

SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200706801H)

PLACEMENT – SUPPLEMENTAL DEEDS TO SUBSCRIPTION AGREEMENTS

Unless otherwise defined, capitalised terms used in this announcement, shall have the meaning ascribed to them in the announcement dated 2 October 2014 released on 8 October 2014, unless otherwise stated or the context requires otherwise.

Further to the announcement dated 2 October 2014 released on 8 October 2014, the Board wishes to announce that the Company and each of the Subscribers have on 29 October 2014 entered into respective supplemental deeds to amend the terms of the Subscription Agreements (“**Supplemental Deeds**”).

1. AMENDMENTS TO THE SUBSCRIPTION AGREEMENTS

Pursuant to the Supplemental Deeds, the key amendments to the Subscription Agreements include the following:

Issue Price of the Placement Shares

- (i) The Issue Price of the Placement Shares as set out in clause 2.1 of the Subscription Agreement will be adjusted from S\$0.61 for each Placement Share to the following:
 - (a) S\$0.50 per Placement Share; or
 - (b) the volume weighted average price per Share traded on the SGX-ST on the last market day immediately preceding the date of Completion,whichever is the lower (“**Issue Price**”);
- (ii) Pursuant to an additional term to be inserted to the Subscription Agreements, if the price per Share set out in paragraph (b) above is less than S\$0.40, the Subscribers and the Company (collectively referred to as the “**Parties**”) will proceed to Completion of the Placement if it is mutually agreed between the Parties and at a price per Placement Share to be mutually agreed on.

Based on the Issue Price of S\$0.50 per Placement Share, this would represent a discount of approximately 24.54% to the volume weighted average price of S\$0.6626 (the “**VWAP**”) for trades done on the shares of the Company (the “**Shares**”) on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 30 September 2014 (being the full market day preceding the date of the Subscription Agreement on which Shares were traded). As the Issue Price would represent a discount of more than 10% to the VWAP, the Company is required under Rule 811(3) of the SGX-ST Listing Manual (the “**Listing Manual**”) to seek the specific approval of its shareholders (“**Shareholders**”) for the issuance of the Placement Shares.

2. LONG-STOP DATE

The Parties acknowledge and accept that in view of the amendment of the Issue Price, the Company is required to convene an extra-ordinary general meeting to seek shareholders' approval for the Placement under the provisions of the Listing Manual. As such, the Long-Stop Date shall be the date falling sixteen (16) weeks from the date of the Subscription Agreements or such other date as the Subscribers and the Company may agree.

3. RATIONALE AND USE OF PROCEEDS FROM THE PLACEMENT

The Company has agreed to the revision in the Issue Price in connection with the Proposed Placement taking into account the recent volatile market conditions and the intention of the Company to secure the Subscribers as long term strategic investors in the Company. The Company is, in allowing the adjustment to the Issue Price to a level that is aligned with the prevailing price at which Shares are traded, demonstrating to the Subscribers its good faith and willingness to work with the Subscribers with a view to achieving long term benefits to the Group.

The mechanism for the adjustment in the Issue Price depending on the prevailing price at which the Shares are traded just prior to Completion would allow the Placement to proceed that is acceptable to the Subscribers while allowing the Company the opportunity not to proceed with the Placement in the event that the price at which Shares are traded falls below the level of S\$0.40 per Placement Share.

Based on the Issue Price of S\$0.50, the estimated amount of proceeds from the Placement, net of the estimated expenses of approximately S\$1,440,000, would be approximately S\$41,560,000.

The Company intends to utilise the net proceeds of approximately S\$41,560,000 from the Placement for the following purposes:

- (i) 60% to fund the Group's capital expenditure and for distribution network expansion; and
- (ii) 40% for general working capital of the Group.

If the Issue Price of S\$0.40, the estimated amount of proceeds from the Placement, net of the estimated expenses of approximately S\$1,200,000, would be approximately S\$33,200,000.

The Company intends to utilise the net proceeds of approximately S\$33,200,000 from the Placement for the following purposes:

- (iii) 60% to fund the Group's capital expenditure and for distribution network expansion; and
- (iv) 40% for general working capital of the Group.

The Company will make periodic announcement(s) as to the use of the proceeds from the Placement as and when such proceeds are materially disbursed and whether such a use is in accordance with the stated use and in accordance with the percentage allocated. The Company will also provide a status report on the use of the net proceeds from the Placement in the Company's interim and full-year financial statements issued under Rule 705 of the Listing Manual and the Company's annual report. Where the net proceeds from the Placement have been used for working capital purposes, the Company will provide a breakdown with specific details on how such net proceeds have been applied in the announcements and status report.

Where there is any material deviation from the stated use of proceeds, the Company will announce the reasons for such deviation.

Pending the deployment of the proceeds from the Placement, such proceeds may be placed as deposits with financial institutions or invested in short term money markets or debt instruments or for any other purposes on a short term basis as the Directors may deem fit, from time to time.

4. FINANCIAL EFFECTS

(a) Share Capital

As at the date of this announcement, the issued and paid up capital of the Company (excluding treasury shares) is S\$59,039,540 divided into 587,344,828 Shares (excluding treasury shares).

Based on an Issue Price of S\$0.50 per Placement Share, the Placement Shares when allotted and issued in full, will increase the existing issued and paid-up share capital of the Company by approximately S\$43,000,000, to S\$102,039,540, divided into 673,344,828 Shares (excluding treasury shares).

Based on an Issue Price of S\$0.40 per Placement Share, the Placement Shares when allotted and issued in full, will increase the existing issued and paid-up share capital of the Company by approximately S\$34,400,000, to S\$93,439,540, divided into 673,344,828 Shares (excluding treasury shares).

(b) Net Tangible Asset and Earnings Per Share

For illustration purposes only, based on the audited financial statement of the Company for the financial year ended 31 December 2013 (“FY2013”) and the issued share capital of the Company as at the date of this announcement, the net tangible asset (“NTA”) per Share and the earnings per Share (“EPS”) were approximately RMB 229.3 cents and RMB 69.7 cents, respectively.

Based on an Issue Price of S\$0.50 per Placement Share, the NTA per Share and the EPS, after adjusting for the issuance of all the Placement Shares, would be approximately RMB 231.9 cents and RMB 60.7 cents, respectively.

Based on an Issue Price of S\$0.40 per Placement Share, the NTA per Share and the EPS, after adjusting for the issuance of all the Placement Shares, would be approximately RMB 225.5 cents and RMB 60.7 cents, respectively.

The above adjusted NTA per Share was computed by assuming that the Placement was completed on 31 December 2013 and the above adjusted EPS of the Group was computed by assuming that the Placement was completed at the beginning of FY2013 and does not take into account the effects of the use of Net Proceeds from the Placement on the earnings of the Group.

It should be noted that the abovementioned financial effects have been calculated for illustrative purposes only and does not purport to be indicative or a projection of the results and financial position of the Company and the Group after completion of the Placement.

5. SHAREHOLDERS' APPROVAL AND DESPATCH OF CIRCULAR

The Company will be convening an extra-ordinary general meeting to seek specific approval of Shareholders for the Proposed Placement pursuant to Rule 811(3) of the Listing Manual.

A circular containing information in connection with the Placement will be despatched to the Shareholders in due course. The Company will make further announcements relating to the Placement as and when necessary. As there is no assurance that the aforementioned transactions will be completed, Shareholders are advised to refrain from taking any action which may be prejudicial to their interests before seeking advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers (as appropriate).

6. SUPPLEMENTARY OFFER INFORMATION STATEMENT

Further to the Offer Information Statement dated 2 October 2014 which has been lodged with the Monetary Authority of Singapore on 2 October 2014 in connection with the Placement, a Supplementary Offer Information Statement will be lodged with the Monetary Authority of Singapore in due course.

7. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Announcement constitutes full and true disclosure of all material facts about the Placement, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading.

Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

8. TRADING CAUTION

Shareholders are advised to exercise caution in trading their Shares. The Placement is subject to certain conditions. There is no certainty or assurance as at the date of this announcement that the Placement will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments. Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

9. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at 6 Battery Road #10-01 Singapore 049909 during normal office hours for a period of three (3) months from the date of this Announcement:-

- (i) The PM Group Subscription Agreement dated 1 October 2014;
- (ii) The Soleado Subscription Agreement dated 1 October 2014;

- (iii) The Letter Agreement dated 1 October 2014 entered into between PM Group and the Company;
- (iv) The Letter Agreement dated 1 October 2014 entered into between Soleado and the Company;
- (v) The Supplemental Deed dated 29 October 2014 entered into between PM Group and the Company; and
- (vi) The Supplemental Deed dated 29 October 2014 entered into between Soleado and the Company.

By Order of the Board

Huang Yupeng
Chairman and CEO

29 October 2014