

**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 31 December 2019, the Board of Directors of the Company wishes to provide the following information in respect of the update on disposal of shares in an indirectly wholly-owned subsidiary as set out below:

Query 1

We refer to the Company’s announcement dated 30 December 2019 titled “Update on Disposal of Shares in an Indirectly Wholly-Owned Subsidiary”.

What agreement has been struck with the Purchaser for the Company to decide to withdraw the court action against the Purchaser?

Company’s Response to Query 1

Pursuant to the Agreement voluntarily entered into between Shenzhen Grandness Industry Groups Co., Ltd (the “**Vendor**”) and 山东元昌置业集团有限公司 (the “**Purchaser**”) (hereinafter collectively referred to as the “**Parties**”) on 3 January 2020, the following has been agreed by both Parties, subject to the payment of mediation fees to Shanxian People’s Court by the Vendor:

1. Both Parties have agreed to terminate the Sale and Purchase Agreement (“**SPA**”) entered into on 25 October 2019 and ceased to perform any contractual rights and obligations set out in the SPA.
2. Within 3 working days upon the payment of the aforesaid mediation fees to Shanxian People’s Court and receipt of the Civil Mediation Agreement by both Parties, the Purchaser shall proceed with the relevant transaction to transfer all of the Purchaser’s interest in the equity and share capital (the “**Sale Shares**”) in Grandness (Shanxian) Food Co., Ltd. (the “**Sale Entity**”) back to the Vendor.

Query 2

Has this decision been approved by the Board and was the Board decision unanimous?

Company’s Response to Query 2

To protect the Company’s interest on the Sale Shares in the Sale Entity, the Board has unanimously approved the termination of the SPA and ceased to perform any contractual rights and obligations set out in the SPA. As a result of the termination of the SPA, the Company did not incur any losses/damages.

### Query 3

How would the registration of the share transfer with the authority in China in respect of the shares of its indirect wholly-owned subsidiary to the Purchaser prior to receipt of the sale consideration be in the interest of the Company and its shareholders? How has the Board acted in the best interests of the Company and its shareholders?

### Company's Response to Query 3

The local government had implemented an urbanisation programme in FY2018 wherein existing industrial area was to be converted into residential districts. Since the Sale Entity is among the last to convert its property usage in the affected zone, the local government had issued a mandatory stop work order. As a result, the Sale Entity has not been operating since FY2018.

As announced by the Company in its "Disposal of Shares in an Indirectly Wholly-owned Subsidiary" on 25 November 2019, permitting the transfer of the Sale Shares in the Sale Entity prior to receiving payment is in accordance with normal market practices in China. Also in accordance with normal practices, the Vendor has withheld transferring the Sale Entity's legal representative position to a person appointed by the Purchaser, and withheld handing over the Sale Entity's accounting books, so that the Purchaser is still unable to take operational control of the Sale Entity.

To act in the best interests of the Company and its shareholders, the Board has agreed and approved the termination of the SPA and the Company shall proceed with the relevant transaction to transfer all of the Purchaser's interest in the Sale Shares in the Sale Entity back to the Vendor.

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

Huang Yupeng  
Chairman and CEO  
3 January 2020