

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

PROPOSED PRIVATE PLACEMENT IN RESPECT OF 86,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED AT A PLACEMENT PRICE OF S\$0.61 PER PLACEMENT SHARE (THE "PLACEMENT")

Unless otherwise defined, capitalised terms used in this announcement, shall have the meaning ascribed to them in Annex A.

1. PLACEMENT

1.1 The Board of Directors ("**Board**") of Sino Grandness Food Industry Group Limited ("**Company**") and together with its subsidiaries, the "**Group**") wishes to announce that the Company has on 1 October 2014 entered into two conditional subscription agreements ("**Subscription Agreements**") with PM Group Company Limited ("**PM Group**") and Thoresen Thai Agencies Public Company Limited ("**TTA**"), through its wholly-owned subsidiary, Soleado Holdings Pte. Ltd. ("**Soleado**") ("**Subscribers**" and each a "**Subscriber**") respectively for the issuance and subscription of an aggregate of 86,000,000 new ordinary shares ("**Placement Shares**" and each a "**Placement Share**") at S\$0.61 for each Placement Share ("**Issue Price**"). The Subscribers have each also signed a Letter Agreement dated 1 October 2014 addressed to the Company ("**Letter Agreements**") and the Subscription Agreements shall be subject to and read together with the Letter Agreements.

1.2 Pursuant to the Placement, the Company will issue the Placement Shares to the Subscribers in the following proportions:-

Subscribers	Number of Placement Shares	% in the existing issued share capital	% of the enlarged issued share capital after the Placement
PM Group	25,398,965	4.32	3.77
Soleado	60,601,035	10.32	9.00
Total	86,000,000	14.64	12.77

1.3 The Placement is non-underwritten and there is no placement agent appointed for the purpose of this Placement.

2. THE PLACEMENT SHARES AND THE ISSUE PRICE

The Placement Shares will, upon allotment and issue, rank *pari passu* in all respects with the ordinary shares of the Company (the "**Shares**") for any rights, benefits, dividends, entitlements and allotments, save that they shall not rank for any rights, benefits, dividends, entitlements and allotments the record date for which falls prior to the date of issue of the Placement Shares.

The Placement Shares will be issued pursuant to the general mandate obtained at the annual general meeting of the Company held on 28 April 2014 ("**2014 AGM**"). The general mandate obtained at the 2014 AGM authorised and empowered the Directors of the Company to, inter alia, issue shares in the Company not exceeding 50% of the Company's total number of issued Shares (excluding treasury shares), of which the aggregate number of Shares to be issued

other than on a pro rata basis to all shareholders of the Company (“**Shareholders**”) shall not exceed 20% of the Company’s total number of issued Shares (excluding treasury shares) at the date of time of passing of such resolution (the “**Share Issue Mandate**”).

No Shares had previously been issued pursuant to the Share Issue Mandate and the aggregate Placement Shares represent approximately 14.64% of the Company’s issued share capital of 587,344,828 Shares (excluding treasury shares) at the time the approval for the Share Issue Mandate was granted. Accordingly, the proposed allotment and issue of the Placement Shares is within the limit of the Share Issue Mandate obtained at the 2014 AGM.

The Issue Price represents a discount of approximately 7.94% to the volume weighted average price of S\$0.6626 (the “**VWAP**”) for each Share, based on trades done on the Shares on the Main Board of 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.) There was a trading halt for the Shares on 1 October 2014 and the Subscription Agreements were entered into by the Company with PM Group and Soleado respectively on 1 October 2014. The discount of approximately 7.94% is within the 10% discount limit as stated in Rule 811(1) of the Listing Manual of the SGX-ST (“**Listing Manual**”).

3. INFORMATION ON THE SUBSCRIBERS

The information in this section relating to the Subscribers is based on information provided by and/or representations made by the Subscriber. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.

Soleado is an investment holding company incorporated in Singapore and is a wholly-owned subsidiary of TTA, which is a strategic investment holding company listed on the Main Board of the Stock Exchange of Thailand (TTA:TB) with a market capitalisation of over THB30 billion. TTA's current businesses include, but are not limited to, worldwide dry bulk shipping, middle-east based offshore oil & gas services, high-quality fertilizer production and distribution, and deep seaports as well as integrated logistics services and warehouses in South East Asia.

PM Group is one of the top, privately-held Thai conglomerates with interests in consumer products, industrial products, property development, golf courses, entertainment, education and investments. The flagship company of the PM Group, Quality Coffee Products Co., Ltd. was established in 1989, under partnership with Nestle S.A., Switzerland, as the sole producer of their world-famous instant coffee – Nescafe. Instant coffee and other products marketed under the Nescafe brand are recognised across the globe for their quality and brand value. The Nescafe brand has grabbed the lion’s share and become the leader of the instant coffee market in Thailand.

Pursuant to the Subscription Agreements, each of the Subscribers have represented that it is not a person to whom the Company is prohibited from issuing Shares to, as provided for in Rule 812(1) of the Listing Manual. The Subscribers have also represented that they are not subscribing for the Placement Shares as an agent on behalf of any third parties.

As at the date of this announcement, each of the Subscribers does not hold any Shares in the Company. Upon completion of the Placement (“**Completion**”), Soleado will become a substantial shareholder of the Company.

The Company had on 26 September 2014 entered into an Advisory Agreement with the PM Group.

4. INTRODUCTION FEE

The Subscribers were independently introduced to the Company by Startup Consultants Ltd (“**Facilitator**”). Under the commission payment agreement, upon successful completion of the

Placement, a referral fee equal to 3% of the gross placement proceeds is payable in cash by the Company to the Facilitator.

5. SUBSCRIPTION AGREEMENTS

5.1 Conditions Precedent

Pursuant to the Subscription Agreements, Completion is conditional upon *inter alia* the fulfilment (or waiver) of several conditions more particularly set out in Clause 4.1 of the respective Subscription Agreements. These include the Company obtaining approval from the SGX-ST for the listing of the Placement Shares and approval from the relevant Thai authorities in relation to exchange control and payments to be made out of Thailand, as well as listing approval from the SGX-ST.

Subject to the Subscription Agreements, if certain conditions set out in Clause 4.1 of the respective Subscription Agreements are not fulfilled (or waived) by the Long-Stop Date, the Subscribers shall have the right at any time thereafter to terminate the Subscription Agreements. The Company shall have the right to terminate the Subscription Agreements if approval from the relevant Thai authorities in relation to exchange control and payments to be made out of Thailand is not obtained by the Subscribers by the Long-Stop Date.

5.2 Undertakings by the Company

The Company has provided certain undertakings to the Subscribers more particularly set out in the Subscription Agreements, including but not limited to an undertaking by the Company that the Company shall procure that, between the date of the Subscription Agreements and the date falling one (1) year from the completion date, each of (a) the Company, (b) Garden Fresh (HK), (c) Grandness (HK), and (d) Shanxi Yongji (collectively the “**Key Group Companies**” and each, a “**Key Group Company**”) shall not, without the prior written consent of the Subscribers *inter alia* undertake to raise new capital (whether by way of a placement of shares or a rights issue or the issuance of any convertible securities), provided that the foregoing obligation shall not apply to: (i) any initial public offering of Garden Fresh (HK); (ii) any issuance of shares by Garden Fresh (HK) pursuant to the exercise of a conversion right by bondholders under the terms of the bond documents in relation to the 2011 Bonds Subscription Agreement and the 2012 Bonds Subscription Agreement, and any extension of term (if applicable); or (iii) the grant of options under the employee share option scheme of the Company.

5.3 Honorary Chairman of the Company

Pursuant to the PM Group Subscription Agreement, the Company shall appoint Mr. Prayudh Mahagitsiri as “Honorary Chairman” to the Board with effect from completion of the Placement. The appointment will continue subject to certain conditions as set out in the PM Group Subscription Agreement.

5.4 Board Seat

Pursuant to the Subscription Agreements, either Subscriber shall at varying times be entitled to nominate a maximum of one Director subject to certain shareholding requirements as set out in each of the respective Subscription Agreements being satisfied.

5.5 Dividend Policy

Pursuant to the Subscription Agreements, for as long as certain shareholding requirements as set out in the respective Subscriptions Agreement are satisfied, the Company shall have the following dividend policy, which will be announced by the Company, that, whenever feasible, the Company will declare and pay dividends to the Shareholders in an amount of at least 10% of the consolidated net profits of the Company as reflected in the audited accounts of the

Company.

5.6 Moratorium on the Placement Shares held by Soleado

Pursuant to the Soleado Subscription Agreement, Soleado agrees and undertakes that for the duration of the 10-Year Period, Soleado, TTA and/or the subsidiaries of TTA in aggregate shall continue to hold at least 47,134,138 issued Shares and shall not sell or transfer to any third party (apart from Soleado and/or its related corporations) such number of Shares resulting in their aggregate shareholding in the Company falling below 47,134,138 Shares ("**Soleado Moratorium**"). For the avoidance of doubt, after the 10-Year Period, the Soleado Moratorium shall no longer apply.

6. **LETTER AGREEMENTS**

Pursuant to the Letter Agreements, the two Subscription Agreements are inter-conditional permitting termination by either Subscriber, *inter alia*, if the other Subscription Agreement is not completed, and entitling the Subscriber in certain instances of breach by the Company to require the payment by the Company of an amount equal to 10% of the aggregate Issue Price for the relevant Subscriber.

In addition, under the Subscription Agreements, breaches by the Company or the Subscribers of certain terms of the respective Subscription Agreement entitles the non-defaulting party to seek liquidated damages from the defaulting party amounting to 10% of the aggregate Issue Price under the respective Subscription Agreement.

7. **RATIONALE AND USE OF PROCEEDS FROM THE PLACEMENT**

Based on the Issue Price, the estimated amount of proceeds from the Placement, net of the estimated expenses of approximately S\$S\$1,960,000, is approximately S\$50,500,000 ("**Net Proceeds**").

The Company intends to utilise the net proceeds 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.

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 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 have been used for working capital purposes, the Company will provide a breakdown with specific details on how the 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.

8. 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). When allotted and issued in full, the Placement will increase the existing issued and paid-up share capital of the Company by approximately S\$52,460,000, to S\$111,499,540, 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 and RMB 69.7, respectively. The NTA per Share and the EPS, after adjusting for the issuance of all the Placement Shares, would be approximately RMB 200.0 and RMB 60.7, respectively. The adjusted NTA per Share was computed by assuming that the Placement was completed on 31 December 2013 and the 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.

9. OFFER INFORMATION STATEMENT AND ADDITIONAL LISTING APPLICATION

The Company will be applying to the SGX-ST for the in-principle approval and listing and quotation of all the Placement Shares on the SGX-ST in due course and will make the necessary announcements once the in-principle approval and the listing and quotation notice for the listing and quotation of the Placement Shares have been obtained from the SGX-ST.

The Placement will be carried out pursuant to the exemption under Section 277 of the Securities and Futures Act (Chapter 289) of Singapore. An Offer Information Statement dated 2 October 2014, which complies as to the form and content with the Sixteenth Schedule of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005, has been lodged with the Monetary Authority of Singapore on 2 October 2014 in connection with the Placement.

10. DIRECTORS' OPINION

The Directors are of the opinion that, after taking into consideration the present bank facilities, the working capital available to the Group is sufficient to meet its present requirements. The Directors are also of the opinion that after taking into consideration the Group's present bank facilities, and the net proceeds of the Placement, the working capital available to the Group is sufficient to meet its present requirements.

Although the Group has sufficient working capital for its present requirements, the Company has decided to undertake the Placement to strengthen its financial position in order to further supplement the working capital of the Group, and for potential acquisitions and investments.

11. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company (other than in their capacity as director or shareholders of the Company) has any interest, direct or indirect, in the Placement. The Directors are not aware of any substantial shareholder of the Company having any interest, direct or indirect, in the Placement and has not received any notification of any interest in this transaction from any substantial shareholder.

12. 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.

13. 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.

14. DOCUMENTS AVAILABLE 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; and
- (iv) the Letter Agreement dated 1 October 2014 entered into between Soleado and the Company.

By Order of the Board

Huang Yupeng
Chairman and CEO

2 October 2014

DEFINITIONS

In this announcement, the following terms shall have the meaning given hereunder:

“10-Year Period” means the period of ten years commencing from the date of completion of the Soleado Subscription Agreement;

“2011 Bonds Subscription Agreement” means the subscription agreement dated 28 September 2011 between Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited (as Issuer), the Company (as Guarantor), and Sun Hung Kai Investment Services Limited (as Manager) in relation to RMB100,000,000 Zero Coupon Convertible Bonds due 2014 convertible into the common shares of Garden Fresh (HK);

“2012 Bonds Subscription Agreement” means the subscription agreement dated 10 May 2012 among Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited, the Company, Goldman Sachs Investments Holdings (Asia) Limited and others (as amended by any supplement thereto);

“Affiliates” means:

- (a) any person or entity or group of persons or entities that directly or indirectly (i) is under the common Control with, or (ii) is Controlled by, Mr. Prayudh Mahagitsiri and/or Mr. Chalermchai Mahagitsiri; and
- (b) any successor and/or assignee of Mr. Prayudh Mahagitsiri or Mr. Chalermchai Mahagitsiri;

“Control” means the power, directly or indirectly, to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities, by contract or otherwise;

“Long-Stop Date” means the date falling 10 weeks after the date of the Subscription Agreements or such other date as the Subscribers and the Company may mutually agree;

“PM Group Placement Shares” means the 25,398,965 Placement Shares to be allotted to PM Group pursuant to the PM Group Subscription Agreement;

“PM Group Subscription Agreement” means the Subscription Agreement dated 1 October 2014 entered into between the Company and PM Group in relation to the Placement;

“PRC” means the People's Republic of China;

“Soleado Placement Shares” means the 60,601,035 Placement Shares to be allotted to Soleado to the Soleado Subscription Agreement; and

“Soleado Subscription Agreement” means the Subscription Agreement dated 1 October 2014 entered into between the Company and Soleado in relation to the Placement.