

SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED
(Company Registration No. 200706801H)
(Incorporated in Singapore)
(the “Company”)

RESPONSE TO SUBSTANTIAL AND RELEVANT QUESTIONS

The Board of Directors of the Sino Grandness Food Industry Group Limited (the “Company” and together with its subsidiaries, the “Group”) would like to thank shareholders for submitting their questions in advance of the Annual General Meeting to be held by way of electronic means on 4 December 2020.

The Company and the Board wishes to provide its responses to the questions as follows:-

Questions from shareholders

Question 1

Has the Company paid US\$2.6M to Deutsche Investitions-und Entwicklungsgesellschaft (“DEG”)?

Company’s Response to Question 1

Garden Fresh (Hubei) Fruit & Vegetable Beverage Co., Limited (“GF Hubei”), a wholly-owned subsidiary of the Company has not repaid the loan to DEG by the deadline of 10 November 2020 in accordance with the amendment agreement No. 4 to the loan agreement with DEG for an extension of time for the repayment of such loan. This is because the Company has yet to secure approval from the State Administration of Foreign Exchange (“SAFE”) in China to remit the settlement sum of US\$2.6M outside of China. GF Hubei will continue to engage with DEG to reach further settlement agreement.

Question 2

Now that the Company can repatriate dividends to overseas holding company, why hasn’t it done so, as to repay loan from Soleado Holdings Pte. Ltd.(“Soleado”) + bondholders?

Company’s Response to Question 2

The company has, on 21 October 2020, in its announcement on the SGXNet entitled “Response to SGX Queries”, updated shareholders that for the purpose of the application for dividend repatriation from China, the following documents need to be submitted in supports of its application, including *inter alia*:

- a) Tax payment certificate and tax declaration form;
- b) An audit report on the profits, dividends and bonuses of the current year issued by an accounting firm in China;
- c) Resolutions of the board of directors concerning profits or dividends and bonus distribution;
- d) Foreign exchange registration certificate for foreign-invested enterprises;

- e) Capital verification report provided by an accounting firm in China; and
- f) Other materials required by the SAFE office, which includes the resolution passed in a shareholders' general meeting approving the dividend declaration required by SAFE office during the application, the dividend repatriation from China could only be used to pay dividend to the shareholders as resolutions passed in the general meeting.

To-date, the Company remains unable to repatriate dividends to its holding company as the Company had been unable to meet the documentation requirement for the purpose of application for SAFE approval.

As such, the Company will continue to discuss and negotiate with the Creditors (defined below) to reach separate agreements on the repayment schedule and settlement sum.

Question 3

Does the Company have the intention to repay the loans? By doing so, the Company's growth will be slowed down because it will not have the money to prepay suppliers and contractors.

Company's Response to Question 3

As at 31 December 2019, the key current liabilities of the Group ("Liabilities") include a loan owing to Soleado amounting to RMB147.2 million (US\$ 21.1 million), a bank loan owing to DEG amounting to RMB169.8 million (US\$ 24.3 million), and liabilities owing to bondholders amounting to RMB 742.2 million (collectively, the Group's "Creditors"). In aggregate, the total amounts owing to the Creditors amounting to RMB 1,059.2 million. The details of these Liabilities have been set out in the Company's various announcements on the SGXNet, dated 28 June 2017, 10 July 2017, 16 January 2019, 21 January 2019, 23 January 2019, 7 February 2019, 30 December 2019, 5 August 2020, 12 September 2020, 14 September 2020 and 21 October 2020.

Notwithstanding that the Company has not repaid the Liabilities, it has the intention of doing so. The Company is in the midst of discussions and negotiations with its Creditors for the restructuring of the Liabilities. In particular, the Executive Directors collectively are optimistic, based on on-going negotiations, that the Company would be able to reach agreement with its Creditors relatively soon.

In the event that the Liabilities are called upon by the Creditors for immediate repayment, the financial position of the Group's will be impacted, and accordingly, the Company's growth.

Question 4

Can the Company borrow from banks in China since almost all its assets are pledged for loans from DEG, Soleado and bondholders?

Company's Response to Question 4

Please refer to page 85 to 90 of our Annual Report for financial year ended 31 December 2019 ("AR for FY2019"), in relation to the Property, Plant and Equipment ("PPE") of the Group, which states that approximately 35% of the Group's PPE is pledged for loans from banks and financial institutions. The remaining of 65% of the Group's PPE is free from

encumbrances. Further, the Company has, on 29 November 2020 in its announcement on the SGXNet entitled “Waiver: Extension of Trading Halt”, stated that the Company is in negotiations to secure credit lines with banks and financial institutions in preparation and support for the Company to fulfil its debt obligations.

Question 5

What will happen to the Company if Soleado seizes Chairman Huang’s shares and Goldman Sachs seizes assets of Garden Fresh?

Company’s Response to Question 5

The Company is in negotiation with the Creditors, including Soleado and Goldman Sachs Investment Holdings (Asia) Limited, and the Executive Directors are optimistic that, based on on-going negotiations, the Company would be able to reach agreement with its Creditors relatively soon, and there is unlikely to be any legal action taken against the Company in the meantime.

Question 6

Is the Company's cash real? Was there ever any intention to repay the loans? This has been going on for years even before COVID. No excuses please.

Company’s Response to Question 6

As at 31 December 2019, the cash and bank balances of the Group was RMB 600.2 million. The auditor had conducted the following audit procedures to verify the existence of the cash and bank balances. The procedures included, amongst others:

- performed bank confirmations at 31 December 2019 (including in person visits to selected banks in which the Group has bank accounts in China);
- obtained bank statements directly from selected PRC banks for a sample of bank balances;
- performed walkthrough and control tests of on receipts and payments cycle during the financial year;
- tested interbank transfers against underlying supporting documentation on a sample basis;
- reviewed the year end bank reconciliations and tested the accuracy of monthly brought forward and closing bank balances; and
- physically counted the cash on hand balances as at 31 December 2019.

Notwithstanding that the Company has not repaid the Liabilities, it has the intention of doing so. The Company is in the midst of negotiations with its Creditors for the restructuring of the Liabilities. In particular, the Executive Directors collectively are optimistic, based on on-going negotiations, that the Company would be able to reach agreement with its Creditors relatively soon.

By Order of the Board

Huang Yupeng
Chairman and CEO
3 December 2020