

SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200706801H)

**SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED STRENOUSLY REFUTES
ALLEGATIONS IN THE REPORT RELEASED BY GEOINVESTING ON 26 OCTOBER 2016**

Sino Grandness Food Industry Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to the report released by Geoinvesting on 26 October 2016 on its website (the "**Report**") in relation to the Group.

SUMMARY

The Report contains allegation or comments (the "**Allegations**") based on misconstrued, erroneous and/or inappropriate interpretation of information and reports, and conjectures which are likely to mislead the Company's shareholders and potential investors.

This announcement will clarify and address the Allegations raised in the Report:

Activity At Our Canned Products Manufacturing Subsidiaries and the Group's Financial Standing

- (a) The Group's manufacturing activities for canned fruits and vegetables are seasonal in nature as previously disclosed in page 97 of the prospectus of the Company
- (b) The lower sales contribution from certain subsidiaries are not representative of the overall performance of the Group. The Group's sales and profits from canned products are primarily generated from the following subsidiaries, namely Shenzhen Grandness Industry Groups Co., Ltd., Grandness (Shanxian) Food Co., Ltd. and Shanxi Yongji Huaxin Food Co., Ltd.
- (c) The Company reiterates that its manufacturing activities and business operations are functioning normally

State Administration for Industry and Commerce (中华人民共和国 国家工商行政管理总局) ("**SAIC**") Figures And Data Obtained By Geoinvesting

- (a) The Report presents a highly selective and misleading presentation of the financial position of the Group as well as contains numerous errors
- (b) The Group has complied with the annual filing requirements of the SAIC and will make available for inspection its official SAIC filings in Singapore registered office

The Status Of The Proposed Listing Of The Beverages Business Of Our Group

- (a) The Company reiterates that it is continuing its ongoing efforts towards obtaining the approval for the Proposed Listing of the Beverage Business
- (b) The listing application is valid for 6 months from date of submission after which it will automatically lapse and relevant information will need to be updated. The lapsing of the listing application does not mean that the Proposed Listing has been cancelled. The Company is in the process of updating the relevant information including the most recent quarterly financial results

The Proposed Rights Issue Of The Company

- (a) The Proposed Rights Issue announced by the Company on 30 September 2016 is a fund raising exercise separate and independent of the Proposed Listing of the Beverages Business.

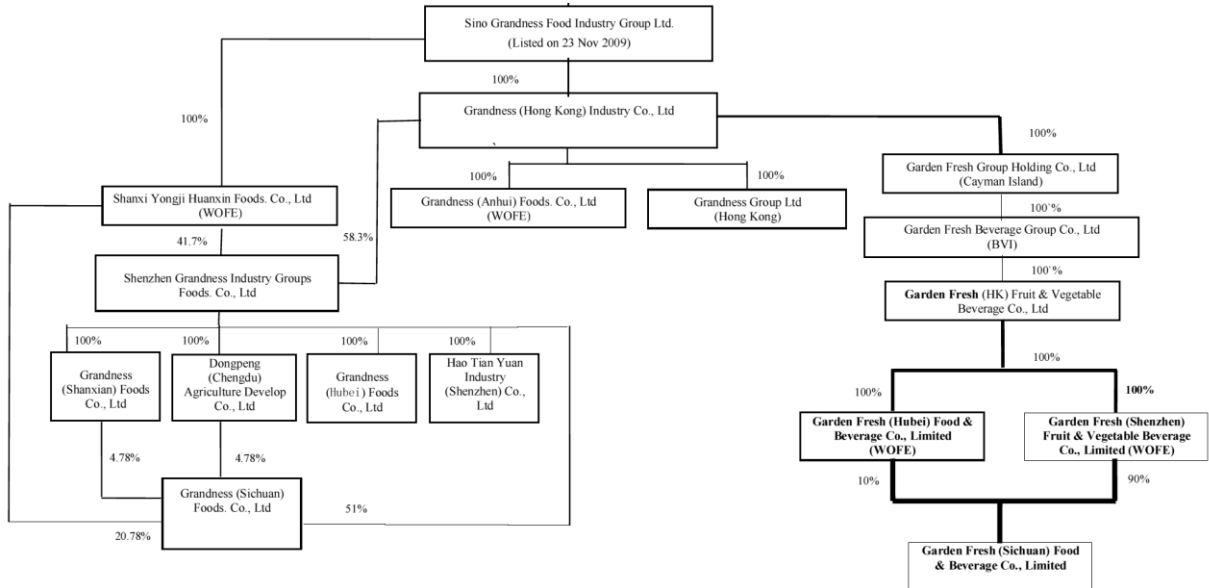
(b) The proceeds from the Proposed Rights Issue shall be used for Capital expenditure for the Group's non-beverage business and distribution network expansion and general working capital

The Board advises its shareholders and potential investors to take particular care when evaluating information disseminated in the market released without the Company's authorisation, approval or endorsement. We set out below further details of our clarifications:

ALLEGATIONS CONCERNING THE GROUP IN THE REPORT

(1) Allegations in relation to the Group's operations at its manufacturing facilities

The current structure of our Group is set out below:-



As disclosed in the Company's listing prospectus on page 97: "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 seasonal nature of our manufacturing activities applies primarily to our Canned Products Business segment. The Company wishes to emphasise that whilst manufacturing activities are seasonal, other business activities such as sales, marketing and distribution activities are carried out throughout the year. To provide a better understanding of our Group's manufacturing activities, please refer to the table set out below:

Canned Products Business segment		
Company Name	Allegations / Findings in the Report	Company's Comments
Grandness (Hubei) Food Co., Ltd.	"Suspended production in May of 2016, according to employees"	This subsidiary is not the primary source of revenue for the Group. The manufacturing facility's main products are canned fruits, mainly being mandarin oranges. This facility's main production period is between the months of October and February. Please refer to appendix 2 for detailed explanations that the lower sales and profit generated from certain subsidiaries and lower production volume or activities at certain subsidiaries during certain period are not reflective of the overall performance of the Group.
Grandness (Sichuan) Foods Co., Ltd.	"Suspended production, according to employees and citizens."	This manufacturing facility was prior to 2012, used to produce canned mushroom and long beans. Since 2012 Sichuan Garden Fresh Fruit and

		Beverage Co., Ltd. uses this manufacturing facility to ramp up production of fruit juices in Sichuan. This was announced by the Company on 17 April 2012.
Shanxi Yongji Huaxin Food Co., Ltd.	<i>"Suspended production in July 2016, according to gate guard."</i>	The reference in the Report to "Beiti Village" is erroneous, the Company does not operate any facility at "Beiti Village". This manufacturing facility's main product is canned vegetables, primarily asparagus, and the main production period is between the months of April to June.
Grandness (Shanxian Shandong) Food Co., Ltd.	<i>"Operating normally."</i>	This manufacturing facility's main products are canned fruits (comprising pears, yellow peach and mixed fruits) and canned asparagus, and the main production period is between the months of April to June for canned asparagus, and January to March and July to December for canned fruits.
Grandness (Anhui) Foods Co., Ltd.	<i>"Construction was started on facility in 2014, has been halted since 2015 according to gate guard."</i>	Phase one of this facility's construction works (which includes the building structure and basic infrastructure) has been completed and internal renovations are currently on-going. Please refer to the photographs of the facility attached hereto as Appendix 1.
Beverage Business segment		
Company Name	Allegations / Findings in the Report	Company's Comments
Sichuan Garden Fresh Fruit and Beverage Co., Ltd.	<i>"Operating normally, though no feedback regarding growth or increased volume."</i>	This facility produces various types of loquat and blended loquat juices, and is operating as per normal.
Garden Fresh (Hubei) Fruit and Beverage Co., Ltd.	<i>"Operating producing mango flavoured juices but at 20% less volume than last year"</i>	This facility produces a broad range of juices, including hawthorn juice, loquat juice and various loquat blended juices, such as loquat-mango, loquat-peach, loquat kumquat, icy loquat and loquat-pear, and is operating as per normal. The Group has over the years, expanded its range of fruit juices and currently produces 13 types of fruit juices (comprising pure loquat, blended loquat and hawthorn juices). During the first half of 2016, the Group's loquat-mango sales volume increased marginally by 2.4% year-on-year. The Group's overall sales volume of fruit juices showed improvements of approximately 26.9% in the first half of 2016 (compared with the first half of 2015) as a result of stronger overall demand for other juices.

(2) Allegations in relation to the Group's SAIC Filings

The SAIC is the state authority in charge of market supervision/regulation and related law enforcement through administrative means.

The SAIC administers regulations governing reporting and disclosure system for all enterprises registered with SAIC or its local branches (the "AICs") - including foreign-invested companies - operating in the People's Republic of China ("PRC"), which must submit annual reports to AIC through the National Enterprise Credit Information Disclosure System (全国企业信用信息公示系统, the "Reporting System"). The annual reports must be submitted between January 1 and June 30 of the following year, thereafter no amendments are permitted to be made. The Company confirms that the Group has complied with the annual filing requirements of the SAIC.

The Board of our Company has looked into the allegations in the Report relating to the SAIC filings, and together with the Company's management and the Audit Committee, have unanimously agreed that the allegations are misconstrued, erroneous and inappropriate.

The Report presents a highly selective and misleading presentation of the financial position and performance of the Group as well as contains numerous errors. To address the Allegations made in the Report, please refer to the Company's detailed responses which are set out in the table in Appendix 2 hereto.

The Company shall also make available copies of the Group's SAIC filings for inspection at the Company's registered office at 6 Battery Road, #10-01, Singapore 049909 during normal business hours from the date hereof.

(3) Allegations relating to Garden Fresh's Shrinking Number of Distributors

The Report claimed that Garden Fresh's growth is in contradiction to the reduction in the number of its distributors.

The Report failed to consider Garden Fresh's explanation of the decrease in distributors, which was explained in the listing application proof dated 1 April 2016 as follows:

"We terminated our relationship with a large number of distributors in 2014 compared to that in 2013, mainly because we started managing our distributors more actively, based on stricter standards that correspond to the development of our business, and accordingly, terminated, a number of underperforming distributors whose distribution channels were not extensive enough for our expanding business. In 2015, we added less new distributors compared to 2014 because of our stricter standards and a consolidated trend among distributors."

The listing application proof also explained that Garden Fresh does not allow sub-distribution:

"In China's packaged food and beverage industry, producers typically adopt the traditional distribution model under which there are very few main distributors who are responsible for distributing products to retailers and other points of sale. This type of distribution model poses inherent difficulties for the producers to access the performance of the sub-distributors and to effectively monitor the distribution of their products. However, we have, across our distribution network, one distributor in the district or distribution channel designated in the respective distribution agreement, thereby creating a flat layer of multiple distributors across our distribution network."

(4) Allegations relating to the high asset base of Shenzhen Grandness Industry Groups Co. Ltd ("Shenzhen Grandness") and Garden Fresh (Shenzhen) Fruit and Vegetable Beverage Co., Ltd ("Shenzhen Garden Fresh")

High asset base of Shenzhen Grandness Industry Groups Co. Ltd ("Shenzhen Grandness")

The Report has inappropriately and mischievously implied a high asset base ratio of 82% by erroneously comparing the standalone accounts' total assets of Shenzhen Grandness against the Group's total current assets. Such calculation seems to suggest that Shenzhen Grandness alone account for the majority of the Group's total current assets. By doing so, it shows a lack of understanding of basic accounting concepts underlying the preparation of consolidated accounts of a Group. At consolidation, various consolidation adjustment are made including the elimination of intercompany balances. The accounting policy on consolidation is shown on note 3 to the Group's 2015 annual report. Information on segment (Grandness and Garden Fresh segments) assets and liabilities can be found on note 28 to the Group's 2015 annual report.

Difference between the SAIC and IPO filing figures for Garden Fresh Group

The Report highlighted that a difference existed by comparing the combined SAIC filing figures against the IPO figures of the Garden Fresh Group. As the IPO filing figures are arrived at after consolidation (including consolidation adjustments as explained in the preceding paragraph), such a comparison is misleading.

(5) Allegations relating to the Proposed Listing of the Group's Beverage Business under Garden Fresh and the Company's Proposed Rights Issue

The Company refer to its announcements released on 31 March 2016 and 30 September 2016 (the "**Previous Announcements**") entitled "*Update On The Proposed Disposal And/Or Material Dilution Of 20% Or More Of The Company's Shareholding Interest In A Principal Subsidiary Of The Company Undertaking The Beverages Business, Pursuant To The Proposed Listing.*"

Under the rules of the Stock Exchange of Hong Kong ("**HKSE**"), the listing application is only valid for 6 months after which it will automatically lapse and relevant information will need to be updated. The lapsing of the listing application does not mean that the Proposed Listing has been cancelled. The Company is in the process of updating the relevant information including the most recent quarterly financial results. The Company wishes to update shareholders that the Company is continuing its ongoing efforts towards obtaining the approval for the Proposed Listing on the HKSE. Subject to the listing rules of the SGX-ST and the HKSE, the Company will announce any material updates in connection with the Proposed Listing.

With regards the Proposed Rights Issue announced by the Company on 30 September 2016, the Company wishes to highlight that is a fund raising exercise separate and independent of the Proposed Listing of the Beverages Business. The proceeds from the Proposed Rights Issue shall be used for Capital expenditure for the Group's non-beverage business and distribution network expansion and general working capital.

Shareholders of the Company are advised to exercise caution when dealing in the shares of the Company, and should consult their professional advisers in the event that they have any doubt about the actions they should take.

CONCLUSION

While we respect the right of our shareholders and the public to raise their concerns and queries regarding the published results and performance of the Group, the matters stated in the Report has gone beyond fair comment and are misleading. While GeolInvesting claimed to have acted on information obtained from public sources, they have drawn conclusions which are mischievous and reckless.

We wish to reiterate that our accounts have been prepared in accordance with Singapore Financial Reporting Standards ("**SFRS**") and audited by external auditors Foo Kon Tan LLP, and there has been no qualification in their reports over the years.

Based on the clarifications as stated above, the Board is of the opinion that the Allegations in the Report were made without due considerations to the underlying facts, inappropriate and misleading to the Company's shareholders and potential investors.

The Company views the Report as damaging the value that the Company has created for shareholders over the years and reserves the right to consult its legal advisers on its possible recourse. The Company and the professionals named in the Report reserve the right, and will be taking legal actions on the advice of its legal counsel to defend their rights and reputation.

The Board of Directors of the Company collectively and individually accepts responsibility for the accuracy of this announcement.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board

Huang Yupeng
Chairman and CEO

30 October 2016

Appendix 1 – PHOTOGRAPHS OF THE PRODUCTION FACILITY OF GRANDNESS (ANHUI)
FOODS CO., LTD.

Appendix 2 - COMPANY'S DETAILED RESPONSES IN RELATION TO SAIC FILINGS