

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

RESPONSE TO SGX’S QUERY

In response to the query from Singapore Exchange Securities Trading Limited (“SGX-ST”) in their email dated 24 August 2020, the Board of Directors of the Company wishes to provide the following information in respect of the change of Chief Financial Officer (“CFO”) of the Company as set out below:

We refer to the following:

- (i) The Company’s announcement dated 9 March 2020 concerning the resignation of Goh Cze Khiang as the CFO of the Company.
- (ii) The Company’s announcement dated 9 March 2020 concerning the appointment of Chan Chun Kit as the CFO of the Company.
- (iii) The Company’s announcement dated 11 May 2020 concerning the resignation of Chan Chun Kit as the CFO of the Company.
- (iv) The Company’s announcement dated 19 May 2020 concerning the appointment of Tso Sze Wai, Jackson as the CFO of the Company.
- (v) The Company’s announcement dated 26 May 2020 providing the Company’s response to SGX queries on, *inter alia*, the Company’s process in the selection and appointment of a CFO.
- (vi) The Company’s announcement dated 11 August 2020 concerning the cessation of Tso Sze Wai, Jackson as the CFO of the Company (“**Cessation Announcement**”).
- (vii) The Company’s announcement dated 11 August 2020 concerning the appointment of Leyng Thai Weng as the CFO of the Company (“**Appointment Announcement**”).

SGX Query as follows: -

We seek the Company’s response to the following:

- (i) The Appointment Announcement provided that the “*Audit Committee has recommended the appointment of Mr Leyng Thai Weng as the Chief Financial Officer and the Board of Directors has approved his appointment based on his qualifications and work experience.*”

Please elaborate on the Company’s process in the selection and appointment of a CFO, and explain whether any other candidates were considered for the position of CFO apart from Mr Leyng Thai Weng.

Please clarify whether the Nominating Committee had made its recommendation to the Board on the appointment of Mr Leyng Thai Wang’s appointment as CFO. If no, please explain the reason(s) why not.

If yes, please provide the Board, Nominating Committee and Audit Committee’s basis for its recommendation for Mr Leyng Thai Weng’s appointment as CFO, taking into

consideration whether or not there were other candidates considered. Please also provide details as to when the Nominating Committee and Audit Committee first reviewed his appointment as CFO, and when they made their commendation to the Board.

- (ii) Please provide the Board, Nominating Committee and Audit Committee's assessment and their basis on the suitability of Mr Leyng Thai Weng as the CFO of the Company.
- (iii) Please explain the circumstances by which Mr Leyng Thai Weng was introduced to the Company, and provide the name and identity of the person that recommended him to the Company (if applicable).
- (iv) Please confirm whether Mr Leyng Thai Weng has any relationship or connection (including business relationship) with the Company, its directors and substantial shareholders prior to this appointment as CFO.
- (v) We note that Mr Tso Sze Wai, Jackson was appointed as the Company's CFO with effect from 19 May 2020. Please provide the Company's sequence of events leading to his cessation as CFO effective from 11 August 2020, and the appointment of Mr Leyng Thai Weng as CFO effective from 11 August 2020.

In the Company's sequence of events, please provide details as to when Mr Leyng Thai Weng was first introduced to the Company, when the Board and Audit Committee reviewed his suitability as CFO, as well as when the Company had considered terminating Mr Tso Sze Wai, Jackson's appointment as CFO.

- (vi) The Cessation Announcement provided that Mr Tso Sze Wai, Jackson's appointment as CFO was "*terminated due to operation reasons, and in view that Mr Tso Sze Wai, Jackson is unable to travel to China for fulfilment of his duties as CFO in light of the recent tightening of travel restrictions in Hong Kong*" (emphasis added).

The Appointment Announcement provided that Mr Leyng Thai Weng's country of principal residence is Singapore.

Please clarify whether Mr Leyng Thai Weng is also required to travel to China in order to fulfil his duties as CFO and if he is able to do so. If he is unable to do so, please provide the Board, Nominating Committee and Audit Committee's assessment as to his suitability as CFO, given that his country of principal residence is Singapore.

- (vii) The Cessation Announcement disclosed that that there has been 3 cessations of appointments of the role of CFO (including the cessation of Tso Sze Wai, Jackson as CFO) over the past 12 months.

Given the frequent changes to the position of CFO over the past 12 months:

- (a) What is the Audit Committee's assessment and basis with regard to the adequacy of the Company's finance function to fulfil the Company's financial reporting and compliance obligations under the Listing Manual?
 - (b) How has the Nominating Committee and Audit Committee addressed the recent and frequent changes to the position of CFO, and what are its recommendations to the Company to address such turnover?
- (viii) It was disclosed in the Appointment Announcement that Mr Leyng Thai Weng is at present the "*Director (Consultancy) of KBS Capital Partner (S) Pte Ltd*".

Please clarify whether Mr Leyng Thai Weng is presently an employee of the Company or KBS Capital Partner (S) Pte Ltd.

If he is presently an employee of KBS Capital Partner (S) Pte Ltd, what is the arrangement between the Company and KBS Capital Partner (S) Pte Ltd with regard to his role as CFO of the Company?

Company's Response to Query (i)

In accordance with the Company's policy and procedure, when there is a vacancy of management role in the Company, the Company's Chief Executive Officer (the "CEO"), Mr Huang Yupeng, will review the qualification, experience, remuneration and other relevant request(s) of the candidates to assess the appropriateness and suitability of the candidate for a strategic fit within the Group. The CEO will conduct an interview with the candidate and make recommendation to the Nominating Committee (the "NC") (and Audit Committee (the "AC"), in the case of Chief Financial Officer (the "CFO")). The NC or/and AC will then review the recommendation of CEO and will recommend the same to the Board if they are satisfied.

The onset of Covid-19 has resulted in business travel restrictions, which in part, led to the resignation and cessation of Mr. Chan Chun Kit and Mr. Tso Sze Wai respectively. Mr. Huang subsequently approached Mr. Goh Cze Khiang ("Mr Goh"), who had been the Group's CFO for 12 years prior to his cessation in February 2020, to offer a reappointment opportunity to Mr. Goh as CFO for consideration to stabilize the CFO role. Unfortunately, Mr. Goh has turned down the offer as he has started his new career.

The CEO also approached Mr. Alex Khor, Director of KBS Capital Partners (S) Pte. Ltd. (f.k.a. Strategic Advisory & Capital Pte. Ltd.) for recommendation of suitable candidates for appointment as CFO of the Group. Mr. Alex Khor introduced Mr. Leyng Thai Weng to the CEO for consideration.

Mr. Leyng Thai Weng was introduced to the CEO in July 2020. After reviewing his qualification and working experience, the CEO has conducted an interview through tele-conference with Mr. Leyng to further assess the suitability in July 2020. The CEO then recommended the appointment of Mr. Leyng to the AC on 11 August 2020 for consideration and the AC recommend the same to the Board on the same day.

As stated in the announcement, AC has recommended the appointment of Mr. Leyng as the CFO of the Company and the Board of Directors has approved his appointment based on his qualifications and work experience. The AC has considered Mr. Leyng's professional qualification and more than 10 years' working experience in listed company environment with 5 years in the similar role of other company listed on Singapore Exchange Limited (the "SGX"). The AC and the Board are in the opinion that Mr. Leyng Thai Weng is qualified as the CFO of the Company.

Company's Response to Query (ii)

As mentioned in the above response to Query (i), the AC has considered Mr. Leyng's professional qualification and more than 10 years' working experience in listed company environment with 5 years in the similar role of other company listed on the SGX. The AC and the Board are in the opinion that Mr. Leyng Thai Weng is qualified as the CFO of the Company. Please refer to the Company's announcement dated 11 August 2020 for further details of Mr Leyng's qualification and working experience.

Company's Response to Query (iii)

Please see response to Query (i)

Company's Response to Query (iv)

Mr Leyng Thai Weng does not have any relationship or connection (including business relationship) with the Company, its directors and substantial shareholders prior to this appointment as CFO.

Company's Response to Query (v)

Before Covid-19, the Group's CFO could be based in Hong Kong, Singapore or Malaysia as freedom of business travels allowed the CFO to perform his duties. The physical location of the CFO was not a consideration factor.

Mr. Tso Sze Wai, Jackson appointed as the Company's CFO since 19 May 2020. At the time of appointment, it was envisaged that Mr Tso was to make regular business trips to the Group's HQ in Shenzhen as part of his CFO duties once the Covid -19 situation stabilizes. However, the Covid-19 business travel restrictions from Hong Kong to China and Singapore remains and the restrictions are expected to remain in place moving forward. Furthermore, the Group's main subsidiaries are located in Hubei and Anhui which are the epicenters of the virus. Covid-19 resulted in an unprecedented situation where Mr Tso was unable to leave Hong Kong and was neither able to visit the Group operations in China nor to meet with the auditors in Singapore to finalize the statutory audit for the financial year ended 31 December 2019 ("FY2019").

Mr. Leyng was appointed as CFO on 11 August 2020. Mr. Leyng has on 12 August 2020 approached Mr. Goh via tele conference call for partly hand-over arrangement and met with the auditors in Singapore to understand the outstanding audit matter raised by our auditors. Post the meeting with the auditors, the Audit Committee Chairman has also met with Mr. Leyng on 20 August 2020 to have an update on the audit progress and relevant matters.

Please also see responses to Query (i)

Company's Response to Query (vi)

As part of his CFO appointment interview, Mr Leyng has expressed willingness to undertake regular business travels to China to monitor the Group's operations when practicable as well as to finalise the statutory audit for FY2019. In the meantime, Mr Leyng will ensure regular communication channels with the PRC finance teams in the various subsidiaries for constant information updates. Considering the base location of Mr Leyng, who basically station in Singapore, our CEO believe that communication between the Company and SGX as well as shareholders and auditors could be effectively maintained. Once the travel restriction is lifted, Mr. Leyng will undertake business travel(s) to China immediately as required to further discharge his responsibilities as CFO.

Company's Response to Query (vii)

There have been 3 cessations of appointments of the CFO role in 2020. Mr. Goh, who is the Group CFO for 12 years, Mr. Chan Chun Kit and Mr. Tso Sze Wai, Jackson. All the 3 former CFOs have confirmed that there are no material matters or unresolved differences with the Company that needs to be brought to the attention of shareholders.

Save for Mr Goh, Mr Chan and Mr Tso have been unfortunate casualties from the prolonged Covid-19 business travel restrictions as they are resident in Hong Kong.

Given that such travel restrictions look set to remain in the near term, the Group believes the appointment of a CFO resident in Singapore, rather than in Hong Kong, would be more effective for the Group to establish communication channels with relevant stakeholders.

Company's Response to Query (viii)

The Company refers to the Announcement Reference SG200811OTHRT58F dated 11 August 2020 and wishes to advise that there has been an inadvertent typographical error in respect of the working experience and occupation during the past 10 years as well as directorship of Mr. Leyng Thai Weng. Please refer to the Replacement Announcement released on 26 August 2020 for further details.

Mr. Leyng Thai Weng was appointed as Director (Consultancy) position of KBS Capital Partners (S) Pte. Ltd. ("KBS Capital"), an employee holding a consultant position without management role in KBS Capital. Mr. Leyng does not hold any shares or executive role in KBS Capital. He has resigned from KBS Capital with effective from 31 July 2020 and does not holds any position in KBS Capital since then.

Mr. Leyng is appointed as CFO of the Group with effective from 11 August 2020, a full-time employee with the Company. There is no relationship or arrangement between KBS Capital and the Company.

By Order of the Board

Huang Yupeng
Chairman and CEO
26 August 2020