

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

ENTRY INTO AN INVESTMENT AGREEMENT WITH GUANGDONG BAOAO EQUITY INVESTMENT PARTNERSHIP (LLP)

1. INTRODUCTION

The Board of Directors of Sino Grandness Food Industry Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that an agreement (“**Investment Agreement**”) involving an investment in Garden Fresh (HK) Fruit & Vegetable Beverage Co. Limited (“**GF Hong Kong**”) by Guangdong Baoao Equity Investment Partnership (LLP) (广东宝傲股权投资合伙企业(有限合伙)) (“**Investor**”) was entered into by and among the Company, GF Hong Kong and the Investor on 25 June 2019.

The proposed transactions (“**Proposed Transactions**”) contemplated in the Investment Agreement comprise of the following: -

- (a) The issue of shares in the GF Hong Kong based on a valuation of RMB4.3 billion and subscription of 4.65% of the enlarged share capital (“**Investor’s Shares**”) in the GF Hong Kong by the Investor for an aggregate consideration of USD30 million, equivalent to RMB200 million (the “**Subscription Consideration**”) (the “**Proposed Issue**”); and
- (b) The listing application of Garden Fresh Group Holding Co., Ltd (“**GF Cayman**”) (“**Proposed Listing Entity**”) and its subsidiaries on a recognized stock exchange approved by the Investor (“**Recognized Stock Exchange**”) to be submitted on or before 30 June 2020; which, together with other conditions as set out in the Investment Agreement, if unfulfilled, will entitle the Investor to require GF Hong Kong or the Company to buy back the Investor’s Shares.

2. INFORMATION ON THE INVESTOR

The particulars of the Investor are as follows: -

Name	Registered office	Shareholders of the Investor and shareholding percentages of such shareholders in the Investor	Directors of the Investor	Business Activity
Guangdong Baoao Equity Investment Partnership (LLP)	Time Fortune Building 51 Floor, 88 Fu Hua Road 3, Futian, Shenzhen, PRC	Yang Yuanshen holding 70% An Xiaoyu holding 30%	Yang Yuanshen An Xiaoyu	Investment holdings

The Investor was introduced through business associates of the Company. As at the date of this announcement, the Investor does not hold any Shares in the Company.

3. INVESTMENT AGREEMENT

The salient terms of the Investment Agreement provide, *inter alia*:

- GF Hong Kong will issue its shares and Investor shall subscribe for 4.65% of the enlarged share capital in GF Hong Kong.
- The consideration payable for the Proposed Issue, i.e. the Subscription Consideration is USD30 million, equivalent to RMB200 million.
- Investor shall pay the Subscription Consideration in full to GF Hong Kong upon completion.
- Completion will take place on or about forty-five (45) workings days immediately following the fulfillment (or waiver, as applicable) of conditions precedent.
- Completion of the Proposed Issue shall be subject to, *inter alia*, amendment of articles of associations of GF Hong Kong pursuant to the Investment Agreement (if required); all relevant approvals to be secured, including approvals by third parties and government agencies (if required); GF HK and its subsidiaries has made complete and accurate disclosure of all information to the investor; and final approval by the investor's partners or investment committee.
- If the conditions precedent are not satisfied or waived (as the case may be) before 30 July 2019, the Investor has the right to terminate the agreement.
- The Investor may request the Company or GF Hong Kong to buy back the Investor's Shares if (i) GF Hong Kong or the Proposed Listing Entity fails to submit the listing application with the Recognized Stock Exchange on or before 30 June 2020 or (ii) the consolidated audited net profit after tax of GF Hong Kong or Proposed Listing Entity for the financial year 2018 is less than RMB377 million, with 10% variance allowed. The consideration for buying back the Investor's Shares shall be the Subscription Consideration plus 10% annual interest.
- Should any of the above repurchase event occur, GF Hong Kong or the Company is to make payment to repurchase the Investor's Shares on or before 31 October 2020, failing which, an annual interest charge of 10% shall be applied on the outstanding sum.
- The agreement also gives the Investor priority rights/favored treatments in the event new investors are introduced with different investment terms.
- The agreement also sets out certain matters reserved for either board or shareholders decision which require approval by the Investor.

4. FINANCIAL EFFECTS

The financial effects of the Proposed Issue on the Group as set out below are for illustrative purposes only and do not reflect the actual financial performance or position of the Group after the Proposed Issue. The financial effects set out below have been prepared on a *pro forma* basis using the latest audited consolidated financial statement of the Group for the most recently completed financial year, being FY2017.

4.1 SHARE CAPITAL

The Proposed Issue will have no impact on the Company's share capital. However, as a result of the Proposed Issue, the shares of the Company in GF Hong Kong, held through Grandness

(HK) Industry Co., Ltd, GF Cayman and Garden Fresh Beverage Group Co., Ltd (“GF BVI”), will be diluted from 100% to 95.35%.

4.2 NTA

Assuming that the Proposed Issue had been completed on 31 December 2017 and based on the Group’s audited consolidated financial statements for FY2017, the effects on the NTA per share of the Group are as follows:

As at 31 December 2017	Before the Proposed Issue	After the Proposed Issue
NTA (RMB’000)	3,088,365	3,088,365
Number of issued shares	979,410,658	979,410,658
NTA per share (RMB fen)	315.3	315.3

4.3 EPS

Assuming that the Proposed Issue has taken place on 1 January 2017 and based on the Group’s consolidated financial statements for FY2017, the Proposed Issue would have the following effects on the Group’s earning per share as presented in the following table:

FY2017	Before the Proposed Issue	After the Proposed Issue
Profit after tax attributable to Shareholders (RMB’000)	355,963	338,663
Weighted average number of Shares	936,365,000	936,365,000
Earning/(loss) per Share (RMB fen)	38.0	36.2

5. RATIONALE AND USE OF PROCEEDS

- 5.1 The Proposed Transactions will provide for an injection of funds (being the Subscription Consideration) which is necessary for the Group’s operation and expansion of its business.
- 5.2 The Group intends to use the net proceeds of the Proposed Issue to strengthen its capital bases, support its existing business development and provide liquidity for business operation.
- 5.3 The estimated costs and expenses related to the Proposed Issue is approximately S\$30,000. The Company intends to use the net proceeds from the Proposed Issue for the following purposes:

Use of net proceeds	Dollar Amount of net proceeds (S\$)	Percentage of net proceeds
Business expansions and/or working capital of GF Hong Kong and its subsidiaries	40.2 million	100%
Total	<u>40.2 million</u>	<u>100%</u>

Note:

The net proceeds are converted based on the exchange rate of US\$1 to S\$1.34.

- 5.4 Pending the deployment of the net proceeds for the purposes mentioned above, the net proceeds may be placed as deposits with financial institutions or invested in short-term money markets or used for any other purposes on a short-term basis.

6. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any direct or indirect interest in the Investment Agreement or the Proposed Transactions, other than through their respective shareholdings in the Company.

7. DIRECTORS 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 Investment Agreement and the Proposed Transactions, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading.

8. CAUTIONARY STATEMENT

Shareholders should note that the Proposed Transactions are subject to fulfilment of certain conditions. There is no certainty or assurance as at the date of this announcement that the Proposed Transactions will materialize. Meanwhile, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. Shareholders should consult their stockbrokers, solicitors or other professional advisers if they have any doubts about the actions they should take.

BY ORDER OF THE BOARD

Huang Yupeng
Chairman and CEO
25 June 2019