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

PROPOSED CHANGE OF AUDITORS FROM FOO KON TAN LLP TO RT LLP

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1. INTRODUCTION

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 the Company's intention to change its auditors from Foo Kon Tan LLP ("**FKT**") to RT LLP ("**RT**") (the "**Proposed Change of Auditors**"). The Proposed Change of Auditors will be subject to the specific approval of the shareholders of the Company (the "**Shareholders**") at an extraordinary general meeting ("**EGM**") to be convened in due course.

2. BACKGROUND FOR THE PROPOSED CHANGE OF AUDITORS

FKT was first appointed as the auditors of the Company on 14 November 2007 and has served as the auditors of the Company since its appointment.

FKT had been re-appointed at the last annual general meeting ("**AGM**") of the Company held on 4 December 2020 to hold office until the conclusion of the next AGM of the Company.

On 19 November 2020, the Company had, pursuant to Rule 704(5) of the listing manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") (the "**Listing Manual**"), announced that FKT, the Company's independent auditors, had included a disclaimer of opinion ("**FKT's Disclaimer of Opinion**") in its independent auditors' report dated 30 October 2020 (the "**FY2019 Independent Auditors' Report**") on the consolidated financial statements of the Group and the statement of financial position of the Company for FY2019. Please refer to the Company's announcement on 19 November 2020 for the relevant sections of the FY2019 Independent Auditors' Report.

On 25 November 2020, the Company had released an announcement in relation to the Company's request for a trading halt with immediate effect.

On 29 November 2020, the Company announced that it had requested for the SGX-ST to extend the trading halt until 4 December 2020 (the "**Extension**"). The reason for the Extension was so that the Company could conduct negotiations with various parties to address the going concern issues (the "**Going Concern Issues**") highlighted in the FY2019 Independent Auditors' Report which formed part of the Company's annual report for FY2019. The Company's proposed actions to address the Going Concern Issues during the Extension were to:

(1) secure credit lines with banks and financial institutions, of which the Company is actively engaged with, in preparation and support for the Company to fulfil its debt obligations to address the Going Concern Issues; and

(2) further engage with its current creditors to expedite the debt restructuring process and shall target to conclude such negotiations with new settlement terms. Such creditors of the Group included 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 RMB742.2 million). In aggregate, the amount owing to the said creditors by the Group is RMB1,059.2 million.

In particular, it was highlighted that should the Company fail to secure additional credit lines or reach new settlement terms with its creditors as set out in (1) or (2) above before the end of the Extension, trading in the shares of the Company shall be suspended pursuant to Rule 1303(3) of the Listing Manual. The SGX-ST will not grant any further trading halt extension for the Company.

On 7 December 2020, the Company announced that it requested for a suspension of trading in the Company's shares with immediate effect.

On 25 February 2021, the Company notified FKT that it would not be retaining FKT as its auditors for FY2020. In connection therewith, FKT had, in a notice to the Company dated 1 March 2021 (the "**Notice of Resignation**"), notified the Company that it would resign as auditors of the Group and that it would be making an application to ACRA for consent to its resignation.

On 31 May 2021, pursuant to its letter of even date, ACRA approved FKT's resignation as auditor of the Company.

Pursuant to Section 205AB(5) of the Companies Act 1967 of Singapore (the "**Companies Act**"), the resignation of FKT as the Company's auditors will take effect on:

(i) the day (if any) specified for the purpose in the Notice of Resignation;

(ii) the day on which ACRA notifies FKT and the Company of its consent to the resignation; or

(iii) the day (if any) fixed by ACRA for the purpose,

whichever last occurs.

In accordance with Section 205(AB) of the Companies Act and the written approval from ACRA, the resignation of FKT as the Company's auditors took effect on 31 May 2021.

In view of the foregoing, the Company has yet to commence the statutory audit of its financial statements for FY2020 (the "**FY2020 Financial Statements**"), and will commence the said audit after the appointment of RT has been approved by Shareholders at the EGM. The Company will also consult RT to formally address the issues raised in FKT's Disclaimer of Opinion after RT's appointment has been approved by Shareholders at the EGM.

It should also be noted that the Company has not released any financial reports since trading in its shares was suspended on 7 December 2020. This is due to, among other things, the resignation of the Company's former Chief Financial Officer ("**CFO**") (Mr Leyng Thai Weng) with effect from 10 March 2020, and the stringent travel and business restrictions imposed by the authorities in the People's Republic of China ("**PRC**") which has made it very difficult for the Company to liaise with its subsidiaries (located in various parts of the PRC) on the preparation of the Group's financial reports and financial statements. In the event that RT's appointment as the auditors of the Group is approved by Shareholders, the Company will consult with RT on the preparation of its outstanding financial reports and statements, and the Company believes that it will be better placed to assess the relevant timeline for releasing the outstanding financial reports and statements on SGXNet after consulting RT on the same. The Company will update Shareholders via SGXNet as and when there are any material developments in relation to its outstanding financial reports and statements.

For the avoidance of doubt, the Company has been actively searching for suitable candidates to be appointed as its CFO but has not been able to find any suitable candidates. In the event the Company finds a suitable candidate to be appointed as its CFO, the Company will make the relevant announcement in compliance with the rules of the Listing Manual.

3. THE PROPOSED CHANGE OF AUDITORS

Following the resignation of FKT, the Company proposes to appoint RT as the auditors of the Group to audit the FY2020 Financial Statements.

The Board is of the view that a change of auditors of the Company would enable the Company to rotate auditors for better independence and governance. To elaborate, FKT has been the auditors of the Company since it was listed on the Mainboard of the SGX-ST on 23 November 2009. Considering that FKT has been the auditors of the Company for about 10 years, the Board is of the view that as a matter of good corporate governance, it would be an appropriate time for a change in the auditors of the Company, and for the Company to appoint an auditor with no prior audit or business relationship with the Company.

In proposing for RT to be appointed as the auditors of the Group, the Board had taken into account the adequacy of the resources and the experience of RT (in auditing both private companies and publicly listed companies), the credentials of the audit partner-in-charge and the team that would be supporting him, and had considered that RT will be able to meet the audit requirements of the Group without compromising on the standard and effectiveness of the quality and scope of audit. In addition, the Board has also determined that the fee proposal from RT is reasonably competitive. Due to FKT's Disclaimer of Opinion in the FY2019 Independent Auditors' Report, RT will have to commit substantially more time and effort to audit the FY2020 Financial Statements. Further, the Proposed Change of Auditors will not result in any change to the scope of the audit that was provided by FKT, and after evaluation, (i) the Board is of the opinion that RT will be able to meet the audit requirements of the Group, (ii) the Board also expects that, after a smooth audit of the FY2020 Financial Statements, there may be a reduction in the audit fees for the audit of the financial statements of the Group for FY2021 ("**FY2021 Financial Statements**") based on the Group's operations and assessed business and audit risks, and (iii) the appointment of RT as the new auditors will not compromise the standard and effectiveness of the audit of the Group.

(For the avoidance of doubt, RT has not committed or indicated to reduce the audit fees for the audit of the FY2021 Financial Statements. The audit fees for the audit of the FY2021 Financial Statements will depend on, among other things, how complex the audit for the FY2020 Financial Statements is, expected time-costs, size of operations, risk assessments, nature of evidence and availability of evidence.)

In addition, taking into consideration the background of the Proposed Change of Auditors (as set out in Section 2 of this announcement), the Board is of the view that the Proposed Change of Auditors would allow (a) **the Company to benefit from a fresh perspective and views of another professional audit firm**, and (b) for the statutory audit of the FY2020 Financial Statements to be completed.

Accordingly, the Board is of the view that the Proposed Change of Auditors would be in the best interests of the Company and the Shareholders.

The Board had not considered the Audit Quality Indicators Disclosure Framework in assessing the suitability of RT. However, the Board had based its selection of RT based on the factors listed in the above.

Pursuant to Rule 712(3) of the Listing Manual and Section 205AF of the Companies Act, the Proposed Change of Auditors must be approved by Shareholders at an extraordinary general meeting to be convened by the Company. The appointment of RT will therefore only take effect upon the approval of Shareholders being obtained at the EGM, and if so appointed, RT will hold office until the conclusion of the next AGM.

RT had, on 2 March 2021, provided the Company with its written consent to act as the auditors of the Company, subject to the approval of the Shareholders at the EGM.

Notes:

(1) Prior to 13 October 2020, the Audit Committee of the Company comprised Mr Ling Chung Yee (Chairman), Mr Gong Shuli and Mr Lai Jingwei. Mr Ling Chung Yee had resigned as a director of the Company on 13 October 2020, Mr Gong Shuli had resigned as a director of the Company on 22 December 2020, and Mr Lai Jingwei had resigned as a director of the Company on 14 March 2022. Following the resignations of Mr Ling Chung Yee, Mr Gong Shu Li, and Mr Lai Jingwei, the Company does not currently have any independent directors, and the Audit Committee is currently vacant, and the Company is also unable to constitute its Remuneration Committee and Nominating Committee.

(2) The Code of Corporate Governance 2018 (the "**Code**") provides, among other things, that independent directors should make up a majority of the Board, and that the Audit Committee should comprise at least three (3) directors, the majority of whom, including the chairman of the Audit Committee, should be independent. The Company is currently actively sourcing for suitable candidates to be appointed as independent directors on its Board and also for suitable candidates to fill up the vacancies in the Audit Committee and its Board to ensure compliance with the Code, and has made several efforts to source for suitable candidates. The Company will update the Shareholders and make such further announcements as appropriate when there are material developments in relation to the appointment of suitable candidates.

(3) As the Audit Committee of the Company is currently vacant, and as the Company currently does not have a Chief Financial Officer, the Company's Vice Director of Finance, Mr Liu Guoqing ("**Mr Liu**"), will be coordinating and providing oversight to the audit process once RT has been appointed. Mr Liu, who is 45 years old, joined the Company in 2006. Mr Liu has a Bachelor of Science degree in accounting from Shenzhen University. To date, Mr Liu has more than 15 years of experience in accounting and finance. Mr Liu is currently responsible for the Group's financial compliance and performs all the finance-related functions in the Company.

4. EXTRAORDINARY GENERAL MEETING

Pursuant to Rule 712(3) of the Listing Manual, and Section 215AF of the Companies Act, the Proposed Change of Auditors must be specifically approved by Shareholders in a general meeting. Accordingly, the Board will convene an EGM to be held by electronic means to seek Shareholders' approval for the Proposed Change of Auditors as an ordinary resolution, and the appointment of RT will only be effective upon the approval of Shareholders being obtained at the EGM. As the FY2020 Financial Statements of the Group has not been audited as at the date of this announcement, RT will, upon its appointment being approved by the Shareholders at the EGM, commence a statutory audit of the Group's FY2020 Financial Statements, among other things.

In accordance with Rule 1203(5) of the Listing Manual:

(a) FKT (the outgoing auditors) has confirmed via its professional clearance letter dated 1 March 2021 (the "**Professional Clearance Letter**") that save for FKT's Disclaimer of Opinion on the audited financial statements for FY2019 as stated in the FY2019 Independent Auditors' Report (a copy of which was duly published on SGXNET on 19 November 2020), FKT is not aware of any professional reasons why RT should not accept appointment as auditors;

(b) save for FKT's Disclaimer of Opinion, the Company confirms that there were no disagreements with FKT on accounting treatment within the last 12 months. For the avoidance of doubt, as the Company had notified FKT that the Company would not be retaining FKT as its auditors for FY2020, and as FKT had resigned as the auditors of the Company on 31 May 2021, FKT did not conduct a statutory audit for the FY2020 Financial Statements[(1)];

(c) the Company confirms that it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the Shareholders which has not been disclosed in this announcement and the circular to be released to

Shareholders in due course;

(d) the Company confirms that the specific reasons for the Proposed Change of Auditors are as disclosed above; and

(e) the Company confirms that it is in compliance with Rules 712 and 715 of the Listing Manual in relation to the appointment of RT as the new auditors of the Company.

Notes:

(1) FKT had included a Disclaimer of Opinion in the FY2019 Independent Auditors' Report. The Board is of the view that the matters raised by FKT in the FY2019 Independent Auditors' Report may constitute disagreement between the Auditors and the management of the Company. The Company will consult RT to formally address the issues raised by FKT in the FY2019 Independent Auditors' Report after the appointment of RT as the auditors of the Company is approved by Shareholders at the EGM.

5. The circular containing further details of the Proposed Change of Auditors, together with the notice of the EGM in connection therewith, will be released to Shareholders in due course.

By Order of the Board

Huang Yupeng
Chairman and CEO
17 June 2022