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

ANNOUNCEMENT PURSUANT TO RULE 704(5) OF THE SGX-ST LISTING MANUAL:

- **DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITOR ON THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

Pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the board of directors (the "**Board**") of Sino Grandness Food Industry Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the independent auditor of the Company, RT LLP (the "**Independent Auditor**"), has included a disclaimer of opinion ("**Disclaimer of Opinion**") in the Independent Auditor's Report dated 22 January 2024 (the "**Independent Auditor's Report**"), in relation to the audited financial statements of the Group and the Company for the financial year ended 31 December 2020 ("**FY2020**") ("**Financial Statements**").

The basis for the Disclaimer of Opinion is contained in the Independent Auditor's Report. Please refer to the copy of the Independent Auditor's Report annexed at Appendix I for further details.

Shareholders of the Company are advised to read this announcement in conjunction with the Independent Auditor's Report, the Financial Statements and the Company's Annual Report for FY2020 in their entirety.

By Order of the Board

Huang Yupeng
Chairman and CEO
Sino Grandness Food Industry Group Limited
22 January 2024

Appendix I: Extract from the Independent Auditor's Report to the Audited Financial Statements

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of **Sino Grandness Food Industry Group Limited** (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Opening balances and comparative figures

The financial statements for the financial year ended 31 December 2019 were audited by another firm of auditors who issued a disclaimer of opinion on those financial statements in their report dated 30 October 2020.

When preparing the financial statements for the year ended 31 December 2020, management has also restated the statements of financial position of the Group and the Company due to certain errors have been made in the financial statements for the financial year ended 31 December 2019 previously presented, as detailed in Note 2(f)(i) to the financial statements due to the Group and the Company's accounting records and supporting documents being incomplete.

However, we were unable to obtain sufficient appropriate audit evidence to support the financial information in the restated statements of financial position as at 31 December 2019 and 1 January 2019 and consolidated statement of comprehensive income for the financial year ended 31 December 2019. As a result, we were unable to satisfy ourselves by alternative means concerning the opening balance as at 1 January 2020.

Because of the fact that the opening balances as at 1 January 2020 would have material impact to the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 December 2020, we were unable to determine whether any adjustments might have been found necessary in respect of the financial statements for the year ended 31 December 2020. These errors did not affect the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020.

Report on the Audit of the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

Use of going concern assumption

As disclosed in Note 2(d) to the financial statements, the Group recorded a net loss of RMB1,521.3 million and a net operating cash outflow of RMB219.0 million for the financial year ended 31 December 2020 and as at that date, the Company's current liabilities exceeded its current assets by RMB287.6 million. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's and the Company's abilities to continue as going concerns.

The Company has defaulted on the repayment of the loan principal and interest due to a related party, Soleado Holdings Pte. Ltd., of RMB157.8 million as disclosed in Note 20 to the financial statements. The extended due date was 6 January 2019 and the initial due date was 16 May 2018.

The Group has also defaulted on the repayment of the loan principal and interest of RMB167.3 million due to a financial institution, Deutsche Investitions und Entwicklungsgesellschaft GmbH ("DEG"), as disclosed in Note 19(h) to the financial statements. Such loan was initially due on 15 October 2018.

The Group has also defaulted on the repayment of the Straight Bonds and the Exchangeable Bonds amounting to RMB264.9 million and RMB485.7 million, respectively, as disclosed in Note 21 to the financial statements. The initial due date of the Straight Bonds was 28 September 2017. The Exchangeable Bonds became immediately due on 14 January 2020, after the Long Stop Date pursuant to the Amended and Restated 2018 Restructuring Agreement.

As of the date of our report, there is uncertainty as to whether the Group and the Company are able to meet their contractual obligation in the next twelve months as and when they fall due, and consequently, there is uncertainty as to their respective abilities to continue as going concerns for the next twelve months. Accordingly, we were unable to ascertain the appropriateness of the going concern basis of preparation of the financial statements.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may have to reclassify certain non-current assets and liabilities as current assets and liabilities respectively.

Report on the Audit of the Financial Statements (Cont'd)

Basis for Disclaimer of Opinion (Cont'd)

Impairment assessment of property, plant and equipment, deposits paid for non-current assets and interests in subsidiaries

As at 31 December 2020, the carrying amounts of the Group's property, plant and equipment and deposits paid for non-current assets were RMB1,393.4 million and RMB245.8 million, respectively, and the Company's interests in subsidiaries was RMB258.8 million. As at 31 December 2020 and 2019, management has not prepared their impairment assessment on the above non-financial assets in accordance with SFRS(I) 1-36 *Impairment of Assets*, and therefore we were unable to obtain sufficient appropriate audit evidence to support the carrying amount of the Group's property, plant and equipment and deposits paid for non-current assets and the Company's interests in subsidiaries as at 31 December 2020 and the corresponding impact to profit or loss for the year then ended.

Impairment assessment of trade and other receivables and amounts due from subsidiaries

As at 31 December 2020, the Group's trade receivables and other receivables amounted to RMB1,040.5 million and RMB526.7 million, respectively. The Company's amounts due from subsidiaries amounted to RMB515.5 million. As at 31 December 2020 and 2019, management has not prepared their impairment assessment on the above financial assets in accordance with SFRS(I) 9 *Financial Instruments*, and therefore we were unable to obtain sufficient appropriate audit evidence to support the carrying amount of the Group's trade receivables and other receivables and the Company's amounts due from subsidiaries as at 31 December 2020 and the corresponding impact to profit or loss for the year then ended.

Intra-group financial guarantee

As at 31 December 2020 and 2019, the Company has issued a corporate guarantee to DEG in respect of the DEG loan granted to a subsidiary as disclosed in Note 19(h) to the financial statements. As at 31 December 2020 and 2019, management has not prepared their impairment assessment on the financial guarantee in accordance with SFRS(I) 9 Financial Instruments, and therefore we were unable to obtain sufficient appropriate audit evidence to support its carrying amount as at 31 December 2020 and the corresponding impact to profit or loss for the year then ended.

Inventories

The Group's inventories amounted to RMB5.7 million and RMB10.7 million as at 31 December 2020 and 2019, respectively. Due to the timing of our appointment as the auditor of the Company, we were unable to observe the counting of physical inventories or to perform other alternative audit procedures and therefore, we were unable to obtain sufficient appropriate audit evidence to support the existence, completeness and valuation of the inventories as at 31 December 2020 and the corresponding impact to profit or loss for the year then ended.

Report on the Audit of the Financial Statements (Cont'd)

Other Matter

The financial statements for the financial year ended 31 December 2019 were audited by another firm of auditors who issued a disclaimer of opinion on those financial statements in their report dated 30 October 2020.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act 1967 (the "Act") and the Singapore Financial Reporting Standards (International) ("SFRS(I)"), and for devising and maintaining a system of internal accounting controls sufficient to provide 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kenneth Ng Boon Chong.

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 22 January 2024