

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

**REPLY TO SGX QUERY REGARDING ANNUAL REPORT ("AR") FOR
THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

The Board of Directors (the "Board") of Sino Grandness Food Industry Group Limited (the "Company") would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited ("SGX Query") as follows: -

SGX Query 1:

Pursuant to Listing Rule 1207(6)(c), please disclose whether the Company has complied with Listing Rule 715 or 716 in relation to its auditing forms.

Company's response to SGX Query 1:

The Company has complied with Listing Rule 715 as the Company and its subsidiaries (the "Group") are audited by Foo Kon Tan LLP (the "Group Auditors") for consolidation purposes. Group Auditors as auditors of the company is responsible for the performance of the audit of the Group and for issuing an auditors' report for the Group that is appropriate in the circumstance. The auditing standards do not allow the Group Auditors in its auditors report to refer to a component auditor (or the auditors of the subsidiaries ("Component") of the Group) unless required by law or regulations.

It is not a requirement under the auditing standards for Group Auditors to use the audit evidence on which the audit opinion on the financial statements of the Component is based to provide audit evidence for the audit of the Group. The Group Auditors may however, decide to use the audit evidence of the Component under certain conditions such as ensuring the component auditors collectively have the appropriate competence and capabilities, including assessing the financial framework applied in preparing the financial statements and auditing and other standards applied by the component auditor.

The Group Auditors have adopted a risk-based approach as part of their auditing procedures in the audit. This include the limited reliance on the work of the component auditors such as reviewing their auditors' report and ascertaining whether the financial statements that were audited by the component auditors agree with the figures provided to Group Auditors for the audit of the Group. Nevertheless, the Group Auditors remain responsible for the overall direction, supervision and performance of the group audit engagement in compliance with the auditing standards.

SGX Query 2:

We note that it is disclosed on page 72 of the AR that during the financial year, office units had been sold to Huang Yupeng (the Chairman, CEO and substantial shareholder of the Company).

Given that the Company has stated on pages 33 and 35 of the AR that there were no interested person transactions entered into by the Group for FY2014, please clarify why this

is not deemed as an interested person transaction. Please also disclose how the Company has complied with Chapter 9 of the SGX Listing Manual.

Company's response to SGX Query 2:

The Board wish to clarify that saved for disclosed under Interested Persons Transactions in the Company's prospectus dated 13 November 2009 and the Related Party Transaction as disclosed on page 103 of the Annual Report for the financial year ended 31 December 2014, there were no IPTs entered between the Company or its subsidiaries and any of its interested persons subsisting at the end of the financial year ended 31 December 2014.

The aggregate value of interested person transactions entered into during the financial year ended 31 December 2014 is as follows: -

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Huang Yupeng	RMB5,313,600	Nil

SGX Query 3:

Pursuant to Listing Rule 1207(20), please provide the status report on the use of any proceeds arising from any offerings pursuant to Chapter 8 and whether the use of proceeds is in accordance with the stated use and is in accordance with the percentage allocated in the prospectus or the announcement of the issuer. Where the proceeds have been used for working capital purposes, a breakdown with specific details on how the proceeds have been applied should be disclosed.

Company's response to SGX Query 3:

The Board refers to the issuance of 28,500,000 shares by the Company in March 2013 ("Placement 2013"). As at 17 February 2015, the Group had fully utilised the net proceeds of approximately RMB114.6 million. The net proceeds from the Placement 2013 have thus been fully utilised as follows:-

Use of net proceeds	Allocation (%)	Amount allocated (RMB)	Accumulated amount utilized (RMB)	Balance (RMB)
(a) Capital expenditure and sales and marketing expenses for domestic canned food products	60	68,760,000	68,760,000	NIL
(b) Working Capital				
- Bank loan repayment	35	40,110,000	40,110,000	NIL
- Operating expenses	5	5,730,000	5,730,000	NIL
Total	100	114,600,000	114,600,000	NIL

The Board refers to the issuance of 86,000,000 shares by the Company in December 2014 (“Placement 2014”). As at 17 February 2015, the Group had utilised the net proceeds of approximately RMB40.5 million out of the net proceeds of approximately RMB173.5 million. The net proceeds from the Placement 2014 have thus been utilised as follows:-

Use of net proceeds	Allocation (%)	Amount allocated (RMB)	Accumulated amount utilized (RMB)	Balance (RMB)
(a) Capital expenditure and distribution network expansion	60	104,100,000	40,500,000	63,600,000
(b) Working Capital				
- Bank repayment	35	60,725,000	-	60,725,000
- Operating expenses	5	8,675,000	-	8,675,000
Total	100	173,500,000	40,500,000	133,000,000

The Company will make further announcements on the use of net proceeds from the placement as and when the funds are materially disbursed.

By Order of the Board

Huang Yupeng
Chairman and CEO
23 April 2015