

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

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**RESPONSE TO SGX’S QUERY**

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In response to the query from Singapore Exchange Securities Trading Limited (“SGX-ST”) in their email dated 30 June 2021, the Board of Directors of the Company wishes to provide the following information in respect of the Company’s announcements as set out below:

We refer to the following:

- (i) The Company’s announcement dated 19 November 2020 in relation to the Disclaimer of Opinion on the audited financial statements for the financial year ended 31 December 2019 (“FY2019”) (available here: <https://links.sgx.com/FileOpen/Sino%20Grandness%20-%20Disclaimer%20of%20Opinion.ashx?App=Announcement&FileID=639730>);
- (ii) The Company’s announcement dated 29 November 2020 titled “Extension of Trading Halt” (available here: <https://links.sgx.com/FileOpen/Sino%20Grandness%20-%20Extension%20of%20Trading%20Halt.ashx?App=Announcement&FileID=640838>);
- (iii) The Company’s announcement dated 22 December 2020 on the resignation of its Independent Director, Gong Shu Li (available here: <https://links.sgx.com/1.0.0/corporate-announcements/2JLTM4L8LRGJ7MMF/7d852df5f717399e0db90064f41d7160775f318636db9b8b7c562df6f9e6ff9d>);
- (iv) The Company’s announcement dated 7 January 2021 titled “Response to SGX Queries” (available here: <https://links.sgx.com/FileOpen/Sino%20Grandness%20-%20Response%20to%20SGX.ashx?App=Announcement&FileID=644579>); and
- (v) The Company’s announcement dated 11 March 2021 on the resignation of its Chief Financial Officer (available here: <https://links.sgx.com/1.0.0/corporate-announcements/PAICW6RPPQXY8XBY/b4137f0a60d41c0bd99923ed8f3937c8aea9b174460304671271f65dbc9078f6>).

SGX-ST’s Query as follows:

We seek the Company’s response to the following:

- (i) On 19 November 2020, the Company announced that it has received a Disclaimer of Opinion on its audited financial statements for FY2019. The Disclaimer of Opinion for FY2019 provided the following:

*“As stated in Note 2(a) to the financial statements, despite the fact that the Group has net current assets of RMB 1,447.9 million (2018 - RMB 1,241.1 million), cash and cash equivalents of RMB 600.2 million (2018 - RMB 621.8 million) as shown in the consolidated statement of financial position as at 31 December 2019 and has net positive operating cash flows of RMB 138.9 million (2018 - RMB 334.6 million), the Group nevertheless continued to default on the repayment of loan owing to Soleado Holdings Pte. Ltd. (“Soleado”) with interest thereon of RMB 147.2 million (US\$ 21.1 million) [2018 - RMB 144.8 million (US\$ 21.1 million)] as at 31 December 2019 which was due on 6 January 2019 (originally due on 16 May 2018) and the Deutsche Investitions-und*

*Entwicklungsgesellschaft (“DEG”) loan with interest thereon of RMB 169.8 million (US\$ 24.3 million) [2018 - RMB 157.2 million (US\$ 22.9 million)] as at 31 December 2019. The Group’s subsidiaries in the People’s Republic of China (“PRC”) (“Group subsidiaries”) were not able to repatriate fund to the Company to allow the Company to pay off its debts to Soleado.”*

*“As disclosed in the 2018 Annual Report, the Group made an application before the SAFE administration on 26 February 2019 to request for the repatriation of profits to the sum of RMB 150 million.”*

*“The bank made aware to us that GF Hubei had complied with the requirements of the State Administration of Foreign Exchange (“SAFE”) regulations.”*

In its announcement dated 29 November 2020, the Company disclosed the following:

*“Such creditors of the Group include: Soleado Holdings Pte. Ltd. (loan amounting to RMB147.2 million (US\$ 21.1 million)), Deutsche Investitions-und Entwicklungsgesellschaft, (loan amounting to RMB169.8 million (US\$ 24.3 million)), and various bondholders (with liabilities amounting to RMB 742.2 million) (collectively, the “Creditors”). In aggregate, the amount owing to the Creditors by the Group is RMB 1,059.2 million.”*

In this regard:

- (a) Could we have an update on the status and outcome (if any) of the Company’s application to the State Administration of Foreign Exchange (“SAFE”) for the repatriation of funds amounting to RMB 150 million?
  - (b) In the event SAFE does not grant its approval for the Company’s application, what are the Company’s proposed plans to repay the sums owing to its creditors, including Soleado Holdings Ltd, Deutsche Investitions-und Entwicklungsgesellschaft and its bondholders?
- (ii) The Disclaimer of Opinion for FY2019 highlighted the following issues, including (but not limited to):
- (a) Outstanding SAFE application;
  - (b) Repayment of loans owing to Soleado, DEG and the bondholders.
  - (c) Recoverability of the Company’s trade receivables.
  - (d) Impairment of canned fruit production lines which FKT could not sight during the FY2019 audit:
    - (1) Deposits of RMB 81.4 million placed with 临沂泉通机械设备有限公司 for two canned fruits production lines (水果罐头生产线) located in Anhui;
    - (2) Deposits of RMB 178.6 million placed with 象山双鱼轻工机械有限公司 for another two canned fruits production lines (水果罐头生产线) located in Anhui.
    - (3) Contractual dispute with 象山双鱼轻工机械有限公司.
  - (e) Recoverability of deposits paid for non-current assets of RMB 97.7 million placed with 江西雄基钢构建材有限公司 since FY2016 for the proposed construction of factory and warehouse facilities, and expected to be completed in FY2019.

In response to SGX’s queries, the Company disclosed the following on 7 January 2021:

*“The Company is currently evaluating various options to address the issues raised in the Independent Auditor Report in respect of the financial year ended 31 December 2019.*

*The Company would make the necessary announcement as and when there is any material development.”*

In this regard:

- (a) Please elaborate and provide details of the “*various options to address the issues raised in the Independent Auditor Report*” which have been evaluated by the Company.
  - (b) Has the Group’s audit for the financial year ended 31 December 2020 (“**FY2020**”) begun? If no, why not?
  - (c) How would each of the issues raised in the Disclaimer of Opinion for FY2019 be addressed in the Group’s audit for FY2020?
- (iii) On 22 December 2020, the Company announced the cessation of Independent Director, Gong Shu Li (with effect from 22 December 2020). In response to SGX’s queries, the Company disclosed the following on 7 January 2021:

*“The Audit Committee comprising only 1 member.*

*According to the Terms of Reference of the Audit Committee, the quorum of the meeting is at least 2 committee members attending the meeting. In view of the insufficient quorum for a meeting, the Audit Committee, is unable to adequately function.*

*Despite of the above, the Audit Committee member has full access to and co-operation of the management, external auditors and internal auditors. The external auditors have unrestricted access to the Audit Committee member to report all the matters of audit. The member of Audit Committee is able to communicate by means of telephone conference or similar communication tools with all parties.”*

*“According to the Term of Reference of the Audit Committee, Nominating Committee and Remuneration Committee, the quorum of the meeting is at least 2 committee members attending the meeting. In view of the insufficient quorum for a meeting, the Audit Committee, Nominating Committee and Remuneration Committee are unable to adequately function.*

*The Company is currently sourcing for suitable candidate to fill up the vacancy after the resignation of Mr Gong Shuli.”*

Please provide us with an update on the Company’s efforts and progress in filling the vacancies in its Audit Committee, Nominating Committee and Remuneration Committee.

- (iv) On 11 March 2021, the Company announced the resignation of its former CFO, Leyng Thai Weng (with effect from 10 March 2021). Please provide us with an update of the Company’s efforts and progress in appointing a new CFO, including whether it has considered any new candidates.

#### Company’s Response to Query (i) (a)

There have been no updates from the local SAFE regarding our applications. The Company is following up with them on the application process and will provide updates as soon as we have feedback from the local SAFE.

#### Company's Response to Query (i) (b)

The Company is in discussion with the creditor on explaining the current application process and negotiating on a new debt restructuring agreement. The discussion is still ongoing.

#### Company's Response to Query (ii) (a)

As mentioned in Company's Response to Query (i) (a), the Company is following up with local SAFE on the application process.

The Company is in discussion with the creditor and negotiating on a new debt restructuring agreement. The discussion is still ongoing and we are optimistic in concluding a new restructuring agreement.

The Company has formed a trade receivable recovery committee, and will use a combination of discount and other business incentives to speed up the recoverability of the receivables. In case of unrecovered receivables, the committee will pursue litigations to ensure the Company will be able to recover as much of receivables as possible. The committee is doing everything that it can to ensure all money is being collected for Sino Grandness.

The Company has engaged a professional law firm in investigating the related matter. The Company has received the canned fruits production lines/equipment from 象山双鱼轻工机械有限公司.

The litigation between the Group and 江西雄基钢构建材有限公司 is still in progress.

#### Company's Response to Query (ii) (b)

The Group is currently undergoing a change of auditor process. The Group has yet to commence the statutory audit for FY2020. The audit process will commence after the change of auditor.

#### Company's Response to Query (ii) (c)

The Group will consult with professionals and our new auditors to formally address the issues raised in the Disclaimer of Opinion for FY2019.

#### Company's Response to Query (iii)

The Company is currently looking for suitable candidates for the vacancy to replace Mr. Gong Shuli.

#### **By Order of the Board**

Huang Yupeng  
Chairman and CEO  
8 September 2021