax payable for the next 3 years. If, in any year after the expiration of the period of tax exemption and reduction, the value of the products exported by a FIE constitutes 70% or more of its total turnover, the enterprise qualifies as an "export-oriented" enterprise, and will be entitled to a 50% tax reduction for that year. For those "export-oriented" enterprises established in the 5 special economic zones of PRC, the minimum tax rate is 10%.

All FIEs established in the 5 special economic zones of PRC, for example, Shenzhen Special Economic Zone, and FIEs of a production nature located in one of the "economic and technological development zones" are entitled to pay a national income tax rate of 15%. Preferential income tax rates of 24% are also available to, amongst others, FIEs of a production nature located in one of the designated "open economic zones" in the coastal regions of PRC. The 3% local income tax may be reduced or waived by the local government at the provincial level of the place in which the FIEs are located. Income tax is computed annually and payable on a quarterly basis.

Under the Income Tax Law, the foreign investor in a FIE is not required to pay income tax on profits or dividends derived from the FIE and will not be subject to any withholding tax on the outward remittance on such profits or dividends.

The law of the People's Republic of China on Enterprise Income Tax (中华人民共和国企业所得税法) was promulgated by NPC on 16 March 2007 and came into effect on 1 January 2008. The Chinese domestic enterprises and FIEs are treated equally on the income tax rate, and the enterprise income tax rate shall be 25%, but the non-resident enterprise which has no establishment in China, or has establishment but the income has no relationship with such establishment, it shall pay enterprise income tax on such income sourced from China, and the income tax rate shall be 20%.

The enterprises that were approved and established prior to the promulgation hereof and that, in accordance with then effective tax laws and administrative regulations, enjoy a special lower tax rate shall, in accordance with the provisions of the State Council, progressively transit to the tax rate specified herein within 5 years following the implementation hereof. Those enterprises that enjoy a fixed-term tax exemption or tax reduction shall, in accordance with the provisions of the State Council, continue to enjoy such exemption or reduction after the implementation hereof until the expiration of the term of such exemption or reduction. However, if an enterprise did not enjoy such preferential treatment because it has not yet achieved profitability, the term of such preferential treatment shall be calculated from 1 January 2008 until the expiration of the term of such exemption or reduction.

Value Added Tax

Pursuant to the Provisional Regulations of the PRC Concerning Value Added Tax (中华人民共和国增值税暂行条例) ("**VAT Regulations**") promulgated by the State Council which came into effect on 1 January 1994 (as amended on 10 November 2008 and came into effect on 1 January 2009) and its Implementation Rules (中华人民共和国增值税暂行条例实施细则), value added tax is imposed on goods sold in or imported into the PRC and on processing, repair and replacement services provided within the PRC.

A FIE, if it is not qualified as a small-scale VAT tax payer, is subject to value added tax at the rate of 17% on the sale and import of goods (unless the goods fall within Article 2(2) of the VAT Regulations, such as grain, water, gas and newspapers, in which case the VAT rate is 13%) as well as on processing, repair and replacement services. Goods exported will be taxed at a rate of 0%, except where otherwise determined by the State Council. A FIE importing goods will pay value added tax on the total value of the goods.

Business Tax

Pursuant to the Provisional Regulations of the PRC Concerning Business Tax (中华人民共和国营业税暂行条例) promulgated by the State Council which came into effect on 1 January 1994 (as amended on 10 November 2008 and came into effect on 1 January 2009) and its Implementation Rules (中华人民共和国营业税暂行条例实施细则), business that provide services including entertainment business, assign intangible assets or sell immovable property became liable to business tax at a rate ranging from 3% to 20% of the charges of the services provided, intangible assets assigned or immovable property sold, as the case may be.

Tax on income from China derived by a Non-Resident enterprise

According to New Income Tax Law and Implementing Regulations of New Income Tax Law, income such as dividends, rental, interest and royalty from China derived by a Non-Resident enterprise which has no establishment in China or has establishment but the income has no relationship with such establishment is subject to a 10% withholding tax, subject to reduction as provided by any applicable double taxation treaty, unless the relevant income is specifically exempted from tax under the applicable income tax laws, regulations, notices and decisions which relate to FIEs and their investors.

According to Taxation Arrangement, the applicable income tax rate for dividends arising from enterprises incorporated in China of an enterprise incorporated in Hong Kong or a foreign enterprise incorporated outside Hong Kong but being controlled or managed in Hong Kong is 5%, if such enterprise holds not less than 25% equity interest in the said enterprises incorporated in China.

ENVIRONMENTAL PROTECTION

In accordance with the Environmental Protection Law of the PRC (中华人民共和国环境保护法) adopted by the Standing Committee of the NPC on 26th December, 1989, the Administration Supervisory Department of Environmental Protection of the State Council sets the national guidelines for the discharge of pollutants. The provincial and municipal governments of provinces, autonomous regions and municipalities may also set their own guidelines for the discharge of pollutants within their own provinces or districts in the event that the national guidelines are inadequate.

A company or enterprise which causes environmental pollution and discharges other polluting materials which endanger the public should implement environmental protection methods and procedures into their business operations. This may be achieved by setting up a system of accountability within the company's business structure for environmental protection; adopting effective procedures to prevent environmental hazards such as waste gases, water and residues, dust powder, radioactive materials and noise arising from production, construction and other activities from polluting and endangering the environment. The environmental protection system and procedures should be implemented simultaneously with the commencement of and during the operation of construction, production and other activities undertaken by the company. Any company or enterprise which discharges environmental pollutants should report and register such discharge with the Administration Supervisory Department of Environmental Protection and pay any fines imposed for the discharge. A fee may also be imposed on the company for the cost of any work required to restore the environment to its original state. Companies which have cause severe pollution to the environment are required to restore the environment or remedy the effects of the pollution within a prescribed time limit.

If a company fails to report and/or register the environmental pollution caused by it, it will receive a warning or be penalised. Companies which fail to restore the environment or remedy the effects of the pollution within the prescribed time will be penalised or have their business licences terminated. Companies or enterprises which have polluted and endangered the environment must bear the responsibility for remedying the danger and effects of the pollution, as well as to compensate the any losses or damages suffered as a result of such environmental pollution.

Under the Prevention and Control of Water Pollution Law (中华人民共和国水污染防治法), companies which discharge pollutants directly or indirectly into bodies of water must register with the environmental protection department of the local government at county level or above in the area where they are situated. Such companies must provide information on their facilities which discharge such pollutants, their treatment production bases, the type, amount and concentration of the pollutants discharged under normal business operations, in accordance with regulations set by the Administration Supervisory Department of Environmental Protection of the State Council. If there are significant changes to the type, amount or concentration of pollutants being discharged, such changes must be reported immediately. The dismantling or non-usage of pollution treatment production bases also require the approval of the environmental protection department of the local government at county level or above.

Under the Prevention and Control of Atmospheric Pollution Law (中华人民共和国大气污染防治法), companies which discharge pollutants into the atmosphere must provide details of the discharge to the environmental protection department of the local government. Such details must include the facilities which discharge such pollutants, their treatment production bases, the type, amount and concentration of the pollutants discharged under normal business operations, in accordance with regulations made by the Administration Supervisory Department of Environmental Protection of the State Council. If there are significant changes to the type, amount or concentration of pollutants being discharged, such changes must be reported immediately. The dismantling or non-usage of pollution treatment production bases also requires the approval of the environmental protection department of the local government.

Under the Prevention and Control of Solid Waste Pollution Law (中华人民共和国固体废物污染环境防治法), companies which discharge solid waste pollution shall be responsible for their pollution. Companies must register with the local relevant authority for their solid waste pollution, and must provide information in relation to the type, amount, discharge and treatment of such pollution, in accordance with regulations made by the Administration Supervisory Department of Environmental Protection of the State Council. If there are significant changes to the type, amount or concentration of pollutants being discharged, such changes must be reported immediately. The dismantling or non-usage of pollution treatment production bases also requires the approval of the environmental protection department of the local government.

FOOD HYGIENE

Under the Food Hygiene Regulations of the People's Republic of China (中华人民共和国食品卫生法) which came into effect on 30 October 1995 and the Regulation on Administration of Food Hygiene Permits (食品卫生许可证管理办法) being effective from 1 June 2006, any business conducted within the PRC relating to food production must obtain a Hygiene Permit (卫生许可证) issued by the Department of Hygiene before commencement of any such business activity.

Under the Food Export and Production Business Hygiene Registration Management Rules (出口食品生产企业卫生注册登记管理规定), any business conducted within the PRC which involves the production, procession or storage of food products for export must obtain the relevant Hygiene Registration Certificates (卫生注册证书) before the commencement of such activities.

According to Administrative Measures for Exported & Imported Food Labelling (进出口食品标签管理办法) promulgated dated 15 February 2000 and effective dated 1 April 2000, labelling of exported and imported food shall be subject to prior examination and approval and subsequently be granted Approval Certificate for Exported and Imported Food.

Under the Administrative Measures for Food Production and Supervision on Quality and Safety of Food Processing Enterprises (食品生产加工企业质量安全监督管理办法) promulgated on 18 July 2003, where a food processing enterprise sells the foods produced or processed by it within the territory of PRC, it shall apply for the Production License of Industrial Products (全国工业产品生产许可证) according to PRC laws.

The Food Safety Law of the People's Republic of China (中华人民共和国食品安全法) ("Food Safety Law"), which was adopted and promulgated on 28 February 2009 and came into effect on 1 June 2009, introduced provisions and established a series of systems concerning food safety supervision, food safety standards, monitoring and assessment of food safety risks, food production and business operation, handling of food safety accidents and import and export of food. The State shall adopt a licensing system for the food production and business operation and the production of food additives. Those intending to engage in food production, food circulation or catering services shall obtain a license for food production, food circulation or catering services. Moreover, the Food Safety Law requires that an export food production enterprise or planting and breeding plants of raw materials for the exported food shall go through the filing formalities at the entry-exit inspection and quarantine department of the State. In addition, the Food Safety Law stipulated the corresponding legal liabilities for violation of this law.

The Law of the People's Republic of China on Labour Contracts (中华人民共和国劳动合同法)

The Law of the People's Republic of China on Labour Contracts (the "Labour Contracts Law") promulgated by the Standing Committee of NPC on 29 June 2007 which took effect on 1 January 2008, establishes the provisions of the conclusion, execution, modification, dissolution or termination of labour contracts. An employer's labour relationship with an employee shall be established on the date the employee is put to work. If an employer unit fails to conclude a written labour contract with an employee more than a month but less than a year after the date on which the employee is put to work, if shall pay the employee twice his wages each month. Where an employee has been working with an employer continuously for not less than 10 years, or where a labour contract is renewed with a fixed-term labour contract having been concluded on 2 consecutive occasions earlier, the employer and the employee shall conclude an open-ended labour contract. Where the labour contract is a fixed-term contract that is terminated due to expiration, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current labour contract, or where the employer fails to pay social insurance premiums for the employee in accordance with the law, or where any other circumstance formulated by the Labour Contracts Law occurs, the employer shall pay the employee financial compensation based upon the number of years worked at the employer at the rate of one month's wages for each full year worked.

APPENDIX H: TERMS AND CONDITIONS AND PROCEDURES FOR APPLICATION

You are invited to apply and subscribe for and/or purchase the Invitation Shares subject to the following terms and conditions:-

1. **YOUR APPLICATION MUST BE MADE IN LOTS OF 1,000 INVITATION SHARES OR INTEGRAL MULTIPLES THEREOF. YOUR APPLICATION FOR ANY OTHER NUMBER OF SHARES WILL BE REJECTED.**

2. Your application for the Offer Shares may be made by way of printed Offer Shares Application Forms or by way of applications through ATMs of the Participating Banks ("**ATM Electronic Application**") or through Internet Banking websites of the relevant Participation Banks ("**Internet Electronic Application**", which together with ATM Electronic Applications shall be referred to as "**Electronic Applications**").

   Your application for the Placement Shares may only be made by way of printed Placement Shares Application Form. **YOU MAY NOT USE CENTRAL PROVIDENT FUND ("CPF") FUNDS TO APPLY FOR THE INVITATION SHARES.**

3. **You are allowed to submit only one application in your own name for the Offer Shares. If you submit an application for Offer Shares by way of an Application Form, you MAY NOT submit another application for Offer Shares by way of an Electronic Application and vice versa. Such separate applications shall be deemed to be multiple applications and shall be rejected, (except in the case of applications by approved nominees companies, where each application is made on behalf of a different beneficiary.**

   If you submit an application for Offer Shares by way of an ATM Electronic Application, you MAY NOT submit another application for Offer Shares by way of an Internet Electronic Application and vice versa. Such separate applications shall be deemed to be multiple applications and shall be rejected.

   If you, being other than an approved nominee company, have submitted an application for Offer Shares in your own name, you should not submit any other application for Offer Shares, whether by way of an Application Form or by way of an Electronic Application, for any other person. Such separate applications shall be deemed to be multiple applications and shall be rejected.

   You are allowed to submit only one application in your own name for the Placement Shares. Any separate application by you for the Placement Shares are be deemed to be multiple applications and the Company and the Vendors have the discretion whether to accept or reject such multiple applications.

   If you, being other than an approved nominee company, have submitted an application for Placement Shares in your own name, you should not submit any other application for Placement Shares for any other person. Such separate applications shall be deemed to be multiple applications and will be liable to be rejected at the discretion of Company and the Vendors.

   If you have made an application for Placement Shares, and you have also made a separate application for Offer Shares, either by way of an Application Form or through an Electronic Application, the Company and the Vendors shall have the discretion to either (i) reject both of such separate application or (ii) accept any one (but not the other) out of such separate applications.

   Conversely, if you have made an application for Offer Shares either by way of an Application Form or through an Electronic Application, and you have also made a separate application for Placement Shares, the Company and the Vendors shall have the discretion to either (i) reject both of such separate application or (ii) accept any one (but not the other) out of such separate applications.

Joint applications shall be rejected. Multiple applications for Invitation Shares may be rejected at the discretion of our Company and the Vendors. If you submit or procure submissions of multiple share applications (whether for Offer Shares, Placement Shares or both Offer Shares and Placement Shares), you may be deemed to have committed an offence under the Penal Code, Chapter 224 of Singapore and the Securities and Futures Act, Chapter 289 of Singapore, and your applications may be referred to the relevant authorities for investigation. Multiple applications or those appearing to be or suspected of being multiple applications may be rejected at the discretion of our Company and the Vendors.

4. We will not accept applications from any person under the age of 18 years, undischarged bankrupts, sole-proprietorships, partnerships, non-corporate bodies, joint Securities Account holders of CDP and from applicants whose addresses (as furnished in their Application Forms or, in the case of Electronic Applications, contained in the records of the relevant Participating Banks as the case may be) bear post office box numbers. No person acting or purporting to act on behalf of a deceased person is allowed to apply under the Securities Account with CDP in the deceased's name at the time of application.

5. We will not recognise the existence of a trust. Any application by a trustee or trustees must be made in his/their own name(s) and without qualification or, where the application is made by way of an Application Form by a nominee, in the name(s) of an approved nominee company or approved nominee companies after complying with paragraph 6 below.

6. **WE WILL ONLY ACCEPT APPLICATIONS FROM APPROVED NOMINEE COMPANIES.** Approved nominee companies are defined as banks, merchant banks, finance companies, insurance companies, licensed securities dealers in Singapore and nominee companies controlled by them. Applications made by persons acting as nominees other than approved nominee companies shall be rejected.

7. **IF YOU ARE NOT AN APPROVED NOMINEE COMPANY, YOU MUST MAINTAIN A SECURITIES ACCOUNT WITH CDP IN YOUR OWN NAME AT THE TIME OF YOUR APPLICATION.** If you do not have an existing Securities Account with CDP in your own name at the time of your application, your application will be rejected (if your application is by way of an Application Form), or you will not be able to complete your Electronic Application (if your application is by way of an Electronic Application). If you have an existing Securities Account with CDP but fail to provide your Securities Account number or provide an incorrect Securities Account number in Section B of the Application Form or in your Electronic Application, as the case may be, your application is liable to be rejected. Subject to paragraph 8 below, your application shall be rejected if your particulars such as name, NRIC/passport number, nationality and permanent residence status and CDP Securities Account Number provided in your Application Form, or in the case of an Electronic Application, contained in the records of the relevant Participating Bank at the time of your Electronic Application, as the case may be, differ from those particulars in your Securities Account as maintained with CDP. If you have more than one individual direct Securities Account with CDP, your application shall be rejected.

8. **If your address as stated in the Application Form or, in the case of an Electronic Application, in the records of the relevant Participating Bank, as the case may be, is different from the address registered with CDP, you must inform CDP of your updated address promptly, failing which the notification letter on successful allotment and/or allocation and other correspondence from the CDP will be sent to your address last registered with CDP.**

9. **Our Company and the Vendors reserve the right to reject any application which does not conform strictly to the instructions set out in the Application Form and in this Prospectus or which does not comply with the instructions for Electronic Applications or with the terms and conditions of this Prospectus or, in the case of an application by way of an Application Form, which is illegible, incomplete, incorrectly completed or which is accompanied by an improperly drawn or improper form of remittance. We further reserve the right to treat as**

valid any applications not completed or submitted or effected in all respects in accordance with the instructions set out in the Application Forms or the instructions for Electronic Applications or the terms and conditions of this Prospectus, and also to present for payment or other processes all remittances at any time after receipt and to have full access to all information relating to, or deriving from, such remittances or the processing thereof.

10. Our Company and the Vendors reserve the right to reject or accept, in whole or in part, or to scale down or ballot any application, without assigning any reason therefor, and no enquiry and/or correspondence on the decision of our Company and the Vendors will be entertained. This right applies to applications made by way of Application Forms and by way of Electronic Applications. In deciding the basis of allotment and/or allocation, which shall be at the discretion of our Company and the Vendors, due consideration will be given to the desirability of allotting and/or allocating the Invitation Shares to a reasonable number of applicants with a view to establishing an adequate market for the Shares.

11. Share certificates will be registered in the name of CDP or its nominees and will be forwarded only to CDP. It is expected that CDP will send to you, at your own risk, within 15 Market Days after the close of the Application List, a statement of account stating that your Securities Account has been credited with the number of Invitation Shares allotted and/or allocated to you if your application is successful. This will be the only acknowledgement of application monies received and is not an acknowledgement by our Company or the Vendors. You irrevocably authorise CDP to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the issue or transfer of the Invitation Shares allotted and/or allocated to you. This authorisation applies to applications made by way of Application Forms and by way of Electronic Applications.

12. In the event of an under-subscription for and/or purchase of the Offer Shares as at the close of the Application List, that number of Offer Shares under-subscribed for and/or purchased shall be made available to satisfy applications for the Placement Shares to the extent that there is an over-subscription for and/or purchase of Placement Shares as at the close of the Application List.

    In the event of an under-subscription for and/or purchase of the Placement Shares as at the close of the Application List, that number of Placement Shares not subscribed for and/or purchased shall be made available to satisfy applications for the Offer Shares to the extent that there is an over-subscription for and/or purchase of the Offer Shares as at the close of the Application List.

    In the event of an over-subscription for and/or purchase of the Offer Shares as at the close of the Application List and/or the Placement Shares are fully subscribed or over-subscribed for and/or purchased as at the close of the Application List, the successful applications for the Offer Shares will be determined by ballot or otherwise as determined by our Directors after consultation with the Issue Manager and approved by the SGX-ST.

    In all of the above instances, the basis of allotment and/or allocation of the Offer Shares as may be decided upon by our Directors in ensuring a reasonable spread of shareholders of our Company, shall be made public, as soon as practicable, via an announcement through the SGX-ST and through a paid advertisement in a local newspaper.

13. You irrevocably authorise CDP to disclose the outcome of your application, including the number of Offer Shares allotted and/or allocated to you pursuant to your application, to us, the Vendors, the Issue Manager, the Joint Underwriters and the Joint Placement Agents and, any other parties so authorised by the foregoing persons.

14. Any reference to “you” or the “applicant” in this section shall include an individual, a corporation, an approved nominee company and trustee applying for the Offer Shares by way of an Application Form or by way of an Electronic Application and a person applying for the Placement Shares.

15. By completing and delivering an Application Form or by making and completing an Electronic Application (in the case of an ATM Electronic Application), by pressing the "Enter" or "OK" or "Confirm" or "Yes" or any other relevant key on the ATM (as the case may be) or by (in the case of an Internet Electronic Application) clicking "Submit" or "Continue" or "Yes" or "Confirm" or any other relevant button on the IB website screen of the relevant Participating Banks (as the case may be) in accordance with the provisions of this Prospectus, you:-

    (a) irrevocably offer, agree and undertake to subscribe for and/or purchase the number of Invitation Shares specified in your application (or such smaller number for which the application is accepted) at the Invitation Price for each Offer Share and agree that you will accept such Invitation Shares as may be allotted and/or allocated to you, in each case on the terms of, and subject to the conditions set out in, this Prospectus and the Memorandum and Articles of Association of our Company;

    (b) warrant the truth and accuracy of the information contained, and representations and declarations made, in your application, and acknowledge and agree that such information, representations and declarations will be relied on by our Company and the Vendors in determining whether to accept your application and/or whether to allot and/or allocate any Invitation Shares to you;

    (c) agree that in the event of any inconsistency between the terms and conditions for application set out in this Prospectus and those set out in the ATMs or the IB websites of the relevant Participating Banks, the terms and conditions set out in this Prospectus shall prevail;

    (d) agree that the aggregate Invitation Price for the Invitation Shares applied for is due and payable to our Company and the Vendors upon application; and

    (e) agree and warrant that, if the laws of any jurisdictions outside Singapore are applicable to your application, you have complied with all such laws and none of the Company, the Vendors, the Issue Manager, the Joint Underwriters and/or the Joint Placement Agents will infringe any such laws as a result of the acceptance of your application.

16. Our acceptance of applications will be conditional upon, *inter alia*, our Company and the Vendors being satisfied that:-

    (a) permission has been granted by the SGX-ST to deal in and for quotation of the Invitation Shares on the Official List of SGX-ST;

    (b) the Management and Underwriting Agreement and the Placement Agreement referred to in the "Management, Underwriting and Placement Arrangements" section of this Prospectus have become unconditional and have not been terminated; and

    (c) the Authority has not served a stop order which directs that no or no further Shares to which this Prospectus relates be allotted and/or allocated.

17. We will not hold any application in reserve.

18. We will not allot and/or allocate Shares on the basis of this Prospectus later than six months after the date of registration of this Prospectus by the Authority.

19. Additional terms and conditions for applications by way of Application Forms are set out below.

20. Additional terms and conditions for applications by way of Electronic Applications are set out below.

21. CDP shall not be liable for any delays, failures or inaccuracies in the recording storage or in the transmission or delivery of data relating to Electronic Applications.

ADDITIONAL TERMS AND CONDITIONS FOR APPLICATIONS USING APPLICATION FORMS

You shall make an application by way of an Application Form on and subject to the terms and conditions of this Prospectus including but not limited to the terms and conditions appearing below as well as those set out under "Terms and Conditions and Procedures for Applications" as well as the Memorandum and Articles of Association of our Company.

1. Your application for the Offer Shares must be made using the **WHITE** Application Form and official envelopes "A" and "B" accompanying and forming part of this Prospectus.

   Your application for the Placement Shares must be made using the **BLUE** Application Form accompanying and forming part of this Prospectus.

   We draw your attention to the detailed instructions contained in the respective Application Forms and this Prospectus for the completion of the Application Forms which must be carefully followed. **Our Company and the Vendors reserve the right to reject applications which do not conform strictly to the instructions set out in the Application Forms and this Prospectus or to the terms and conditions of this Prospectus or which are illegible, incomplete, incorrectly completed or which are accompanied by improperly drawn remittances or improper forms of remittances.**

2. Your Application Forms must be completed in English. Please type or write clearly in ink using **BLOCK LETTERS**.

3. All spaces in the Application Forms except those under the heading "FOR OFFICIAL USE ONLY" must be completed and the words "NOT APPLICABLE" or "N.A." should be written in any space that is not applicable.

4. Individuals, corporations, approved nominee companies and trustees must give their names in full. You must make your application, in the case of individuals, in your full name as it appears in your identity card (if you have such an identification document) or in your passport and, in the case of a corporation, in your full name as registered with a competent authority. If you are not an individual, you must complete the Application Form under the hand of an official who must state the name and capacity in which he signs the Application Form. If you are a corporation completing the Application Form, you are required to affix your Common Seal (if any) in accordance with your Memorandum and Articles of Association or equivalent constitutive documents. If you are a corporate applicant and your application is successful, a copy of your Memorandum and Articles of Association or equivalent constitutional documents must be lodged with our Share Registrar and Share Transfer Office. Our Company and the Vendors reserve the right to require you to produce documentary proof of identification for verification purposes.

5. (a) You must complete Sections A and B and sign on page 1 of the Application Forms.

   (b) You are required to delete either paragraph 7(a) or 7(b) on page 1 of the Application Forms. Where paragraph 7(a) is deleted, you must also complete Section C of the Application Forms with particulars of the beneficial owner(s).

   (c) If you fail to make the required declaration in paragraph 7(a) or 7(b), as the case may be, on page 1 of the Application Forms, your application is liable to be rejected.

6. You (whether an individual or corporate applicant, whether incorporated or unincorporated and wherever incorporated or constituted) will be required to declare whether you are a citizen or a permanent resident of Singapore or a corporation in which citizens or permanent residents of Singapore or any body corporate constituted under any statute of Singapore have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation. If you are an approved nominee company, you are required to declare whether the beneficial owner of

the Invitation Shares is a citizen or permanent resident of Singapore or a corporation (whether incorporated or unincorporated and wherever incorporated or constituted) in which citizens or permanent residents of Singapore or any body corporate (whether incorporated or unincorporated and wherever incorporated or constituted under any statute of Singapore) have an interest in the aggregate of more than 50% of the issued share capital of or interests in such corporation.

7. Your application must be accompanied by a remittance in Singapore currency for the full amount payable, in respect of the number of Invitation Shares applied for, in the form of a BANKER'S DRAFT or CASHIER'S ORDER drawn on a bank in Singapore, made out in favour of "**SINO GRANDNESS SHARE ISSUE ACCOUNT**" crossed "A/C PAYEE ONLY", with your name and address written clearly on the reverse side. APPLICATIONS NOT ACCOMPANIED BY ANY PAYMENT OR ACCOMPANIED BY ANY OTHER FORM OF PAYMENT WILL NOT BE ACCEPTED. REMITTANCES BEARING "NOT TRANSFERABLE" or "NON TRANSFERABLE" crossings WILL BE REJECTED. No acknowledgement or receipt will be issued by our Company, the Vendors or the Issue Manager for applications and application monies received.

8. Monies paid in respect of unsuccessful applications are expected to be returned (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post within 24 hours of the balloting at your own risk. Where your application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days after the close of the Application List provided the remittance accompanying such application which has been presented for payment or other processes has been honoured and application monies have been received in the designated share issue account. In the event that the Invitation is cancelled by us following the termination of the Management and Underwriting Agreement and/or the Placement Agreement, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within five days of the termination of the Invitation. In the event that the Invitation is cancelled by us following the issuance of a stop order by the Authority, the application monies received will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by ordinary post at your own risk within 14 days from the date of the stop order.

9. Capitalised terms used in the Application Forms and defined in this Prospectus shall bear the meanings assigned to them in this Prospectus.

10. By completing and delivering the Application Form, you agree that:-

    (a) In consideration of our Company and the Vendors having distributed the Application Form to you and agreeing to close the Application List at 12.00 noon on 19 November 2009 or such other time or date as our Company and the Vendors may, in consultation with the Issue Manager, decide:-

        (i) your application is irrevocable;

        (ii) your remittance will be honoured on first presentation and that any application monies returnable may be held pending clearance of your payment without interest or any share of revenue or other benefit arising therefrom;

    (b) all applications, acceptances and contracts resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and that you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

    (c) in respect of the Invitation Shares for which your application has been received and not rejected, acceptance of your application shall be constituted by written notification and not otherwise, notwithstanding any remittance being presented for payment by or on behalf of our Company and the Vendors;

(d) you will not be entitled to exercise any remedy of rescission for misrepresentation at any time after acceptance of your application;

(e) in making your application, reliance is placed solely on the information contained in this Prospectus and that none of our Company, the Vendors, the Issue Manager, the Joint Underwriters, the Joint Placement Agents nor any other person involved in the Invitation shall have any liability for any information not so contained;

(f) you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, and share application amount to our Share Registrar, CDP, SCCS, SGX-ST, our Company, the Vendors, the Issue Manager, the Joint Underwriters, the Joint Placement Agents or other authorised operators; and

(g) you irrevocably agree and undertake to subscribe for and/or purchase the number of Invitation Shares applied for as stated in the Application Form or any smaller number of such Invitation Shares that may be allotted and/or allocated to you in respect of your application. In the event that our Company and the Vendors decide to allot and/or allocate any smaller number of Invitation Shares or not to allot and/or allocate any Invitation Shares to you, you agree to accept such decision as final.

Applications for Offer Shares

1. Your application for Offer Shares **MUST** be made using the **WHITE** Offer Shares Application Form and **WHITE** official envelopes “A” and “B”. **ONLY ONE APPLICATION** should be enclosed in each envelope.

2. You must:-

(a) enclose the **WHITE** Offer Shares Application Form, duly completed and signed, together with the correct remittance in accordance with the terms and conditions of this Prospectus in the **WHITE** envelope “A” provided;

(b) in the appropriate spaces on **WHITE** envelope “A”:-

(i) write your name and address;

(ii) state the number of Offer Shares applied for; and

(iii) affix adequate Singapore postage;

(c) SEAL the **WHITE** official envelope “A”;

(d) write, in the special box provided on the larger **WHITE** envelope “B” addressed to Tricor Barbinder Share Registration Services, 8 Cross Street #11-00 PWC Building, Singapore 048424, the number of Offer Shares for which the application is made; and

(e) insert **WHITE** official envelope “A” into **WHITE** official envelope “B”, seal **WHITE** envelope “B”, affix adequate Singapore postage on **WHITE** envelope “B” (if despatching by ordinary post) and thereafter **DESPATCH BY ORDINARY POST OR DELIVER BY HAND the documents at your own risk to Tricor Barbinder Share Registration Services, 8 Cross Street #11-00 PWC Building, Singapore 048424, so as to arrive by 12.00 noon on 19 November 2009 or such other time and date as our Company and the Vendors may, in consultation with the Issue Manager, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.

3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

Applications for Placement Shares

1. Your application for Placement Shares **MUST** be made using the **BLUE** Placement Shares Application Form. **ONLY ONE APPLICATION** should be enclosed in each envelope.

2. The completed and signed **BLUE** Placement Shares Application Form and your remittance in full in respect of the number of Placement Shares applied for in accordance with the terms and conditions of this Prospectus, with your name and address written clearly on the reverse side, must be enclosed and sealed in an envelope to be provided by you. You must affix adequate Singapore postage (if despatching by ordinary post) and thereafter, the sealed envelope must be **DESPATCHED BY ORDINARY POST OR DELIVERED BY HAND at your own risk to Tricor Barbinder Share Registration Services, 8 Cross Street #11-00 PWC Building, Singapore 048424, so as to arrive by 12.00 noon on 19 November 2009 or such other time and date as our Company and the Vendors may, in consultation with the Issue Manager, decide. Local Urgent Mail or Registered Post must NOT be used.** No acknowledgement of receipt will be issued for any application or remittance received.

3. Applications that are illegible, incomplete or incorrectly completed or accompanied by improperly drawn remittances or improper form of remittance or which are not honoured upon their first presentation are liable to be rejected.

ADDITIONAL TERMS AND CONDITIONS FOR ELECTRONIC APPLICATIONS

The procedures for Electronic Applications are set out on the ATM screens (in the case of ATM Electronic Applications) and the IB websites screens (in the case of Internet Electronic Applications) of the relevant Participating Banks. Currently UOB Group and DBS Bank are the only Participating Banks through which Internet Electronic Applications can be made. For illustration purposes, the procedures for Electronic Applications through ATMs and the IB website of DBS Bank are set out respectively, in the "Steps for an ATM Electronic Application through the ATMs of DBS Bank" and the "Steps for an Internet Electronic Application through the IB website of DBS Bank" (collectively the "**Steps**") appearing below. The Steps set out the actions that you must take at an ATM or the IB website of DBS Bank to complete an Electronic Application. Please read carefully the terms of this Prospectus, the Steps and the terms and conditions for Electronic Applications set out below before making an Electronic Application. Any reference to "you" or the "applicant" in the "Additional Terms and Conditions for Electronic Applications" and the Steps shall refer to you making an application for Offer Shares through an ATM or the IB website of a relevant Participating Bank.

You must have an existing bank account with and be an ATM cardholder of one of the Participating Banks before you can make an Electronic Application at an ATM. An ATM card issued by one Participating Bank cannot be used to apply for Offer Shares at an ATM belonging to other Participating Banks. For an Internet Electronic Application, you must have an existing bank account with and an IB User Identification ("**User ID**") and a Personal Identification Number/Password ("**PIN**") given by a relevant Participating Bank. The Steps set out the actions that you must take at ATMs or the IB website of DBS Bank to complete an Electronic Application. The actions that you must take at ATMs or IB websites of other Participating Banks are set out on the ATM screens or the IB websites of the relevant Participating Banks. Upon the completion of your ATM Electronic Application transaction, you will receive an ATM transaction slip ("**Transaction Record**"), confirming the details of your Electronic Application. Upon completion of your Internet Electronic Application through the IB website of DBS Bank, there will be an on-screen confirmation ("**Confirmation Screen**") of the application which can be printed out for your record. The Transaction Record or the printed record of the Confirmation Screen is for your retention and should not be submitted with any printed Application Form.

You must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. If you fail to use an ATM card issued in your own name or do not key in your own Securities Account number, your application will be rejected. If you operate a joint bank account with any Participating Banks, you must ensure that you enter your own Securities Account number when using the ATM card issued to you in your own name. Using your own Securities Account number with an ATM card which is not issued to you in your own name will render your ATM Electronic Application liable to be rejected.

You must ensure, when making an Internet Electronic Application, that your mailing address for the purpose of the application is in Singapore and the application is made in Singapore and you will be asked to declare accordingly.

Your Electronic Application shall be made on the terms and subject to the conditions of this Prospectus including but not limited to the terms and conditions appearing below and those set out in the "Terms and Conditions and Procedures for Applications" section of this Prospectus as well as the Memorandum and Articles of Association of our Company.

1. In connection with your Electronic Application for Offer Shares, you are required to confirm statements to the following effect in the course of activating your Electronic Application:-

   (a) **that you have received a copy of this Prospectus (in the case of ATM Electronic Applications only) and have read, understood and agreed to all the terms and conditions of application for Offer Shares in this Prospectus prior to effecting the Electronic Application and agree to be bound by the same;**

   (b) **that you consent to the disclosure of your name, NRIC/passport number, address, nationality, permanent resident status, CDP Securities Account number, CPF investment account number (if applicable) and share application details ("Relevant Particulars") from your account with that Participating Bank to our Share Registrar, CDP, CPF, SCCS, SGX-ST, our Company, the Vendors, the Issue Manager, the Joint Underwriters, the Joint Placement Agents or other authorised operators ("Relevant Parties"); and**

   (c) **that this is your only application for Offer Shares and it is made in your own name and at your own risk.**

   Your application will not be successfully completed and cannot be recorded as a completed transaction unless you press the "Enter" or "OK" or "Confirm" or "Yes" key or any other relevant key on the ATM or click "Confirm" or "OK" or "Submit" or "Continue" or "Yes" or any other relevant button on the IB website screen. By doing so, you signify your confirmation of each of the above 3 statements. In respect of statement 1(b) above, your confirmation, by pressing the "Enter" or "OK" or "Confirm" or "Yes" key in the ATM, or clicking "Confirm" or "OK" or "Submit" or "Continue" or "Yes" or any other relevant button on the IB website screen, shall signify and shall be treated as your written permission, given in accordance with the relevant laws of Singapore including Section 47(2) of the Banking Act, Chapter 19 of Singapore to the disclosure by that relevant Participating Bank of the Relevant Particulars to the Relevant Parties.

2. **By making an Electronic Application, you confirm that you are not applying for Offer Shares as nominee of any other person and that any Electronic Application that you make is the only application made by you as beneficial owner. You shall make only one Electronic Application for Offer Shares and shall not make any other application for the Offer Shares, whether at the ATMs or the IB websites (if any) of any Participating Bank or on the Application Forms. If you have made an application for Offer Shares or Placement Shares on an Application Form, you shall not make an Electronic Application for Offer Shares and vice versa.**

3. You must have sufficient funds in your bank account with your Participating Bank at the time you make your Electronic Application, failing which your Electronic Application will not be completed or accepted. **Any Electronic Application which does not conform strictly to the instructions set out in this Prospectus or on the screens of the ATM or the IB website of the relevant Participating Bank through which the Electronic Application is being made shall be rejected.**

   You may make an ATM Electronic Application at the ATM of any Participating Bank or an Internet Electronic Application at the IB website of a relevant Participating Bank for Offer Shares using cash only by authorising such Participating Bank to deduct the full amount payable from your account with such Participating Bank.

4. You irrevocably agree and undertake to subscribe for and/or purchase and to accept the number of Offer Shares applied for as stated on the Transaction Record or the Confirmation Screen or any lesser number of Offer Shares that may be allotted and/or allocated to you in respect of your Electronic Application. In the event that our Company and the Vendors decide to allot and/or allocate any lesser number of such Offer Shares or not to allot and/or allocate any Offer Shares to you, you agree to accept such decision as final. If your Electronic Application is successful, your confirmation (by your action of pressing the “Enter” or “OK” or “Confirm” or “Yes” key or any other relevant key on the ATM or clicking “Confirm” or “OK” or “Submit” or “Continue” or “Yes” or any other relevant button on the IB website screen) of the number of Offer Shares applied for shall signify and shall be treated as your acceptance of the number of Offer Shares that may be allotted and/or allocated to you and your agreement to be bound by the Memorandum and Articles of Association of our Company.

5. **We will not keep any applications in reserve.** Where your Electronic Application is unsuccessful, the full amount of the application monies will be refunded in Singapore currency (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 24 hours of balloting provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies have been received in the designated share issue account. **Trading on a “WHEN ISSUED” basis, if applicable, is expected to commence after such refund has been made.**

   Where your Electronic Application is rejected or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded in Singapore currency (without interest or any share of revenue or other benefit arising therefrom) to you by being automatically credited to your account with your Participating Bank within 14 days after the close of the Application List provided that the remittance in respect of such application which has been presented for payment or other processes has been honoured and the application monies have been received in the designated share issue account.

   Responsibility for timely refund of application monies from unsuccessful or partially unsuccessful Electronic Applications lies solely with the respective Participating Banks. Therefore, you are strongly advised to consult your Participating Bank on the status of your Electronic Application and/or the refund of any monies to you from an unsuccessful or partially successful Electronic Application, to determine the exact number of Offer Shares allotted and/or allocated to you before trading the Offer Shares on SGX-ST. You may also call CDP phone at 6535 7511 to check the provisional results of your application by using your T-PIN (issued by CDP upon your application for the service) and keying in the stock code (that will be made available together with the results of the allotment and/or allocation

via an announcement through the SGX-ST and by advertisement in a generally circulating daily press). To sign up for the service, you may contact CDP customer service officers. Neither the SGX-ST, the CDP, the SCCS, the Participating Banks, our Company, the Vendors, the Issue Manager, the Joint Underwriters or the Joint Placement Agents assume any responsibility for any loss that may be incurred as a result of your having to cover any net sell positions or from buy-in procedures activated by the SGX-ST.

6. If your Electronic Application is unsuccessful, no notification will be sent by the Participating Banks.

   If you make an ATM Electronic Application through the ATM or IB website of the following Participating Banks, you may check the results of your Electronic Application as follows:-

Bank	**Telephone**	**Available at ATM/Internet**	**Operating Hours**	**Service expected from**
UOB Group	1 800 222 2121	ATM ("Other Transactions – "IPO Enquiry")(1) http://www.uobgroup.com(1)(2)	ATM / Phone Banking - 24 hours a day Internet Banking - 24 hours a day	Evening of the balloting day Evening of the balloting day
DBS	1 800 339 6666 (POSB Account holders) 1 800 111 1111 (DBS Account holders)	Internet Banking http://www.dbs.com(2)	24 hours a day	Evening of the balloting day
OCBC Bank	1 800 363 3333	ATM / Internet Banking / Phone Banking http://ocbc.com(3)	24 hours a day	Evening of the balloting day

__Notes:-__

(1) If you have made your Electronic Applications through the ATMs or IB website of UOB Group, you may check the results of your application through UOB Personal Internet Banking, UOB Group's ATMs or UOB PhoneBanking Services.

(2) If you have made you Electronic Application through the IB website of UOB Group or DBS Bank, you may check your results through the same channels listed in the table above in relation to ATM Electronic Applications made at ATMs of UOB Group or DBS Bank.

(3) If you have made your Electronic Application through the ATMs of OCBC, you may check the results of your application through the same channels listed above.

7. Electronic Applications shall close at 12.00 noon on 19 November 2009 or such other time as our Company and the Vendors may, in consultation with the Issue Manager, decide. Subject to paragraph 9 below, an Internet Electronic Application is deemed to be received only upon its completion, that is, when there is an on-screen confirmation on the application.

8. You are deemed to have requested and authorised our Company and the Vendors to:-

   (a) register the Offer Shares allotted and/or allocated to you in the name of CDP for deposit into your Securities Account;

   (b) send the relevant Share certificate(s) to CDP;

   (c) return or refund (without interest or any share of revenue or other benefit arising therefrom) the application monies in Singapore currency, should your Electronic Application be unsuccessful, by automatically crediting your bank account with your Participating Bank with the relevant amount within 24 hours of balloting; and

(d) return or refund (without interest or any share of revenue or other benefit arising therefrom) the balance of the application monies in Singapore currency, should your Electronic Application be accepted in part only, by automatically crediting your bank account with your Participating Bank with the relevant amount within 14 days after the close of the Application List.

9. You irrevocably agree and acknowledge that your Electronic Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, fires, acts of God and other events beyond the control of the Participating Banks, and if, in any such event, our Company, the Vendors, the Issue Manager and/or the relevant Participating Bank do not receive your Electronic Application, or data relating to your Electronic Application or the tape or any other devices containing such data is lost, corrupted, destroyed or not otherwise accessible, whether wholly or partially for whatever reason, you shall be deemed not to have made an Electronic Application and you shall have no claim whatsoever against our Company, the Vendors, the Issue Manager, the Joint Underwriters and the Joint Placement Agents and/or the relevant Participating Bank for the Offer Shares applied for or for any compensation, loss or damage.

10. We do not recognise the existence of a trust. Any Electronic Application by a trustee must be made in his own name(s) and without qualification. Our Company and the Vendors will reject any Electronic Application by any person acting as nominee, except those made by approved nominee companies.

11. All particulars in the records of your Participating Bank at the time you make your Electronic Application shall be deemed to be true and correct and your Participating Bank and the Relevant Parties shall be entitled to rely on the accuracy thereof. If there has been any change in your particulars after making your Electronic Application, you shall promptly notify your Participating Bank.

12. **You should ensure that your personal particulars as recorded by both CDP and the relevant Participating Bank are correct and identical, otherwise, your Electronic Application is liable to be rejected.** You should promptly inform CDP of any change in address, failing which the notification letter on successful allotment and/or allocation and other correspondence from the CDP will be sent to your address last registered with CDP.

13. By making and completing an Electronic Application, you are deemed to have agreed that:-

(a) In consideration of our Company and the Vendors making available the Electronic Application facility through the ATMs of the Participating Banks acting as agents of our Company and the Vendors, at the ATMs and the IB websites (if any):-

(i) your Electronic Application is irrevocable;

(ii) your Electronic Application, the acceptance by our Company and the Vendors, and the contract resulting therefrom under the Invitation shall be governed by and construed in accordance with the laws of Singapore and you irrevocably submit to the non-exclusive jurisdiction of the Singapore courts;

(b) neither our Company, the Vendors, the Issue Manager nor the Participating Banks shall be liable for any delays, failures or inaccuracies in the recording, storage or in the transmission or delivery of data relating to your Electronic Application to us or CDP due to breakdowns or failure of transmission, delivery or communication facilities or any risks referred to in paragraph 9 above or to any cause beyond their respective controls;

(c) in respect of Offer Shares for which your Electronic Application has been successfully completed and not rejected, acceptance of your Electronic Application shall be constituted by written notification by or on behalf of our Company and the Vendors and not otherwise, notwithstanding any payment received by or on behalf of our Company;

(d) you will not be entitled to exercise any remedy of rescission or misrepresentation at any time after acceptance of your application; and

(e) in making your application, reliance is placed solely on the information contained in this Prospectus and that neither our Company, the Vendors, the Issue Manager, the Joint Underwriters, the Joint Placement Agents or any other persons involved in the Invitation shall have any liability for any information not so contained.

STEPS FOR ATM ELECTRONIC APPLICATIONS FOR THE OFFER SHARES THROUGH ATMS OF DBS BANK (INCLUDING POSB ATMS)

Instructions for ATM Electronic Applications will appear on the ATM screens of the Participating Banks. For illustration purposes, the steps for making an ATM Electronic Application through a DBS Bank ATM (including POSB ATM) are shown below. Certain words appearing on the screen are in abbreviated form ("A/c", "amt", "appln", "&", "I/C", "SGX" and "No." refer to "Account", "amount", "application", "and", "NRIC", "SGX-ST" and "Number" respectively). Instructions for ATM Electronic Applications on the ATM screens of Participating Banks (other than DBS Bank (including POSB ATMs), may differ slightly from those represented below.

Steps

1. Insert your personal DBS Bank or POSB ATM Card

2. Enter your Personal Identification Number

3. Select "More Services"

4. Select Language (for customers using multi-language card)

5. Select "ESA-IPO Share/SGS/Investments"

6. Select "Electronic Security Appln (IPOs/Bond/ST-Notes/Securities)"

7. Read and understand the following statements which will appear on the screen:

   - (IN THE CASE OF SECURITIES OFFERING THAT IS SUBJECT TO A PROSPECTUS REGISTERED WITH THE MONETARY AUTHORITY OF SINGAPORE) THE OFFER OF SECURITIES (OR UNITS OF SECURITIES) WILL BE MADE IN, OR ACCOMPANIED BY A COPY OF THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT) WHICH CAN BE OBTAINED FROM ANY DBS/POSB BRANCH IN SINGAPORE AND, WHERE APPLICABLE, THE VARIOUS PARTICIPATING BANKS DURING BANKING HOURS, SUBJECT TO AVAILABILITY.

   - (IN THE CASE OF SECURITIES OFFERING THAT IS SUBJECT TO A PROSPECTUS REGISTERED WITH THE MONETARY AUTHORITY OF SINGAPORE) ANYONE WISHING TO ACQUIRE THESE SECURITIES (OR UNITS OF SECURITIES) SHOULD READ THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE) BEFORE SUBMITTING HIS APPLICATION WHICH WILL NEED TO BE MADE IN THE MANNER SET OUT IN THE PROSPECTUS/DOCUMENT OR PROFILE STATEMENT (AS SUPPLEMENTED OR REPLACED, IF APPLICABLE). A COPY OF THE PROSPECTUS/ DOCUMENT OR PROFILE STATEMENT, AND IF APPLICABLE, A COPY OF THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT OR PROFILE STATEMENT HAS BEEN LODGED WITH AND REGISTERED BY THE MONETARY AUTHORITY OF SINGAPORE WHO ASSUMES NO RESPONSIBILITY FOR ITS OR THEIR CONTENTS.

- (IN THE CASE OF A SECURITIES OFFERING THAT DOES NOT REQUIRE A PROSPECTUS TO BE REGISTERED WITH THE MONETARY AUTHORITY OF SINGAPORE) THE OFFER OF SECURITIES (OR UNITS OF SECURITIES) MAY BE MADE IN A NOTICE PUBLISHED IN A NEWSPAPER AND/OR A CIRCULAR/ DOCUMENT DISTRIBUTED TO SECURITY HOLDERS. ANYONE WISHING TO ACQUIRE SUCH SECURITIES (OR UNITS OF SECURITIES) SHOULD READ THE NOTICE/ CIRCULAR/DOCUMENTS BEFORE SUBMITTING HIS APPLICATION, WHICH WILL NEED TO BE MADE IN THE MANNER SET OUT IN THE NOTICE/CIRCULAR/DOCUMENT.

- Press the “ENTER” key to confirm that you have read and understood.

8. Select “SINO GRANDNESS” to display details.

9. Press the “ENTER” key to acknowledge:

   - YOU HAVE READ, UNDERSTOOD AND AGREED TO ALL TERMS OF THE APPLICATION AND (WHERE APPLICABLE) PROSPECTUS, DOCUMENT OR PROFILE STATEMENT, AND IF APPLICABLE, THE REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/ DOCUMENT/ PROFILE STATEMENT, NOTICE AND/OR CIRCULAR.

   - YOU CONSENT TO DISCLOSE YOUR NAME, NRIC/PASSPORT NO., ADDRESS, NATIONALITY, CDP SECURITIES A/C NO., CPF INVESTMENT A/C NO. AND SECURITY APPLN AMOUNT FROM YOUR BANK A/C(S) TO SHARE AND SHARE APPLN AMOUNT FROM YOUR BANK A/C(S) TO SHARE REGISTRARS, SGX, SCCS, CDP, CPF, ISSUER/VENDORS.

   - FOR FIXED AND MAX PRICE SECURITIES APPLICATION, THIS IS YOUR ONLY APPLICATION AND IT IS MADE IN YOUR OWN NAME AND AT YOUR OWN RISK.

   - THE MAXIMUM PRICE FOR EACH SHARE IS PAYABLE IN FULL ON APPLICATION AND SUBJECT TO REFUND IF THE FINAL PRICE IS LOWER.

   - FOR TENDER SECURITIES APPLICATION, THIS IS YOUR ONLY APPLICATION AT THE SELECTED TENDER PRICE AND IS MADE IN YOUR OWN NAME AND AT YOUR OWN RISK.

   - YOU ARE NOT A U.S. PERSON AS REFERRED TO IN (WHERE APPLICABLE) THE PROSPECTUS, DOCUMENT, PROFILE STATEMENT, REPLACEMENT OR SUPPLEMENTARY PROSPECTUS/DOCUMENT, PROFILE STATEMENT, NOTICE AND/OR CIRCULAR.

   - THERE MAY BE A LIMIT ON THE MAXIMUM NUMBER OF SECURITIES THAT YOU CAN APPLY FOR SUBJECT TO AVAILABILITY, YOU MAY BE ALLOCATED A SMALLER NUMBER OF SECURITIES THAN YOU APPLIED FOR OR (IN THE CASE OF AN EARLIER CLOSURE UPON FULL SUBSCRIPTION) YOUR APPLICATION MAY BE REJECTED IF ALL THE AVAILABLE SECURITIES HAVE BEEN FULLY ALLOCATED TO EARLIER APPLICANTS.

10. Select your nationality.

11. Select your payment method (*i.e.* by cash, CPF Funds, or a combination of cash and CPF Funds).

12. Select the DBS Bank account (Autosave/Current/Savings/Savings Plus) or the POSB account (Current/Savings) from which to debit your application monies.

13. Enter the number of securities you wish to apply for using cash.

14. Enter the number of securities you wish to apply for using CPF Funds (if applicable).

15. Enter or confirm (if your CDP Securities Account number has already been stored in DBS Bank's records) your own 12-digit CDP Securities Account number (Note: This step will be omitted automatically if your Securities Account number has already been stored in DBS Bank's records).

16. Check the details of your securities application, your NRIC or passport number, CDP Securities Account number, number of securities and application amount on the screen and press the "ENTER" key to confirm your application.

17. Remove the Transaction Record for your reference and retention only.

Steps for Internet Electronic Application for the Offer Shares through the IB website of DBS Bank

For illustrative purposes, the steps for making an Internet Electronic Application through the DBS Bank IB website is shown below. Certain words appearing on the screen are in abbreviated form ("A/c", "amt", "&", "I/C", "SGX" and "No." refer to "Account", "amount", "and", "NRIC", "SGX-ST" and "Number" respectively).

Steps

1. Click on to DBS Bank website at http://www.dbs.com.

2. Login to Internet banking.

3. Enter your User ID and PIN.

4. Select "Electronic Security Application (ESA)".

5. Click "Yes" to proceed and to warrant, *inter alia,* that you are currently in Singapore, you have observed and complied with all applicable laws and regulations and that your mailing address for DBS Internet Banking is in Singapore and that you are not a U.S. person (as such term is defined in Regulation S under the United Securities Act of 1933 as amended).

6. Select your country of residence and click "I confirm".

7. Click on "SINO GRANDNESS" and click the "Submit" button.

8. Click "I Confirm" to confirm, inter alia:

    (a) You have read, understood and agreed to all terms of application and the Prospectus/Document or Profile Statement and if applicable, the Supplementary or Replacement Prospectus/Document or Profile Statement.

    (b) You consent to disclose your name, I/C or passport number, address, nationality, CDP Securities Account number, CPF Investment Account number (if applicable) and securities application amount from your DBS/POSB Account(s) to registrars of securities, SGX, SCCS, CDP, CPF Board and issuer/vendors.

    (c) You are not a U.S. Person (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended).

    (d) You understand that the securities mentioned herein have not been and will not be registered under the United States Securities Act of 1933 as amended (the "US Securities Act") or the securities laws of any state of the United States and may not be offered or sold in the United States or to, or for the account or benefit of any "U.S. person" (as defined in Regulation S under the US Securities Act) except pursuant to an exemption from or in a transaction subject to, the registration requirements of the US Securities Act and applicable state securities laws. These will be no public offer of the securities mentioned herein in the United States. Any failure to comply with this restriction may constitute a violation of the United States securities laws.

(e) This application is made in your own name and at your own risk.

(f) For FIXED/MAX price securities application, this is your **only** application. For TENDER price securities application, this is your **only** application at the selected tender price.

(g) FOR FOREIGN CURRENCY Securities, subject to the terms of the issue, please note the following: the application monies will be debited from your bank account in S$, based on the Bank's prevailing board rates at the time of application. Any refund monies will be credited in S$ based on the Bank's prevailing board rates at the time of refund. The different prevailing board rates at the time of application and the time of refund of application monies may result in either a foreign exchange profit or loss or application monies may be debited and refund credited in S$ at the same exchange rate.

FOR 1ST-COME-1ST-SERVE securities, the number of securities applied for may be reduced, subject to availability at the point of application.

9. Fill in details for share application and click "I Confirm".

10. Check the details of your share application, your I/C/Passport No. and click "OK" to confirm your application.

11. Print Confirmation Screen (optional) for your reference & retention only.

Steps for Internet Electronic Application for the Placement Shares through the website of DBS Vickers

For illustrative purposes, the steps for making an application through the website of DBS Vickers is shown below:

Steps

1. Access the website at http://www.dbsvonline.com.

2. Login with user ID and password.

3. Select "Trading" and click on "IPO" hyperlink to go to the IPO Section.

4. Select "SINO GRANDNESS" and click on "Apply now".

5. Click "Yes" to represent and warrant that, *inter alia,* that you are in Singapore, you have observed and complied with all applicable laws and regulations, you have a mailing address in Singapore, you have read, understood and agreed to the "APPLICATION TERMS AND CONDITIONS" and the "GENERAL TERMS AND DISCLAIMERS" and you are not a U.S. Person (as such term is defined in Regulation S under the United States Securities Act of 1933, as amended).

6. Confirm the IPO applying for and its details by clicking on the "Next" button.

7. Click "Yes, I have read the above terms and conditions and wish to subscribe" and click "Submit" to confirm, *inter alia:–*

(a) You have read, understood and agreed to the terms and conditions set out in the Prospectus/Document or Profile Statement including the notes and instructions for the completion of this Application Form and that this application has been made in accordance with the Prospectus/Document or Profile Statement and such notes and instructions. Capitalised terms used in this Application Form shall bear the meanings assigned to them in the Prospectus/Document or Profile Statement.

(b) You have read and understood the disclaimers.

(c) You have read, understood and agreed to the "APPLICATION TERMS AND CONDITIONS" and the "GENERAL TERMS AND DISCLAIMERS".

(d) You consent to the disclosure of your name, NRIC or passport number, address, nationality and permanent resident status, CDP Securities A/C No., CPF Investment A/C No. (if applicable) and securities application amount from your account with DBS Vickers to the Issuer and the Manager, registrars of securities, SGX, SCCS, CDP and CPF (as applicable).

(e) This application is made in your own name and at your own risk.

(f) You understand that these are not deposits or other obligations of or guaranteed or insured by DBS Vickers and are subject to investment risks, including the possible loss of the principal amount invested.

(g) You declare that (a) you are not under 18 years of age, (b) you are not a corporation, sole-proprietorship, partnership or any other business entity, (c) you are not an undisclosed bankrupt, (d) you are in Singapore, (e) you have a mailing address in Singapore and (f) you are not a U.S. person (within the meaning of Regulation S under the US Securities Act of 1933, as amended).

8. Fill in amount of share applied for and preferred payment mode, then click "Submit"

9. Check and verify details of your share application and your Trading Account Number on the screen.

10. Enter your password and click "Submit" to continue.

11. Click on "Application Status" to check your IPO application details.

12. Print page for your reference and retention only.