

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

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**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 2021**

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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 2021 (“**FY2021**”) (“**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 FY2021 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 2021**

#### **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 2021, 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*

We had expressed a disclaimer of opinion on the financial statements for the year ended 31 December 2020 on 15 January 2024, which form the basis for the comparative figures presented in the current year's financial statements, because of the following matters which remained unresolved and the effects or possible effects of the matter on the current year's figures are material:

Use of going concern assumption as at 31 December 2020 and 1 January 2020;

- (i) Impairment assessment of property, plant and equipment, deposits paid for non-current assets and interests in subsidiaries as at 31 December 2020 and 1 January 2020;
- (ii) Impairment assessment of trade and other receivables and amounts due from subsidiaries as at 31 December 2020 and 1 January 2020; and
- (iii) Inability to observe the counting of the physical inventories as at 31 December 2020 and 1 January 2020

We were unable to obtain sufficient appropriate audit evidence on the abovementioned matters. As a result, we were unable to determine by alternative means whether the opening balances as at 1 January 2021 and the comparative figures were fairly presented.

In addition, the abovementioned disclaimer of opinion on the financial statements for the year ended 31 December 2020 also contained the following matter which remain unresolved but the effects or possible effects of the matter on the current year's figures are immaterial:

- (i) Inability to obtain sufficient appropriate audit evidence for the opening balances in the statements of financial position of the Group and the Company as at 1 January 2020

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

**Basis for Disclaimer of Opinion (Cont'd)**

*Opening balances and comparative figures (Cont'd)*

Since opening balances affect the determination of the financial performance, changes in equity and cash flows of the Group for the year ended 31 December 2020, we were unable to determine whether adjustments to the results and opening retained profits might be necessary for the year ended 31 December 2020. We had expressed a disclaimer of opinion on the financial statements for the year ended 31 December 2020 accordingly. We are also expressing a disclaimer of opinion for the year ended 31 December 2021 because of the possible effects of this matter on the comparability of the current year's figures and the comparative figures.

*Use of going concern assumption*

As disclosed in Note 2(d) to the financial statements, the Group recorded a net loss of RMB36.2 million for the financial year ended 31 December 2021 and as at that date, the Company's current liabilities exceeded its current assets by RMB262.0 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 RMB173.0 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 Straight Bonds and the Exchangeable Bonds amounting to RMB282.8 million and RMB530.2 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.

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**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 2021, the carrying amounts of the Group's property, plant and equipment and deposits paid for non-current assets were RMB1,751.2 million and RMB303.1 million, respectively, and the Company's interests in subsidiaries was RMB258.8 million. As at 31 December 2021 and 2020, 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 2021 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 2021, the Group's trade receivables and other receivables amounted to RMB826.2 million and RMB333.5 million, respectively. The Company's amounts due from subsidiaries amounted to RMB479.2 million. As at 31 December 2021 and 2020, 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 2021 and the corresponding impact to profit or loss for the year then ended.

*Inventories*

The Group's inventories amounted to RMB22.8 million and RMB5.7 million as at 31 December 2021 and 2020, 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 2021 and the corresponding impact to profit or loss for the year then ended.

**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.

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

**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.

**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 and by those subsidiary corporations incorporated in Singapore of which we are the auditors 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