

CIRCULAR DATED 24 MAY 2017

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, FINANCIAL, TAX OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

If you have sold or transferred all your shares in the issued share capital of Sino Grandness Food Industry Group Limited (the “**Company**”), you should immediately forward this circular (the “**Circular**”) together with the Notice of EGM and the accompanying Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) assumes no responsibility for the correctness or accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

Approval in-principle has been obtained from the SGX-ST for the admission to and the listing and quotation of the New Shares (as defined herein at Section 1.2) on the main board of the SGX-ST (“**Main Board**”), subject to certain conditions (more particularly described herein at Section 1.2).

Approval in-principle granted by the SGX-ST for the admission to and the listing and quotation of the New Shares on the Main Board of the SGX-ST is not to be taken as an indication of the merits of the Group (as defined herein), the Shares (as defined herein), the New Shares (as defined herein) or the Proposed Transactions (as defined herein).

YOUR ATTENTION IS DRAWN TO SECTION 5 ON THE OPINION OF THE INDEPENDENT FINANCIAL ADVISER, SECTION 6 IN RELATION TO THE STATEMENT OF THE AUDIT COMMITTEE AND SECTION 8 DIRECTORS' RECOMMENDATION, OF THIS CIRCULAR.

IN RELATION TO THE PROPOSED TRANSACTIONS, PURSUANT TO RULE 921(4)(A) OF THE LISTING MANUAL, THE CIRCULAR MUST INCLUDE AN OPINION FROM AN INDEPENDENT FINANCIAL ADVISER (“IFA”) AS TO WHETHER THE TERMS OF THE CONVERSION OPTION IS ON NORMAL COMMERCIAL TERMS AND WHETHER IT IS PREJUDICIAL TO THE INTERESTS OF THE COMPANY AND ITS MINORITY SHAREHOLDERS.

ACCORDINGLY, XANDAR CAPITAL PTE. LTD. HAS BEEN APPOINTED AS THE IFA TO ADVISE THE AUDIT COMMITTEE AND NON-INTERESTED DIRECTORS AS TO WHETHER THE CONVERSION OPTION IS ON NORMAL COMMERCIAL TERMS AND WHETHER IT IS PREJUDICIAL TO THE INTERESTS OF THE COMPANY AND ITS MINORITY SHAREHOLDERS. A COPY OF THE IFA LETTER TO THE AUDIT COMMITTEE AND NON-INTERESTED DIRECTORS IS SET OUT IN APPENDIX A OF THIS CIRCULAR. SHAREHOLDERS ARE ADVISED TO READ THE IFA LETTER CAREFULLY.

AFTER TAKING INTO ACCOUNT KEY FACTORS WHICH THE IFA DEEMED RELEVANT TO ITS ANALYSIS (INCLUDING THE PRINCIPAL TERMS OF THE LOAN), THE IFA IS OF THE OPINION AS OF THE DATE HEREOF THAT, THE CONVERSION OPTION IS NOT ON NORMAL COMMERCIAL TERMS AND IS PREJUDICIAL TO THE INTERESTS OF THE COMPANY AND ITS MINORITY SHAREHOLDERS. HAVING REGARD TO THE IFA'S TERMS OF REFERENCE, IN ARRIVING AT THE IFA'S OPINION, THE IFA HAS TAKEN INTO ACCOUNT A RANGE OF FACTORS WHICH THE IFA CONSIDERS TO BE PERTINENT AND HAVE A SIGNIFICANT BEARING ON THE IFA'S ASSESSMENT OF THE CONVERSION OPTION. THE IFA HAS CAREFULLY CONSIDERED AS MANY FACTORS AS IT DEEMS ESSENTIAL AND BALANCED THEM BEFORE REACHING ITS OPINION. ACCORDINGLY, IT IS IMPORTANT THAT THE IFA LETTER, IN PARTICULAR, ALL THE CONSIDERATIONS AND INFORMATION THE IFA HAS TAKEN INTO ACCOUNT, BE READ IN ITS ENTIRETY.

A SUMMARY OF THE KEY FACTORS THE IFA HAS TAKEN INTO CONSIDERATION ARE AS SET OUT BELOW:

- (a) BASED ON THE TERMS OF THE LOAN AGREEMENT, THE CONVERSION PRICE WILL BE AT A DISCOUNT EQUAL OR GREATER THAN 20% TO THE 60D VWAP OF THE SHARES IMMEDIATELY PRECEDING THE DATE OF THE CONVERSION NOTICE. HOWEVER, BASED ON THE HISTORICAL MARKET PRICES OF THE SHARES AS SET OUT IN PARAGRAPH 4.1.2 OF THIS IFA LETTER, THE SHARES HAD ONLY TRADED ABOVE S\$0.555 (BEING THE LOWEST 60D VWAP FOR THE MAXIMUM CONVERSION PRICE OF S\$0.444 TO BE APPLICABLE) FOR THE 1-MONTH PERIOD PRIOR TO THE ANNOUNCEMENT DATE. ACCORDINGLY, FOR AS LONG AS THE MARKET PRICES OF THE SHARES CONTINUE TO TRADE BELOW S\$0.555, THE CONVERSION PRICE WILL BE AT A 20% DISCOUNT TO THE 60D VWAP OF SHARES IMMEDIATELY PRECEDING THE DATE OF THE CONVERSION NOTICE;**
- (b) THE CONVERSION PRICE WILL BE AT A DISCOUNT TO NAV PER SHARE AND NTA PER SHARE. ON THE BASIS OF THE MAXIMUM CONVERSION PRICE OF S\$0.444, THIS WILL REPRESENT A MINIMUM DISCOUNT OF 25.8% TO THE ADJUSTED NAV PER SHARE AND A MINIMUM DISCOUNT OF 26.4% TO THE ADJUSTED NTA PER SHARE;**
- (c) WHILE SHAREHOLDERS' APPROVAL OF THE CONVERSION OPTION WILL ALLOW THE GROUP TO HAVE AN ADDITIONAL MODE OF REPAYMENT FOR THE LOAN, THE EFFECTS OF THE CONVERSION OPTION ON THE FINANCIALS OF THE GROUP IS NEGATIVE WITH THE COMPANY HAVING A LOWER NTA PER SHARE AND A LOWER EPS UPON THE ALLOTMENT AND ISSUE OF THE NEW SHARES;**
- (d) FOR ILLUSTRATIVE PURPOSES, HAD THE NEW SHARES BEEN ALLOTTED AND ISSUED TO SOLEADO BASED ON THE VWAP OF S\$0.2513 (THAT IS, CONVERSION PRICE OF S\$0.201 FOR EACH NEW SHARE), THE EFFECTIVE ANNUALISED RETURN TO SOLEADO WILL BE HIGHER THAN 16.5% (BEING THE HIGHER INTEREST RATE PAYABLE PER ANNUM IF INDEPENDENT SHAREHOLDERS DO NOT APPROVE THE CONVERSION OPTION) AND WILL, IF SOLEADO EXERCISES THE OPTION ON 17 MAY 2017, BE 25.3%, AND WILL, IF SOLEADO EXERCISE THE OPTION ON THE MATURITY DATE, BE 17.2%;**
- (e) WHEN COMPARING THE TERMS OF THE LOAN ATTACHED TO THE CONVERSION OPTION TO THOSE OF THE RECENT CONVERTIBLE TRANSACTIONS, THE IFA NOTES THAT:**

 - (i) THE DISCOUNT QUANTUM OF THE CONVERSION OPTION IS HIGHER THAN THOSE OF THE RECENT CONVERTIBLE TRANSACTIONS WHICH FOR 19 OUT OF THE 21 RECENT CONVERTIBLE TRANSACTIONS, RANGE FROM 10% DISCOUNT TO THE VWAP TO 120% PREMIUM TO THE VWAP, AND FOR THE REMAINING TWO (2) RECENT CONVERTIBLE TRANSACTIONS, SET AT A DISCOUNT OF 10% DISCOUNT TO THE 15 DAYS VWAP OR FIVE (5) DAYS VWAP; AND**
 - (ii) THE 12% INTEREST RATE OF THE LOAN IS AT THE HIGHER END OF THE INTEREST RATE OF THE RECENT CONVERTIBLE TRANSACTIONS WHICH RANGE FROM ZERO PERCENT PER ANNUM TO 15% PER ANNUM;**
- (f) WHEN COMPARING THE TERMS OF THE LOAN RELEVANT TO THE CONVERSION OPTION TO THE EXISTING FINANCING INSTRUMENTS OF THE GROUP, THE IFA NOTES THAT:**

 - (i) SAVE FOR THE EFFECTIVE INTEREST RATE OF 17.27% PER ANNUM APPLICABLE TO THE EXCHANGEABLE BONDS AND STRAIGHT BONDS OF THE COMPANY, THE 12% INTEREST RATE OF THE LOAN IS HIGHER THAN THE INTEREST RATES OF THE EXISTING FINANCING INSTRUMENTS OF THE GROUP ALTHOUGH THE QUANTUM OF THE LOAN IS HIGHER THAN THE AVERAGE SIZE OF BORROWINGS OF THE GROUP;**

- (ii) THE COLLATERALS OF THE EXISTING FINANCING INSTRUMENTS OF THE GROUP ARE LARGELY SIMILAR TO THE LOAN IN THAT BOTH ARE CHARGES. HOWEVER THE EXISTING FINANCING INSTRUMENTS ARE SECURED BY CHARGES OVER ASSETS AND THE LOAN IS SECURED BY THE SHARE CHARGES; AND
 - (iii) THE NAV REPRESENTED BY THE TWO SUBSIDIARIES, WHOSE SHARES HAVE BEEN CHARGED TO SOLEADO, IS HIGHER THAN THE PRINCIPAL OF THE LOAN. THE COMPANY MAY LOSE ITS INVESTMENT IN THE TWO SUBSIDIARIES ENTIRELY IF THE COMPANY IS UNABLE TO REPAY THE LOAN IN ACCORDANCE WITH THE TERMS OF THE LOAN AGREEMENT AND SOLEADO EXERCISES ITS RIGHTS OVER THE SHARE CHARGES;
- (g) OTHER CONSIDERATIONS AS SET OUT IN PARAGRAPH 4.6 OF THE ATTACHED IFA LETTER.

ACCORDINGLY, AFTER TAKING INTO ACCOUNT THE ABOVE FACTORS WHICH THE IFA DEEMED RELEVANT TO ITS ANALYSIS (INCLUDING THE PRINCIPAL TERMS OF THE LOAN), THE IFA IS OF THE OPINION AS OF THE DATE HEREOF THAT, THE CONVERSION OPTION IS NOT ON NORMAL COMMERCIAL TERMS AND IS PREJUDICIAL TO THE INTERESTS OF THE COMPANY AND ITS MINORITY SHAREHOLDERS.

NEVERTHELESS, THE IFA WISHES TO HIGHLIGHT THAT THE COMPANY HAS ALREADY DRAWN DOWN THE LOAN. AS THE NUMBER OF NEW SHARES TO BE ALLOTTED AND ISSUED TO SOLEADO IS CAPPED AT 72,727,272 NEW SHARES, THE SHAREHOLDINGS OF THE COMPANY'S EXISTING SHAREHOLDERS WILL ONLY BE DILUTED BY 6.91% UPON THE ALLOTMENT AND ISSUE OF THE NEW SHARES.

SHAREHOLDERS SHOULD NOTE THAT TRADING IN THE SHARES IS SUBJECT TO MARKET FLUCTUATIONS AND, ACCORDINGLY, THE IFA'S OPINION ON THE CONVERSION OPTION DOES NOT AND CANNOT TAKE INTO ACCOUNT THE TRADING ACTIVITIES OR PATTERNS OF THE SHARES OR THE PRICE LEVELS BEYOND THE LATEST PRACTICABLE DATE.

THE AUDIT COMMITTEE, HAVING REVIEWED AND CONSIDERED, *INTER ALIA*, THE TERMS AND CONDITIONS AND THE FINANCIAL EFFECTS OF THE LOAN AND THE PROPOSED TRANSACTIONS, AND (IN RELATION TO THE CONVERSION OPTION ONLY) THE OPINION OF THE IFA (AS SET OUT IN THE IFA LETTER IN APPENDIX A OF THIS CIRCULAR), AGREES WITH THE IFA THAT THE CONVERSION OPTION IS NOT ON NORMAL COMMERCIAL TERMS AND IS PREJUDICIAL TO THE INTERESTS OF THE COMPANY AND ITS MINORITY SHAREHOLDERS.

THE BOARD (OTHER THAN MR. CHALERMCHAI MAHAGITSIRI WHO IS NOT INDEPENDENT FOR THE PURPOSE OF THE PROPOSED TRANSACTIONS, AND SHALL ABSTAIN FROM MAKING A RECOMMENDATION ON THE PROPOSED TRANSACTIONS), INCLUDING THE MEMBERS OF THE AUDIT COMMITTEE, HAVING CONSIDERED, (I) THE TERMS AND CONDITIONS, AND FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS, (II) THE RATIONALE OF THE CONVERSION OPTION AS SET OUT IN SECTION 3 OF THIS CIRCULAR, AND NOTWITHSTANDING THE OPINION OF THE IFA AS CONTAINED IN THE IFA LETTER, ARE OF THE VIEW THAT THE PROPOSED TRANSACTIONS, WHEN VIEWED TOGETHER WITH OTHER COMMERCIAL FACTORS BENEFICIAL TO THE GROUP AS A WHOLE, AS IT ALLOWS THE GROUP TO SECURE FUNDS AND STRENGTHEN BOTH ITS BUSINESS AND FINANCIAL POSITIONS AND HAVE AN ADDITIONAL MODE OF REPAYMENT OF THE LOAN, ARE IN THE INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS AS A WHOLE, AND ACCORDINGLY RECOMMEND THAT SHAREHOLDERS VOTE IN FAVOUR OF THE ORDINARY RESOLUTION RELATING TO THE PROPOSED TRANSACTIONS AT THE EGM.

IN ARRIVING AT ITS RECOMMENDATIONS, THE DIRECTORS HAVE TAKEN INTO CONSIDERATION THE FAMILIARITY THAT THE MANAGEMENT OF TTA, THE HOLDING COMPANY OF SOLEADO, HAVE WITH THE FOOD INDUSTRY BUSINESS IN THAILAND AND THE CLOSE TIES OF TTA'S MANAGEMENT WITH NESTLE. A CLOSER COOPERATION BETWEEN TTA AND THE GROUP, THROUGH THE INCREASED EQUITY STAKE ARISING FROM THE

CONVERSION OPTION, IF EXERCISED, WILL FURTHER ALIGN THE INTERESTS OF TTA AND ITS MANAGEMENT WITH THAT OF THE GROUP, ALLOWING FOR HIGHER PROBABILITY OF COOPERATION BETWEEN THE GROUP AND TTA. WHILE THE GROUP HAS BEEN DEVELOPING THE PRC MARKETS FOR ITS PRODUCTS, IT HAS ALWAYS REPRESENTED ONE OF THE STRATEGIC OBJECTIVES OF THE GROUP TO ENTER INTO ANOTHER MARKET FOR HIGHER LEVELS OF GROWTH. SOUTH EAST ASIA, AND THAILAND SPECIFICALLY, WITH A SIZEABLE POPULATION AND ASIAN CULTURE AND TASTES, REPRESENTS A LARGE POTENTIAL MARKET FOR THE GROUP. ENTRY INTO ANY NEW MARKET FACES BARRIERS OF ENTRY AND COMPETITION FROM EXISTING MARKET PARTICIPANTS AND WOULD BE BETTER FACILITATED BY A LOCAL PARTNER.

THE DIRECTORS HAVE ALSO TAKEN INTO ACCOUNT THE FACTORS SET OUT IN SECTION 1.3 AND SECTION 3 (RATIONALE FOR THE CONVERSION OPTION) OF THIS CIRCULAR, WHICH ARE AS FOLLOWS:

- (a) THE DISCOUNT AND THE BASIS FOR THE DETERMINATION OF THE CONVERSION PRICE WAS COMMERCIALY AGREED BETWEEN THE COMPANY AND SOLEADO FOLLOWING ARM'S LENGTH NEGOTIATIONS, TAKING INTO CONSIDERATION, *INTER ALIA*, THE HISTORICAL TRADING PRICES AND VOLUME OF SHARES TRADED ON THE SGX-ST, AND THE TERMS OF THE CONVERSION OPTION,
- (b) THE LOAN WAS OFFERED AND PROVIDED BY SOLEADO AS A SHOW OF SUPPORT FOR AND CONFIDENCE IN THE GROUP AS A SUBSTANTIAL SHAREHOLDER AND STRATEGIC PARTNER AND THE TERMS OF THE LOAN ARE MORE FAVOURABLE THAN THE 2011 BONDS AND 2012 BONDS, IN THAT, *INTER ALIA*, THE INTEREST RATE ON THE LOAN IS LESS THAN INTEREST RATES OF 20% PER ANNUM AND 25% PER ANNUM PAYABLE ON THE 2011 BONDS AND 2012 BONDS, RESPECTIVELY. THE CONVERSION OPTION WHICH FORMS PART OF THE TERMS OF THE LOAN AGREEMENT WAS AGREED SO AS TO PROVIDE AN AVENUE FOR INCREASED EQUITY PARTICIPATION BY SOLEADO IN OUR GROUP AND FURTHER ALIGNMENT OF PARTIES' INTEREST,
- (c) THE CONVERSION OPTION WHICH FORMS PART OF THE TERMS OF THE LOAN AGREEMENT WAS AGREED SO AS TO PROVIDE AN AVENUE FOR INCREASED EQUITY PARTICIPATION BY SOLEADO IN OUR GROUP AND FURTHER ALIGNMENT OF THE PARTIES' INTEREST,
- (d) TO ENSURE THAT THE INTERESTS OF SHAREHOLDERS ARE PROTECTED, THE AGREEMENT, AS AMENDED, MODIFIED AND/OR SUPPLEMENTED DUE TO THE RIGHTS ISSUE RESULTS ANNOUNCEMENT, PROVIDES A CAP OF 72,727,272 NEW SHARES, WHICH LIMITS THE DILUTIVE EFFECT WHILST ALSO HAVING THE POSITIVE EFFECT OF STRENGTHENING THE COMPANY'S CAPITAL BASE AND FINANCIAL POSITION,
- (e) THE CONVERSION OPTION WILL ALSO ALLOW THE GROUP TO HAVE AN ADDITIONAL MODE OF REPAYMENT OF THE LOAN, THEREBY SUBSTANTIALLY REDUCING CASH OUTFLOW. THIS WOULD STRENGTHEN THE GROUP'S FINANCIAL POSITION BY ENLARGING THE COMPANY'S WORKING CAPITAL AND CAPITAL BASE AND ENHANCE THE FINANCIAL FLEXIBILITY OF THE COMPANY TO CAPITALISE ON POTENTIAL GROWTH AND OTHER OPPORTUNITIES,
- (f) THE COMPANY SEES SOLEADO AS A LONG-TERM STRATEGIC PARTNER OF THE GROUP WHICH MAY ASSIST THE GROUP IN TERMS OF NEW PRODUCT DEVELOPMENT AND EXPANSION OF DISTRIBUTION NETWORK IN SOUTH EAST ASIA IN FUTURE, AND
- (g) THE EXECUTIVE DIRECTORS HAVE ALSO CONSIDERED ALTERNATE SOURCES OF FUND RAISING AND HAVE NOTED THAT OF THE GROUP'S TOTAL OUTSTANDING FINANCING AMOUNT OF APPROXIMATELY RMB1,292.9 BILLION AS AT 31 DECEMBER 2016, THE GROUP'S BORROWING FROM FINANCIAL INSTITUTIONS AMOUNTED TO APPROXIMATELY 20.4% (APPROXIMATELY RMB263.7 MILLION), WITH THE BALANCE 79.6% (APPROXIMATELY RMB1,029.2 MILLION) BEING FUNDS RAISED OUTSIDE

THE PRC THROUGH ISSUANCES OF BONDS AND CONVERTIBLE INSTRUMENTS. IN ADDITION, ALL BANK BORROWINGS RAISED IN THE PRC HAVE A TENURE OF LESS THAN ONE (1) YEAR AND WERE ALSO SECURED AGAINST THE LAND AND BUILDING OF THE GROUP (AND THE GROUP DOES NOT HAVE UNENCUMBERED LAND AND BUILDINGS TO PROVIDE SECURITY). THE EXECUTIVE DIRECTORS NOTE THAT WHILE FUND RAISING FROM TRADITIONAL FINANCIAL INSTITUTIONS IN THE PRC MAY INVOLVE LOWER BORROWING COSTS, THEY ARE EXPECTED TO REQUIRE SECURITY OVER THE FIXED ASSETS OF THE GROUP. PRC BANKS THAT THE GROUP DEALS WITH CUSTOMARILY PREFER OFFERING TO THE GROUP LOANS OF SHORTER TENURES, ALBEIT CUSTOMARILY ROLLED OVER AT THE EXPIRATION OF THE TERM, AND THEREFORE WILL RESTRICT THE FLEXIBILITY OF THE GROUP IN THE DEPLOYMENT OF FUNDS.

TAKING INTO CONSIDERATION THE ABOVE CIRCUMSTANCES, THE EXECUTIVE DIRECTORS HAVE FORMED THE VIEW THAT THE ADVANTAGES OFFERED BY THE LOAN JUSTIFY THE TERMS OF THE LOAN.



SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED

(Company Registration Number 200706801H)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to

THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 72,727,272 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT THE ADJUSTED MAXIMUM CONVERSION PRICE OF S\$0.444 FOR EACH NEW SHARE PURSUANT TO THE CONVERSION OPTION (AS DEFINED HEREIN) IN ACCORDANCE WITH THE CONVERTIBLE LOAN AGREEMENT BETWEEN SOLEADO HOLDINGS PTE. LTD. AND THE COMPANY WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION

Independent Financial Adviser to the Audit Committee and Non-Interested Directors



XANDAR CAPITAL PTE LTD

(Company Registration Number: 200002789M)
(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES:

Last Date and Time for Lodgement of Proxy Form : 6 June 2017 at 10.00 a.m.
Date and Time of Extraordinary General Meeting : 8 June 2017 at 10.00 a.m.
Place of Extraordinary General Meeting : Room 333, Level 3 Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593

CONTENTS

	Page
DEFINITIONS	1
 LETTER TO SHAREHOLDERS	
1. INTRODUCTION	7
2. INFORMATION ON THE LOAN AGREEMENT	13
3. RATIONALE	18
4. FINANCIAL EFFECTS	19
5. OPINION OF THE INDEPENDENT FINANCIAL ADVISER	20
6. STATEMENT OF THE AUDIT COMMITTEE	22
7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS	22
8. DIRECTORS' RECOMMENDATION	24
9. ABSTENTION FROM VOTING	25
10. EXTRAORDINARY GENERAL MEETING	25
11. ACTION TO BE TAKEN BY SHAREHOLDERS	25
12. DIRECTORS' RESPONSIBILITY STATEMENT	26
13. CONSENTS	26
14. DOCUMENTS FOR INSPECTION	26
 APPENDIX A – LETTER OF ADVICE FROM XANDAR CAPITAL PTE LTD TO THE AUDIT COMMITTEE AND NON-INTERESTED DIRECTORS	 A-1
 APPENDIX B – TERMS OF THE 2011 BONDS AND 2012 BONDS	 B-1
 NOTICE OF EXTRAORDINARY GENERAL MEETING	 N-1
 PROXY FORM	

DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated.

- “2011 Bonds”** : The convertible bonds issued by Garden Fresh (HK) pursuant to the 2011 Bonds Subscription Agreement
- “2011 Bonds Subscription Agreement”** : The subscription agreement dated 28 September 2011 between Garden Fresh (HK) (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) (as amended, supplemented or varied)
- “2012 Bonds”** : The convertible bonds issued by Garden Fresh (HK) pursuant to the 2012 Bonds Subscription Agreement
- “2012 Bonds Subscription Agreement”** : The subscription agreement dated 10 May 2012 among Garden Fresh (HK), the Company (as guarantor), Grandness (HK), Garden Fresh Hubei, Garden Fresh Shenzhen, Mr Huang Yupeng, and Goldman Sachs (as amended, supplemented or varied)
- “Act” or “Companies Act”** : The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
- “Adjusted Maximum Conversion Price”** : S\$0.444 per New Share
- “Associates”** : (a) in relation to any director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of thirty per cent. (30%) or more; and
- (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of thirty per cent. (30%) or more
- “Audit Committee”** : The audit committee of the Company as at the date of this Circular
- “Beverages Business”** : The business segment in respect of the production and sale of fruit and vegetables beverages, primarily involving the production and sale of the in-house brand “鲜绿园” (“**Garden Fresh**”) of fruit and vegetable juices in the PRC, undertaken by Garden Fresh Cayco and its subsidiaries
- “Board”** : The board of Directors of the Company as at the date of this Circular

DEFINITIONS

“CDP”	:	The Central Depository (Pte) Limited
“CEO”	:	Chief Executive Officer
“Circular”	:	This circular to Shareholders dated 24 May 2017
“Closing Date”	:	Means 17 May 2016, the date on which the Company had drawn down on the Loan of US\$20 million, and the full amount thereof had been disbursed by Soleado to the Company
“Company”	:	Sino Grandness Food Industry Group Limited
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly fifteen per cent. (15%) or more of the total number of issued Shares (excluding treasury shares) unless the SGX-ST determines that such a person is not a controlling shareholder of the Company; or (b) in fact exercises control over the Company
“Control” or “Controlled”	:	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
“Conversion Option”	:	Has the meaning ascribed to it in Section 2.2 of this Circular
“Conversion Price”	:	Has the meaning ascribed to it in Section 2.2 of this Circular
“Directors”	:	The directors of the Company as at the date of this Circular
“EGM”	:	The extraordinary general meeting of the Company, to be convened for the purposes of considering and if thought fit, passing with or without modifications, the resolution as set out in the Notice of EGM
“EPS”	:	Earnings per Share
“FY”	:	The financial year ended or ending 31 December (as the case may be)
“Garden Fresh (HK)”	:	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited, a limited liability company incorporated on 3 January 2011 under the laws of the Hong Kong and an indirect wholly-owned subsidiary of the Company
“Garden Fresh Cayco”	:	Garden Fresh Group Holding Co., Ltd, an indirect wholly-owned subsidiary of the Company in Cayman Islands
“Garden Fresh BVI”	:	Garden Fresh Beverage Group Co., Ltd, an indirect wholly-owned subsidiary of the Company in the British Virgin Islands
“Garden Fresh Hubei”	:	Garden Fresh (Hubei) Food & Beverage Co., Ltd., a limited liability company established on 22 March 2011 under the laws of the PRC and a direct wholly-owned subsidiary of Garden Fresh (HK)

DEFINITIONS

“Garden Fresh Shenzhen”	:	Garden Fresh (Shenzhen) Food & Beverage Co., Ltd., a limited liability company established on 26 May 2011 under the laws of the PRC and a direct wholly-owned subsidiary of Garden Fresh (HK)
“Goldman Sachs”	:	Goldman Sachs Investments Holdings (Asia) Limited
“Grandness (HK)”	:	Grandness (HK) Industry Co., Ltd., a direct wholly-owned subsidiary of the Company
“Grandness Shanxian”	:	Grandness (Shanxian) Food Co., Ltd., a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Group”	:	Collectively, the Company and its subsidiaries as at the date of this Circular
“HKSE”	:	The Stock Exchange of Hong Kong Limited
“Hong Kong”	:	The Special Administrative Region of Hong Kong
“IFA”	:	Xandar Capital Pte Ltd
“IFA Letter”	:	The letter from the IFA dated 24 May 2017 annexed hereto as Appendix A of this Circular
“Independent Shareholders”	:	Shareholders who are independent for the purpose of approving the Proposed Transactions, namely Shareholders excluding the Interested Persons
“Interested Persons”	:	Soleado and PM Group
“Latest Practicable Date”	:	15 May 2017, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The Listing Manual of the SGX-ST, as amended, supplemented or modified from time to time
“Loan”	:	The loan of US\$20 million from Soleado to the Company pursuant to the terms of the Loan Agreement
“Loan Agreement”	:	The convertible loan agreement dated 13 April 2016 between Soleado (as the lender) and the Company (as the borrower) in relation to the Loan
“Market Day(s)”	:	A day or days on which the SGX-ST is open for trading in securities
“Maximum Conversion Price”	:	S\$0.55 per New Share (this is before adjustment pursuant to the Rights Issue completion on 9 March 2017)
“NAV”	:	Net asset value
“New Shares”	:	The aggregate of up to 72,727,272 new Shares to be issued by the Company pursuant to the Loan Agreement, the Rights Issue Results Announcement and the Conversion Option, and “ New Share ” means each of the New Shares

DEFINITIONS

“Non-Beverage Business”	:	The business segment in respect of the production and sale of canned vegetables and fruits and snack food undertaken by the Group
“Non-Interested Directors”	:	The Directors of the Company who are independent for the purposes of the Proposed Transactions, comprising Huang Yupeng, Huang Yushan, Zhu Jun, Soh Beng Keng, Liu Ling and Wong Chee Meng, Lawrence
“Notice of EGM”	:	The Notice of EGM as set out on page N-1 of this Circular
“NTA”	:	Net tangible asset
“Ordinary Resolution”	:	The ordinary resolution as set out in the Notice of EGM
“PM Group”	:	PM Group Company Limited
“PRC”	:	The People’s Republic of China
“Proposed Issuance”	:	The proposed issue and allotment of the New Shares at the Conversion Price pursuant to Soleado’s exercise of the Conversion Option in accordance with the terms of the Loan Agreement
“Proposed Transactions”	:	Means the Conversion Option and the Proposed Issuance collectively
“Proposed Spin-Off”	:	The proposed spin-off and primary listing of the Company’s Beverages Business on an internationally recognized stock exchange (including but not limited to the HKSE) with an accompanying public offering. For more information on the Proposed Spin-Off, please refer to the Company’s circular to Shareholders dated 5 February 2016, and the update announcement dated 31 March 2016
“Proxy Form”	:	The proxy forms in respect of the EGM as set out in this Circular
“Record Date”	:	Means in relation to any dividend, right, allotment or other distributions, the date as at the close of business, on which members of the Company must be registered in order to participate in such dividend, right, allotment or other distributions
“Restructuring Agreement”	:	Means the agreement entered into by the Company for the restructuring of the 2011 Bonds and the 2012 Bonds with, amongst others, Goldman Sachs, CDIB Capital Investment I Limited, CDIB & Partners Investment Holding (Cayman) Ltd, Garden Fresh (HK), Garden Fresh Cayco and Garden Fresh BVI
“Rights Issue Results Announcement”	:	The announcement made by the Company on 9 March 2017 and entitled “Renounceable Non-Underwritten Rights Issue in the Capital of the Company – Results of the Rights Issue”
“Securities Account”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
“Securities and Futures Act”	:	The Securities and Futures Act (Chapter 289) of Singapore as amended, supplemented or modified from time to time

DEFINITIONS

“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shanxi Yongji”	:	Shanxi Yongji Huaxin Food Co., Ltd., a limited liability company established under the laws of the PRC and a direct wholly-owned subsidiary of the Company
“Share Registrar”	:	Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.)
“Shares”	:	Ordinary shares in the capital of the Company
“Shareholders”	:	Registered holders of Shares, in the Register of Members of the Company or where CDP is the registered holder, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the Depositors who have Shares entered against their names in the Depository Register. Any reference to Shares held by or shareholdings of Shareholders shall include Shares standing to the credit of their respective Securities Accounts
“Soleado”	:	Soleado Holdings Pte. Ltd.
“Substantial Shareholder”	:	A person who holds directly or indirectly not less than five per cent. (5%) of the total number of issued Shares (excluding treasury shares)
“TTA”	:	Thoresen Thai Agencies Public Company Limited
Currencies, Units and Others		
“RMB”	:	Renminbi, the lawful currency of the People’s Republic of China
“S\$” and “cents”	:	Singapore dollars and cents respectively, the lawful currency of the Republic of Singapore
“US\$” and “US cents”	:	United States dollars and cents respectively, the lawful currency of the United States of America
“%” or “per cent.”	:	Per centum or percentage

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

The term “**subsidiary**” shall have the meaning ascribed to it under Section 5 of the Companies Act.

Certain names with Chinese characters have been translated into English names. Such translations are provided solely for the convenience of investors and may not have been registered with the relevant PRC or Hong Kong authorities and as such, should not be construed as representations that the English names actually represent Chinese characters.

Words importing the singular shall, where applicable, include the plural and *vice versa*. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons, where applicable, shall include corporations.

DEFINITIONS

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any term defined under the Act or the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the same meaning assigned to it under the Act or the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

Any discrepancies in the tables included in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables in this Circular may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day in this Circular shall be a reference to Singapore time, unless otherwise stated.

Exchange Rates

Unless otherwise stated, the following exchange rates are applied:

S\$1 to RMB4.60
US\$1 to S\$1.375
US\$1 to RMB6.325

These exchange rates should not be construed as a representation that such RMB or US\$ amounts could have been, or could be, converted into Singapore dollars at the rate stated, or at all; and *vice versa*.

LETTER TO SHAREHOLDERS

SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED

(Company Registration Number 200706801H)
(Incorporated in the Republic of Singapore)

Directors

Mr Huang Yupeng	(Chairman and Chief Executive Officer)
Ms Huang Yushan	(Executive Director)
Mr Zhu Jun	(Executive Director)
Mr Chalermchai Mahagitsiri	(Non-Executive Director)
Mr Soh Beng Keng	(Lead Independent Director)
Ms Liu Ling	(Independent Director)
Mr Wong Chee Meng, Lawrence	(Independent Director)

Registered Office

6 Battery Road, #10-01,
Singapore 049909

24 May 2017

To: The Shareholders of Sino Grandness Food Industry Group Limited

Dear Shareholder,

THE PROPOSED ALLOTMENT AND ISSUE OF UP TO 72,727,272 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT THE ADJUSTED MAXIMUM CONVERSION PRICE OF S\$0.444 FOR EACH NEW SHARE PURSUANT TO THE CONVERSION OPTION (AS DEFINED HEREIN) IN ACCORDANCE WITH THE CONVERTIBLE LOAN AGREEMENT BETWEEN SOLEADO HOLDINGS PTE. LTD. AND THE COMPANY WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION

1. INTRODUCTION

1.1 Background

On 13 April 2016, the Company announced that the Company had entered into the Loan Agreement with Soleado, pursuant to which Soleado will grant the Loan to the Company pursuant to the terms of the Loan Agreement (the “**First Announcement**”). On 17 May 2016, the Board announced that all the conditions precedent under the Loan Agreement for Soleado to make available the Loan had been satisfied, and that in accordance with the terms and conditions of the Loan Agreement, the Company had drawn down on the Loan of US\$20 million, and the full amount thereof had been disbursed by Soleado to the Company on 17 May 2016 (the “**Closing Date**”). The purpose of the Loan is as follows:

- (a) 60%, amounting to US\$12 million, for capital expenditure and for distribution network expansion for the Group’s Non-Beverage Business; and
- (b) 40%, amounting to US\$8 million, for general working capital purposes for the Group’s Non-Beverage Business.

As at the Latest Practicable Date, the Loan has been fully utilised by the Group.

Pursuant to the Loan Agreement, and subject to the Company’s Shareholders’ approval of the Proposed Transactions (“**Shareholders’ Approval**”) and the terms and conditions of the Loan Agreement, the Company had agreed to allot and issue the New Shares to Soleado (and/or its nominee) at the Conversion Price (as defined in Section 2.2 below).

The Board further refers to the Rights Issue Results Announcement where the Board announced that following the completion of the Rights Issue (as defined in Section 2.2 below) and in accordance with the Agreed Adjustment Formula (as defined below at Section 2.2), the maximum Conversion Price of S\$0.55 per New Share shall be adjusted to S\$0.444 per New Share. The maximum number of New Shares to be allotted and issued to Soleado is capped at 72,727,272 New Shares following the completion of the Rights Issue. There will be no adjustment to the Floating Conversion Price arising from the Rights Issue. Please refer to Section 2.2 of this Circular for further details of the Loan Agreement.

LETTER TO SHAREHOLDERS

The purpose of this Circular is to provide the Shareholders with information relating to the Proposed Transactions to be tabled at the EGM and to seek the Shareholders' Approval for the Ordinary Resolution to be tabled at the EGM. The Notice of the EGM is set out on page N-1 of this Circular. **The Interested Persons (as defined in Section 1.4 below), and their Associates, shall all abstain from voting on the Ordinary Resolution approving the Proposed Transactions.**

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

1.2 Additional Listing Application

The Board had submitted an additional listing application to the SGX-ST for its approval in-principle for the admission to and the listing and quotation of the New Shares on the Main Board of the SGX-ST.

On 15 May 2017, the SGX-ST issued a listing and quotation notice ("**L&Q Notice**") to the Company, granting the in-principle approval for the listing of and quotation for the New Shares on the SGX-ST, subject to, *inter alia*, the following conditions:

- (a) compliance with the SGX-ST's listing requirements;
- (b) Independent Shareholders' approval being obtained for the Conversion Option at the EGM; and
- (c) A written undertaking from the Company that it will comply with Listing Rules 704(30), 815 and 1207(20) in relation to the use of proceeds from the Loan Agreement and where proceeds are to be used for working capital purposes, the Company will disclose a breakdown with specific details on the use of proceeds for working capital in the Company's announcements on use of proceeds and in the annual report.

The Company has, by way of a letter to the SGX-ST dated 18 May 2017, complied with item (c) above.

The L&Q Notice is not to be taken as an indication of the merits of the Proposed Transactions, the New Shares, the Company, its subsidiaries and their securities.

1.3 Relevant Rules under Chapter 8 of the Listing Manual

Rules 803, 804 and 812 of the Listing Manual

Rule 803 of the Listing Manual provides that an issue of securities to transfer a controlling interest must not be carried out without prior approval of shareholders in general meeting.

The New Shares will represent approximately 7.43% of the issued and paid-up share capital of the Company as at the Latest Practicable Date (being 979,410,658 Shares) and approximately 6.91% of the enlarged issued and paid-up share capital of the Company immediately after the allotment and issue of the New Shares (being 1,052,137,930 Shares). The Proposed Transactions would also constitute a transfer of a controlling interest to Soleado, the PM Group and Mr. Chalermchai Mahagitsiri.

At the date of the First Announcement in relation to the Loan Agreement:

- (a) Soleado directly held 71,204,735 Shares representing approximately 10.57% in the then issued share capital of the Company; and
- (b) PM Group directly held 25,398,965 Shares representing approximately 3.77% in the then issued share capital of the Company.

LETTER TO SHAREHOLDERS

As at the Latest Practicable Date, Mr. Chalermchai Mahagitsiri, a non-executive director of the Company, has the following interest:

- (a) more than 20% direct and deemed interest in TTA, which through its wholly owned subsidiary, Soleado, directly holds 93,544,559 Shares (approximately 9.55%) in the issued share capital of the Company (the “**Soleado Shares**”); and
- (b) holds a controlling interest in PM Group, which directly holds 36,943,949 Shares (approximately 3.77%) in the issued share capital of the Company (the “**PM Group Shares**”).

As Mr. Chalermchai Mahagitsiri’s total deemed interest in the Company currently amounts to 13.32%, the Proposed Issuance resulting in Mr. Chalermchai Mahagitsiri’s total deemed interest in the Company increasing to 19.31% would constitute a transfer of a controlling interest (amounting in aggregate to more than 15% of the issued share capital in the Company) to Mr. Chalermchai Mahagitsiri.

Rule 804 of the Listing Manual states that except in the case of an issue made on a pro rata basis to shareholders or a scheme referred to in Part VIII Share Option Schemes or Share Schemes of the Listing Manual, no director of an issuer, or associate of the director, may participate directly or indirectly in an issue of equity securities or convertible securities unless shareholders in general meeting have approved the specific allotment. Such directors and associates must abstain from exercising any voting rights on the matter. The notice of meeting must state: (a) the number of securities to be allotted to each director and associate; (b) the precise terms of the issue; and (c) that such directors and associates will abstain from exercising any voting rights on the resolution. Accordingly, Mr. Chalermchai Mahagitsiri, a non-executive director of the Company, will, arising from his direct and deemed interest in Soleado, be deemed to be interested in the Shares issued to Soleado pursuant to the Proposed Issuance. Accordingly, pursuant to Rule 804, specific approval of Shareholders will be required for the specific issuance of Shares arising from the Proposed Issuance.

Rule 812(1) of the Listing Manual states that an issue must not be placed to any of the following persons: (a) the issuer’s directors and substantial shareholders; (b) immediate family members of the directors and substantial shareholders; (c) substantial shareholders, related companies (as defined in Section 6 of the Companies Act), associated companies and sister companies of the issuer’s substantial shareholders; (d) corporation in whose shares the issuer’s directors and substantial shareholders have an aggregate interest of at least 10%; and (e) any person who, in the opinion of the SGX-ST, falls within category (a) to (d). However, Rule 812(1) of the Listing Manual will not apply if specific shareholder approval for such a placement has been obtained, as provided under Rule 812(2) of the Listing Manual. The same rule goes on to state that the person, and its associates, must abstain from voting on the resolution approving the placement.

Accordingly, the Company is required to seek the approval of the Shareholders pursuant to Rule 803, Rule 804 and Rule 812 of the Listing Manual.

Rule 811 of the Listing Manual

Rule 811(1) of the Listing Manual provides that an issue of shares must not be priced at more than 10% discount to the weighted average price for trades done on the SGX-ST for the full market day on which the placement or subscription agreement is signed. However, Rule 811(3) of the Listing Manual provides that Rule 811(1) shall not apply if specific shareholders’ approval is obtained for the issue of shares.

However, based on the maximum Conversion Price of S\$0.55 per New Share (“**Maximum Conversion Price**”) which is the amount when the Loan Agreement was entered into by the Company, this would represent a discount of approximately 18.23% to the VWAP of S\$0.6726 for trades done on the Shares of the Company on the SGX-ST on 13 April 2016 (being the last full market day prior to the signing of the Loan Agreement).

LETTER TO SHAREHOLDERS

As the Maximum Conversion Price would represent a discount of more than 10% to the VWAP, the Company is required under Rule 811(3) of the Listing Manual to seek the specific approval of its Shareholders for the Proposed Transactions.

Rule 811(4) of the Listing Manual provides that where specific shareholders' approval is sought, the circular must include (a) information required under Rule 810 of the Listing Manual; and (b) the basis upon which the discount was determined. Rule 810 of the Listing Manual further provides that an issuer which intends to issue shares, company warrants or other convertible securities for cash must announce the issue promptly, stating the terms of the issue and the purpose of the issue. Where no placement agent is appointed for the issuer, the announcement must also include (a) the identities of the places and the number of shares placed to each of them; and (b) details on how the places were identified and the rationale for placing to them. Shareholders may refer to the First Announcement in relation to details of the Loan Agreement released by the Company and available on the website of the SGX-ST. The relevant information has also been set out at Sections 2.2 and 2.3 of this Circular.

The discount of approximately 18.23% to the VWAP is based on the Maximum Conversion Price. The discount and the basis for the determination of the Conversion Price was commercially agreed between the Company and Soleado following arm's length negotiations, taking into consideration, *inter alia*, the historical trading prices and volume of Shares traded on the SGX-ST which has been set out at paragraph 4.1 of the IFA Letter, the large fluctuations in share price that the Shares of the Company are accustomed to, the terms of the Conversion Option and the other factors and considerations set out in Section 3 of this Circular. For example, over the last 6 months prior to the First Announcement, the highest and lowest traded price of the Shares are S\$0.6643 and S\$0.2684 and there is therefore uncertainty as to the price of the Shares at the time the Conversion Option is exercised and movements of the share price subsequent to such exercise. In addition, the Company was represented in its negotiations represented by Mr Huang Yupeng who is the single largest shareholder in the Company and who is independent of, and not related to, Soleado. In addition, Mr. Chalermchai Mahagitsiri does not hold an executive position in the Board or the Group.

1.4 Interested Person Transaction

As at the Latest Practicable Date, Soleado directly holds the Soleado Shares and is a wholly-owned subsidiary of TTA. Mr. Chalermchai Mahagitsiri, a non-executive director of the Company, holds approximately 22.02% direct and deemed interest in TTA (comprising direct interest of approximately 13.79% and an indirect interest of 8.23% held through his nominee, Credit Suisse AG, Singapore Branch) as at the Latest Practicable Date. In addition, PM Group directly holds the PM Group Shares and Mr. Chalermchai Mahagitsiri holds a direct interest of 79.25% in PM Group.

At the date of the First Announcement in relation to the Loan Agreement:

- (a) Soleado directly held 71,204,735 Shares representing approximately 10.57% in the then issued share capital of the Company; and
- (b) PM Group directly held 25,398,965 Shares representing approximately 3.77% in the then issued share capital of the Company.

Pursuant to Section 4 of the Securities and Futures Act, Mr. Chalermchai Mahagitsiri is deemed to be interested in any shares in which (i) TTA has an interest, including any shares in which TTA's wholly-owned subsidiaries, Soleado, has an interest; and (ii) PM Group has an interest. Accordingly, Mr. Chalermchai Mahagitsiri is deemed to be interested in the Soleado and the PM Group Shares, and as at the Latest Practicable Date, the total deemed interest comprises 130,488,508 Shares (approximately 13.32%) in the issued share capital of the Company. In addition, Mr. Chalermchai Mahagitsiri has been the President and Chief Executive Officer of TTA since January 2012 and the Company believes that he is able to exercise significant influence over TTA and Soleado. Accordingly, Soleado is deemed (as defined in the Listing Manual), an associate of Mr. Chalermchai Mahagitsiri.

LETTER TO SHAREHOLDERS

Pursuant to the Listing Manual, an interested person transaction (“**Interested Person Transaction**”) is defined as a transaction between an entity at risk and an interested person. Soleado is deemed (as defined in the Listing Manual), an associate of Mr. Chalermchai Mahagitsiri. Accordingly, Soleado is deemed an interested person within the meaning of Chapter 9 of the Listing Manual. Mr. Chalermchai Mahagitsiri, TTA, Soleado and PM Group shall be referred to collectively as the “**Interested Persons**”, and individually, an “**Interested Person**”.

Materiality Thresholds under Chapter 9

Under Chapter 9 of the Listing Manual, except for any transaction which is below S\$100,000 in value and certain transactions which, by reason of the nature of such transactions, are not considered to put a listed company at risk to its interested person and hence are excluded from the ambit of Chapter 9, where a transaction between an entity at risk with an interested person, and the value of the transaction alone or when aggregated with other transactions conducted with the same interested person during the same financial year, is equal to or more than certain materiality thresholds (which are based on the Group’s latest audited NTA), the listed company is required to make an immediate announcement, or to make an immediate announcement and seek its shareholders’ approval for the transaction.

Rule 906(1) of the Listing Manual requires the approval of Shareholders in a general meeting to be obtained for any Interested Person Transaction of a value equal to, or more than:

- (i) 5% of the Group’s latest audited NTA; or
- (ii) 5% of the Group’s latest audited NTA, when aggregated with other transactions entered into with the same Interested Person during the same financial year. However, a transaction which has been approved by Shareholders, or is the subject of aggregation with another transaction that has been approved by Shareholders, need not be included in any subsequent aggregation.

The amount at risk for the Conversion Option is the principal of US\$20 million which represents approximately 6.86% of the latest audited NTA of the Group as at 31 December 2015. As this amount at risk represents more than 5% of the latest audited NTA of the Group as at 31 December 2015, the Conversion Option is an interested person transaction subject to Shareholders’ Approval under Chapter 9 of the Listing Manual.

Pursuant to Chapter 9 of the Listing Manual, in the case of the Proposed Transactions, given that the Conversion Option allows Soleado to convert the Loan into New Shares, the total amount at risk to the Company in relation to the Proposed Transactions would be the aggregate of the interest payable and the amount of the Loan. The Group’s audited NTA as at 31 December 2015 was approximately RMB1,809.9 million (or approximately US\$291.6 million (based on the exchange rate adopted in the First Announcement of US\$1:RMB6.2068)). The Loan Agreement contemplates that if the Loan is repaid on the date falling six (6) months from the Closing Date (and assuming that the interest rate is at 16.5% per annum on the basis that the Shareholders’ Approval is not obtained and Soleado exercises its right to demand that the Loan be repaid in full or any outstanding balance thereof), the aggregate interest payable on the Loan is approximately US\$1.65 million which constitutes less than 5% of the NTA of the Group as at 31 December 2015. For illustrative purposes, assuming that the interest rate is at 16.5% per annum (on the basis that the Shareholders’ Approval is not obtained and the tenure of the Loan is 24 months), the aggregate interest payable on the Loan is approximately US\$6.69 million which represents approximately 2.3% of the latest audited NTA of the Group as at 31 December 2015. For illustrative purposes and assuming that the interest rate on the Loan is 12% per annum (on the basis that Shareholders’ Approval is obtained and the tenure of the Loan is 24 months), the aggregate interest payable on the Loan is approximately US\$4.87 million which when aggregated with the Loan amount of US\$20 million represents approximately 8.5% of the latest audited NTA of the Group as at 31 December 2015. As at the Latest Practicable Date, the aggregate amount of interest paid on the Loan at the rate of 12% per annum amounts to approximately US\$2.43 million.

LETTER TO SHAREHOLDERS

Save for the transactions mentioned in sub-paragraphs (a) to (d) below, the Group which, for the purposes of Chapter 9 of the Listing Manual, are considered to be “entities at risk”, have not entered into transactions with the Company’s Interested Persons or their Associates since 1 January 2016 up to the Latest Practicable Date:

- (a) the Loan;
- (b) the Proposed Transactions (which are the subject matter of this Circular);
- (c) on 26 October 2016, the Company announced that it had entered into a distribution agreement (“**Distribution Agreement**”) with PM Group to secure the exclusive marketing rights for P80 Longan Health Essence (the “**Product**”) for China and Hong Kong Markets. The amount at risk to the Company as announced is the aggregate amounts payable under the Distribution Agreement in the table below –

<p>In the event the Conditions Precedent are not satisfied or becomes incapable of satisfaction, and assuming only US\$1,000,000 of the Deposit has been paid by the Company to the PM Group</p>	<p>Forfeiture by the PM Group of the instalments of US\$1,000,000 of the Deposit as full compensation for the losses the PM Group had incurred, which represents approximately 0.37% of the NTA of the Group for FY2015⁽¹⁾</p>
<p>In the event the Conditions Precedent are satisfied and assuming the full US\$2,000,000 of the Deposit has been paid by the Company to the PM Group, and if the termination of the Distribution Agreement is attributable to the breach committed by the Company</p>	<p>Forfeiture by the PM Group of the instalments of US\$2,000,000 of the Deposit as full compensation for the losses the PM Group had incurred, which represents approximately 0.74% of the NTA of the Group for FY2015⁽²⁾</p>
<p>Notes:</p> <p>(1) The Distribution Agreement stipulates that in the event that the Conditions Precedent are not satisfied or becomes incapable of satisfaction, PM Group shall forfeit and retain the deposit that has been paid by the Company as full compensation for the losses that the PM Group had incurred.</p> <p>(2) The Agreement stipulates that the PM Group shall have no right to claim for any damages or losses from the Company in relation to the Company’s failure to purchase the Product from the PM Group at the minimum purchase amount specified in the Distribution Agreement.</p> <p><i>For further details of the Distribution Agreement, please refer to the Company’s related announcement released on 26 October 2016.</i></p>	

The Conditions Precedent may be found in the announcement dated 26 October 2016 and titled “Exclusive Distribution Agreement for Longan Essence Between PM Group Company Limited And Sino Grandness Food Industry Group Limited”.

Under the Distribution Agreement, the Deposit is required as security for the performance by the Company of its obligations under the Distribution Agreement. The Conditions Precedent in this Section 1.4 in relation to the Company’s purchase of the Product from PM Group pursuant to the Distribution Agreement refers to the following:

- (i) to the extent required by the China Food and Drug Administration (or equivalent authority) (the “**Relevant Authority**”), the Company securing approval from the Relevant Authority for representation, sale and/or consumption of the Product in the PRC and Hong Kong (collectively, the **Territories**); and

LETTER TO SHAREHOLDERS

- (ii) to the extent that the listing rules of the SGX-ST require the Company to complete certain approvals, in order to complete the transactions in the Distribution Agreement, the Company shall comply with those rules and procure that the Company's principal Shareholder, namely Mr. Huang Yupeng, exercises the votes attached to all of his Shares in the Company in favour of all resolutions proposed in the Shareholders meeting to give effect to completing the transactions in the Distribution Agreement (the "**Requisite Approval**"). Where the approval of the Relevant Authority and/or the Requisite Approval is not required or otherwise waived, the respective Condition Precedent shall be deemed to be satisfied.

In the event that the Conditions Precedent are not satisfied or becomes incapable of satisfaction, PM Group shall forfeit and retain the deposit received as full compensation for the losses it had incurred.

In the event the Requisite Approval is not satisfied or becomes incapable of satisfaction, and the PM Group forfeits and retains the deposit already paid by the Company as full compensation for the losses it had incurred, Mr Huang Yupeng has given an irrevocable undertaking to reimburse the Company the full amount of the deposit already paid by the Company to PM Group; and

- (d) transactions of less than S\$100,000 in value.

2. INFORMATION ON THE LOAN AGREEMENT

2.1 The Loan

This Section sets out the details of the Loan Agreement for purposes of providing background to the Proposed Transaction.

On 17 May 2016, the Board of the Company announced that all the conditions precedent under the Loan Agreement for Soleado to make available the Loan has been satisfied, and in accordance with the terms and conditions of the Loan Agreement, the Company has drawn down on the Loan of US\$20 million, and the full amount thereof has been disbursed by Soleado to the Company on the Closing Date.

2.2 Salient Terms of the Loan Agreement

The principal terms of the Loan Agreement are as follows:

Borrower	:	Company
Lender	:	Soleado
Loan Amount	:	US\$20 million
Purpose of Loan	:	60% for capital expenditure and for distribution network expansion for the Group's Non-Beverage Business; and 40% for general working capital purposes for the Group's Non-Beverage Business. As at the Latest Practicable Date, the Loan has been fully utilised by the Group. The full Loan Amount had been disbursed to the Group on 17 May 2016.
Tenure	:	24 months from the Closing Date or, in the event that the Shareholders' Approval is not obtained and Soleado exercises its right to demand that the Loan be repaid in full or any outstanding balance thereof, six (6) months from the Closing Date
Availability Period	:	The period of 60 days from the date of the Loan Agreement.

LETTER TO SHAREHOLDERS

Interest Rate and Shareholders' Approval : 12% per annum calculated on actual or pro rata / 360-day count basis on the outstanding loan amount, payable after three (3) months from Closing Date. However, in the event that Shareholders' Approval is not obtained, the rate of interest payable on the Loan shall be automatically changed to 16.5% per annum calculated from the Closing Date. Interest shall be calculated from Closing Date, and shall be payable every three (3) months in arrears until the Loan is repaid in full. The interest payments shall commence after three (3) months from Closing Date. In the event that Shareholders' Approval is not obtained, Soleado shall have the right to demand that the Loan be repaid in full or any outstanding balance thereof at any time after the expiry of six (6) months from Closing Date.

Conversion Option : Subject to Shareholders' Approval being obtained, and after 12 months from the Closing Date or after the date of completion of Proposed Spin-Off relating to the Beverages Business, whichever earlier, Soleado shall, be entitled to convert the Loan or the outstanding balance thereof, as the case may be, into the New Shares by sending a prior-written notification ("**Conversion Notice**") to the Company ("**Conversion Option**"). According to the Loan Agreement, the New Shares will be priced at the Maximum Conversion Price or at the 20% discount to the VWAP per Share traded on the SGX-ST during the last 60 market days immediately preceding the date of the Conversion Notice ("**Floating Conversion Price**"), whichever is the lower (the "**Conversion Price**"). The balance principal amount of the Loan, which are not so converted into the New Shares, shall be deemed to be the outstanding Loan and subject to the interest rate of 12% per annum.

The Conversion Option and Conversion Price are subject to certain adjustments (to be mutually agreed between Soleado and the Company) in the event of consolidation or subdivision or reclassification of Shares, capitalisation of profits or reserves, excess distributions, rights issues of Shares or options over Shares (excluding employee stock options), rights issues of other securities, issues at less than current market price and other dilutive events. The Company will prior to any agreement with Soleado on the adjustments appoint its auditors or an investment banker to review the adjustments.

In addition, under the Loan Agreement, in the event that Company and Soleado are unable to agree on the adjustment within 30 days from the adjustment event, the Company and Soleado shall engage an accounting firm (to act as experts and not arbitrator) to determine the amount of adjustment and thus, the new conversion price. Such determination by the accounting firm shall be final and binding on the parties.

On 30 September 2016, the Company announced the proposed renounceable underwritten rights issue (the of up to 243,713,276 new ordinary shares in the capital of the Company at an issue price of S\$0.310 for each rights share on the basis of one (1) rights share for every three (3) existing ordinary shares in the capital of the Company. On 13 December 2016, the Company announced the new terms of the Rights Issue comprising up to 332,336,283 new ordinary shares in the capital of the Company (the "**Rights**

LETTER TO SHAREHOLDERS

Shares") at an issue price of S\$0.210 for each Rights Share (the "**Rights Issue Price**") on the basis of five (5) Rights Shares for every eleven (11) existing ordinary shares in the capital of the Company.

In addition, the Company refers to the Rights Issue Results Announcement. Based on the Rights Issue Results Announcement, a total amount of 306,065,830 rights shares ("**Adjusted Rights Shares**") will be allotted and issued by the Company. Accordingly, as announced by the Company on 15 March 2017, the issuance of the Adjusted Rights Shares constitutes an event giving rise to an adjustment to the Conversion Price pursuant to the principal terms of the Loan.

The calculation for the adjusted maximum number of New Shares (the "**Adjusted Maximum Conversion Shares**") and the adjusted Maximum Conversion Price following the completion of the Rights Issue (the "**Adjusted Maximum Conversion Price**") is as follows (the "**Agreed Adjustment Formula**"):

A	=	Total number of shares in issue being 673,344,828 Shares
B	=	original Conversion Price of S\$0.55
C	=	A X B
D	=	Total number Adjusted Rights Shares being issued
E	=	Rights Issue Price of S\$0.21
F	=	D X E
G	=	Enlarged share capital following completion of the Rights Issue
H	=	C + F

Adjusted Maximum Conversion Price = H / G

Note: There will be no adjustment to the Floating Conversion Price arising from the Rights Issue.

Adjusted Maximum Conversion Shares

The maximum number of New Shares to be allotted and issued to Soleado is also adjusted from 50,000,000 New Shares to 72,727,272 New Shares following the completion of the Rights Issue as follows : 50 million + (50 million X D / A)

Following the completion of the Rights Issue and in accordance with the Agreed Adjustment Formula, the Maximum Conversion Price of S\$0.55 per New Share ("**Maximum Conversion Price**") shall be adjusted to S\$0.444 per New Share (the "**Adjusted Maximum Conversion Price**"). The maximum number of New Shares to be allotted and issued to Soleado is capped at 72,727,272 New Shares following the completion of the Rights Issue. There will be no adjustment to the Floating Conversion Price arising from the Rights Issue.

LETTER TO SHAREHOLDERS

- Conditions Precedent** : The obligations of Soleado to make available the Loan are subject to the conditions precedent that:
- (i) Soleado having been satisfied with the results of the legal, financial and business due diligence investigations into the business, finance, operations and affairs of the Group;
 - (ii) the Company providing a certified extract of the board of directors resolutions of the Borrower accepting and approving the Loan, authorising the execution of the Loan Agreement and all related documentation, the allotment of New Shares pursuant to the conversion of the Loan and the convening of the EGM;
 - (iii) the Company shall have procured and delivered to Soleado an original copy of each of the Personal Guarantee (as defined below) and the Group Guarantee (as defined below); and
 - (iv) Soleado obtaining corporate approvals to enter into the Loan Agreement and to notify the Borrower in writing of the same forthwith within 45 days from the date of the Loan Agreement, failing which the Loan Agreement shall automatically terminate. Thereafter, the parties may extend the Loan Agreement subject to mutual consent.
- Security** : (i) Personal guarantee by Ms. Huang (“**Personal Guarantee**”), a director of the Company and sister of Mr. Huang Yupeng, the Chairman and CEO of the Company in favour of Soleado;
- (ii) Corporate guarantees to be provided by the Company’s indirect subsidiaries, (i) Grandness Shanxian and (ii) Shanxi Yongji (“**Group Guarantee**”) in favour of Soleado; and
- (iii) Share charges in respect of the shares of (i) Grandness Shanxian and (ii) Shanxi Yongji in favour of Soleado (collectively, the “**Share Charges**”).
- Undertaking to vote in favour** : Mr. Huang Yupeng to provide an undertaking to vote in favour of the resolution to procure the Shareholders’ Approval at the EGM.
- Governing Law** : The Loan Agreement and Personal Guarantee shall be governed by and construed in accordance with the laws of Singapore. The Group Guarantee and the Share Charges shall be governed by and construed in accordance with the laws of the PRC.

2.3 The Conversion Option and the Proposed Issuance

- (a) Pursuant to the Loan Agreement, and subject to Shareholders’ Approval being obtained for the Proposed Transactions and Soleado’s exercise of the Conversion Option, the Company has agreed to allot and issue, the New Shares to Soleado and/or its nominee at the Conversion Price pursuant to the Conversion Option in accordance with the Loan Agreement.
- (b) The New Shares will represent approximately 7.43% of the issued and paid-up share capital of the Company as at the Latest Practicable Date (being 979,410,658 Shares) and approximately 6.91% of the enlarged issued and paid-up share capital of the Company immediately after the allotment and issue of the New Shares (being 1,052,137,930 Shares).

LETTER TO SHAREHOLDERS

- (c) The Company will seek specific shareholders' approval for the Proposed Transactions. The New Shares will not be issued pursuant to the general mandate given to the Directors by the Shareholders of the Company at the annual general meeting of the Company held on 25 April 2017.
- (d) The obligations of the Company to allot and issue the New Shares to Soleado and/or its nominee are conditional on, *inter alia*, receipt of approval in-principle from the SGX-ST for the admission to and the listing and quotation of the New Shares on the Main Board of SGX-ST.
- (e) The New Shares, when issued, shall rank *pari passu* with and shall carry all rights similar to the existing Shares, except that they will not rank for any dividend, right, allotment or other distributions, the Record Date for which falls on or before the date of issue of the New Shares.
- (f) The Company refers to the announcement entitled "Proposed Renounceable Non-Underwritten Rights Issue in the capital of the Company" released on 13 December 2016, for the rights ("**Rights**") issue of up to 332,336,283 new Shares at an issue price of S\$0.210 for each Rights Share on the basis of five (5) Rights Share for every eleven (11) existing Shares ("**Rights Issue**"). The Company further refers to the announcement entitled "Receipt of Approval in-principle from the Singapore Exchange Securities Trading Limited for the Proposed Renounceable Non-Underwritten Rights Issue in the Capital of the Company" released on 4 February 2017, on the grant of SGX-ST's approval in-principle for the dealing in, listing of and quotation for up to 332,336,283 Rights Shares on the Official List of the SGX-ST. The Company also refers to its Rights Issue Results Announcement. Taking into account that, as disclosed in Section 2.2 of this Circular, the Conversion Option can only be exercised at the earlier of 17 May 2017 and the Proposed Spin-Off relating to the Beverages Business, the Company does not expect Soleado to be entitled to participate in the Rights Issue.

2.4 Undertakings by the Company

The Company has provided certain undertakings to Soleado more particularly set out in the Loan Agreement, including but not limited to:

- (a) procure the due registration of each of the Share Charges with the relevant PRC authority, and in connection therewith, and shall do all things necessary and/or expedient to effect the registration and perfection of each of the Share Charges promptly without delay;
- (b) assist Soleado and do all things as requested by Soleado in ensuring that Soleado gets the full benefit of the Share Charges, whether by perfecting any or all of the Share Charges, or, where an event of default occurs, by providing full assistance to the Soleado in its enforcement of any or all of the Share Charges, or by disposing or realising any of the assets so charged under any of the Share Charges as directed by Soleado, as the case may be;
- (c) do or procure to be done all acts, deeds and things necessary for the effective enforcement of the rights, remedies and interests of Soleado under the Loan Agreement;
- (d) obtain and maintain all registrations, approvals, consents and licenses from any governmental authority in the jurisdiction of its incorporation necessary for the due execution and delivery, performance or enforceability of the Loan Agreement; and
- (e) for so long as any or all indebtedness of the Company under the Loan Agreement remains outstanding, provide Soleado the documents and information on the operation, financial statement, financial status and other documents which Soleado may consider necessary to review the status and future prospect of the Company, including but not limited to (i) quarterly and semi-annual interim financials and/or management accounts; (ii) annual budget on revenues, operating expenses and capital expenditure; and (iii) any other information required by Soleado from time to time until the Company's indebtedness under the Loan Agreement is repaid in full.

LETTER TO SHAREHOLDERS

3. RATIONALE FOR THE CONVERSION OPTION

The Directors are of the view that there are several benefits to the Group arising from the Conversion Option.

The Loan was offered and provided by Soleado as a show of support for and confidence in the Group as a Substantial Shareholder and strategic partner and the terms of the Loan are more favourable than the 2011 Bonds and 2012 Bonds. The investors under the 2011 Bonds and the 2012 Bonds are entitled to an internal rate of return of 20% per annum and 25% per annum respectively calculated on a compounded basis. In comparison, the Loan (if Shareholders' Approval is obtained) carries with it an interest rate of 12% per annum calculated on a non-compounded basis on the outstanding amount of the Loan that has not been repaid or converted in accordance with the Loan Agreement. The Conversion Option which forms part of the terms of the Loan Agreement was agreed so as to provide an avenue for increased equity participation by Soleado in our Group and further alignment of parties' interest. Pursuant to the original terms of the 2011 Bonds and the 2012 Bonds, such 2011 Bonds and 2012 Bonds are convertible into shares of Garden Fresh (HK).

As announced, in the Company's unaudited financial statements announcement for the year ended 31 December 2016 released via the SGXNet on 28 February 2017, the Company has been in discussion with bond holders in relation to the restructuring of the Straight Bonds 2 ("**SB2**") and exchangeable bonds and is confident of finalising the restructuring soon. The Company will keep shareholders updated and make the necessary announcement in due course. Please see Appendix B for a summary of the 2011 Bonds and the 2012 Bonds. Consequent upon the terms of the Restructuring Agreement, under the terms of the 2011 Bonds and 2012 Bonds, the respective interest rates are 20% and 25% per annum calculated on a compounded basis. Comparatively, the interest rate on the Loan is less than the interest rates under the 2011 Bonds and 2012 Bonds and carries with it an interest rate of 12% per annum calculated on a non-compounded basis on the outstanding amount of the Loan that has not been repaid or converted in accordance with the Loan Agreement.

In addition, to ensure that the interests of Shareholders are protected, the Loan Agreement, as amended, modified and/or supplemented by the Rights Issue Results Announcement, provides a cap of 72,727,272 New Shares, which limits the dilutive effect whilst also having the positive effect of strengthening the Company's capital base and financial position. The New Shares shall be priced at S\$0.444 (Singapore Cents Forty Four point Four) per New Share or at 20% discount to the VWAP per Share traded on the SGX-ST during the last 60 market days immediately preceding the date of the Conversion Notice, whichever is the lower.

The Conversion Option will also allow the Group to have an additional mode of repayment of the Loan, thereby substantially reducing cash outflow. This would strengthen the Group's financial position by enlarging the Company's working capital and capital base and enhance the financial flexibility of the Company to capitalise on potential growth and other opportunities.

The Directors note that the Conversion Option is based on a 20% discount factor. In setting the 20% discount factor, the Directors took into account that the funding is provided by Soleado, a wholly owned subsidiary of TTA, which is listed on the Thailand Stock Exchange and further equity commitment from business partners such as TTA which operates in a different global geographical location, further aligns our respective interest and potentially enhances the Group's opportunities to access markets in that region in future. The Group has conducted taste testing of the Group's sample products in Thailand which are not yet available on the market, as such sample products were arranged for tasting for the purposes of research on marketability in Thailand. Taste testing is required as consumer preferences differ in different countries. The Group is currently contemplating the feasibility and costs of exporting its products. No specific timeline has been set.

LETTER TO SHAREHOLDERS

In agreeing to the interest rate of 12% per annum (assuming that Shareholders' Approval is obtained) and the Adjusted Maximum Conversion Price and the Floating Conversion Price (with a discount of 20% to the VWAP per Share traded on the SGX-ST during the last 60 market days immediately preceding the date of the Conversion Notice), the Company took into account the following considerations:

- (a) For the financial year ended 31 December 2016, the Group had a gross profit margin of 41.5% and a net profit (before tax and changes in fair value of the 2011 Bonds and 2012 Bonds) margin of approximately 16.4%. The Loan albeit with an interest rate of 12% per annum (if Shareholders' Approval is obtained) will provide additional funds that will enhance the ability of the Group to manage its working capital and develop its revenue.
- (b) That as at 31 December 2016, the Group had a total outstanding financing amount of approximately RMB1.12 billion and with a gearing ratio of 0.47. The Loan, with a principal amount of approximately RMB126.5m will, if the Conversion Option is exercised, provide a source of equity funding for the Group that will not increase the gearing of the Group. The Loan will also allow the Group to diversify its funding sources beyond traditional financial institutions.
- (c) The Conversion Option will provide an avenue for increased equity participation by Soleado in the Company and further alignment of the parties' interest.
- (d) The investors under the 2011 Bonds and the 2012 Bonds are entitled to an internal rate of return of 20% per annum and 25% per annum respectively calculated on a compounded basis. In comparison, the Loan (if Shareholders' Approval is obtained) carries with it an interest rate of 12% per annum calculated on a non-compounded basis on the outstanding amount of the Loan that has not been repaid or converted in accordance with the Loan Agreement.

Having taken into account that the Loan, to the extent converted pursuant to the Conversion Option, will not increase the gearing of the Group, and also having considered the comparative interest and return offered by the Group pursuant to the 2011 Bonds and the 2012 Bonds, the utilisation of the proceeds of the Loan, and the financial position of the Group, the Company agreed with the terms of the Loan and the Conversion Price.

The Company sees Soleado as a long-term strategic partner of the Group which may assist the Group in terms of new product development and expansion of distribution network in South East Asia in future. Soleado became a Substantial Shareholder of the Company in end 2014 and has undertaken to hold at least 47,134,138 Shares (representing 7% of the existing share capital of the Company) for ten (10) years from 30 December 2014.

The Directors consider the Proposed Transactions to be beneficial for the Group as it allows the Group to secure funds and strengthen both its business and financial positions, and accordingly, the Proposed Transactions are in the interests of the Company and its Shareholders as a whole.

4. FINANCIAL EFFECTS

The financial effects presented herein are purely for illustrative purposes only and do not purport to be indicative or a projection or an estimate of the financial results and financial positions of the Company and/or the Group immediately after the conversion of the Loan with the allotment and issue of the New Shares.

The financial effects have been prepared based on the latest audited consolidated financial statements of the Group for FY2016 and after taking into account the following assumptions:

- (a) for the purpose of computing the financial effects on the NTA per Share of the Group, the Loan is assumed to have been drawn down on 31 December 2016 and the conversion of the Loan is assumed to have taken place with the allotment and issue of the New Shares on 31 December 2016;

LETTER TO SHAREHOLDERS

- (b) for the purpose of computing the financial effects on the EPS of the Group, the Loan is assumed to be drawn down on 1 January 2016 and the conversion of the Loan is assumed to have taken place with the allotment and issue of the New Shares on 31 December 2016;
- (c) the transactional expenses incurred in connection with the Loan are assumed to be RMB1.0 million, and such expenses will be expensed off and not capitalised; and
- (d) the following exchange rates were applied:

- US\$1 to S\$1.375
- S\$1 to RMB4.60

(A) Share Capital

As at the Latest Practicable Date, the issued and paid up capital of the Company (excluding treasury shares) is approximately RMB736,542,000 divided into 979,410,658 Shares (excluding treasury shares).

Based on the Adjusted Maximum Conversion Price of S\$0.444 per New Share, when the maximum number of New Shares are allotted and issued, the New Shares will increase the existing issued and paid-up share capital of the Company by S\$27.5 million or approximately RMB126.5 million, to RMB863,042,000, divided into 1,052,137,930 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 2016 (“FY2016”) and the issued share capital of the Company as at the Latest Practicable Date, the NTA per Share and the EPS were approximately RMB245.2 cents and RMB59.0 cents, respectively. After adjusting for the issuance of the New Shares, the NTA per Share and the EPS would be approximately RMB228.3 cents and RMB53.2 cents, respectively.

The above adjusted NTA per Share was computed by assuming that the conversion of the Loan into New Shares was completed on 31 December 2016 and the above adjusted EPS of the Group was computed by assuming that the conversion of the Loan was completed at the beginning of FY2016 and does not take into account the effects of the use of Loan 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 conversion of the Loan into the New Shares.

5. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

In relation to the Proposed Transactions, pursuant to Rule 921(4)(a) of the Listing Manual, the Circular must include an opinion from an independent financial adviser (“IFA”) as to whether the terms of the Conversion Option is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders.

Accordingly, Xandar Capital Pte. Ltd. has been appointed as the IFA to advise the Audit Committee and Non-Interested Directors as to whether the Conversion Option is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders. A copy of the IFA Letter to the Audit Committee and Non-Interested Directors is set out in Appendix A of this Circular. **Shareholders are advised to read the IFA Letter carefully.**

LETTER TO SHAREHOLDERS

Having regard to the IFA's terms of reference, in arriving at the IFA's opinion, the IFA has taken into account a range of factors which the IFA considers to be pertinent and have a significant bearing on the IFA's assessment of the Conversion Option. The IFA has carefully considered as many factors as it deems essential and balanced them before reaching its opinion. Accordingly, it is important that the IFA Letter, in particular, all the considerations and information the IFA has taken into account, be read in its entirety.

A summary of the key factors the IFA has taken into consideration are as set out below:

- (a) based on the terms of the Loan Agreement, the Conversion Price will be at a discount equal or greater than 20% to the 60D VWAP of the Shares. However, based on the historical market prices of the Shares as set out in paragraph 4.1.2 of this IFA Letter, the Shares had only traded above S\$0.555 (being the lowest 60D VWAP for the maximum Conversion Price of S\$0.444 to be applicable) for the 1-month period prior to the Announcement Date. Accordingly, for as long as the market prices of the Shares continue to trade below S\$0.555, the Conversion Price will be at a 20% discount to the 60D VWAP of the Shares immediately preceding the date of the Conversion Notice;
- (b) the Conversion Price will be at a discount to NAV per Share and NTA per Share. On the basis of the Maximum Conversion Price of S\$0.444, this will represent a minimum discount of 25.8% to the adjusted NAV per Share and a minimum discount of 26.4% to the adjusted NTA per Share;
- (c) while Shareholders' Approval of the Conversion Option will allow the Group to have an additional mode of repayment for the Loan, the effects of the Conversion Option on the financials of the Group is negative with the Company having a lower NTA per Share and a lower EPS upon the allotment and issue of the New Shares;
- (d) for illustrative purposes, had the New Shares been allotted and issued to Soleado based on the VWAP of S\$0.2513 (that is, Conversion Price of S\$0.201 for each New Share), the effective annualised return to Soleado will be higher than 16.5% (being the higher interest rate payable per annum if Independent Shareholders do not approve the Conversion Option) and will, if Soleado exercises the option on 17 May 2017, be 25.3%, and will, if Soleado exercise the Option on the Maturity Date, be 17.2%;
- (e) when comparing the terms of the Loan attached to the Conversion Option to those of the Recent Convertible Transactions, the IFA notes that:
 - (i) the discount quantum of the Conversion Option is higher than those of the Recent Convertible Transactions which for 19 out of the 21 Recent Convertible Transactions, range from 10% discount to the VWAP to 120% premium to the VWAP, and for the remaining two (2) Recent Convertible Transactions, set at a discount of 10% discount to the 15 days VWAP or five (5) days VWAP; and
 - (ii) the 12% interest rate of the Loan is at the higher end of the interest rate of the Recent Convertible Transactions which range from zero percent per annum to 15% per annum;
- (f) when comparing the terms of the Loan relevant to the Conversion Option to the existing financing instruments of the Group, the IFA notes that:
 - (i) save for the effective interest rate of 17.27% per annum applicable to the exchangeable bonds and straight bonds of the Company, the 12% interest rate of the Loan is higher than the interest rates of the existing financing instruments of the Group although the quantum of the Loan is higher than the average size of borrowings of the Group;
 - (ii) the collaterals of the existing financing instruments of the Group are largely similar to the Loan in that both are charges. However the existing financing instruments are secured by charges over assets and the Loan is secured by the Share Charges; and

LETTER TO SHAREHOLDERS

- (iii) the NAV represented by the two subsidiaries, whose shares have been charged to Soleado, is higher than the principal of the Loan. The Company may lose its investment in the two subsidiaries entirely if the Company is unable to repay the Loan in accordance with the terms of the Loan Agreement and Soleado exercises its rights over the Share Charges;

- (g) other considerations as set out in paragraph 4.6 of the attached IFA Letter.

Accordingly, after taking into account the above factors which the IFA deemed relevant to its analysis (including the principal terms of the Loan), the IFA is of the opinion as of the date hereof that, the Conversion Option is not on normal commercial terms and is prejudicial to the interests of the Company and its minority Shareholders.

Nevertheless, the IFA wishes to highlight that the Company has already drawn down the Loan. As the number of New Shares to be allotted and issued to Soleado is capped at 72,727,272 New Shares, the shareholdings of the Company's existing Shareholders will only be diluted by 6.91% upon the allotment and issue of the New Shares.

Shareholders should note that trading in the Shares is subject to market fluctuations and, accordingly, the IFA's opinion on the Conversion Option does not and cannot take into account the trading activities or patterns of the Shares or the price levels beyond the Latest Practicable Date.

6. STATEMENT OF THE AUDIT COMMITTEE

The Audit Committee comprises Soh Beng Keng, Liu Ling and Wong Chee Meng, Lawrence.

The Audit Committee, having reviewed and considered, *inter alia*, the terms and conditions and the financial effects of the Loan and the Proposed Transactions, and (in relation to the Conversion Option only) the opinion of the IFA (as set out in the IFA Letter in Appendix A of this Circular), agrees with the IFA that the Conversion Option is not on normal commercial terms and is prejudicial to the interests of the Company and its minority Shareholders.

7. INTERESTS OF DIRECTORS AND/OR SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and Substantial Shareholders in the Company as at the Latest Practicable Date are set out below:

Directors	As at the Latest Practicable Date ⁽¹⁾		
	Direct Interest (No. of Shares)	Deemed Interest (No. of Shares)	Percentage of issued share capital of the Company (%) ⁽¹⁾
Huang Yupeng ⁽²⁾	348,024,087	–	35.53
Huang Yushan ⁽²⁾	–	–	–
Zhu Jun	–	–	–
Chalermchai Mahagitsiri ⁽³⁾	–	130,488,508	13.32
Soh Beng Keng	–	–	–
Liu Ling	–	–	–
Wong Chee Meng, Lawrence	–	–	–
Substantial Shareholders (excluding Directors)			
Soleado	93,544,559	–	9.55
TTA ⁽⁴⁾	–	93,544,559	9.55

LETTER TO SHAREHOLDERS

Notes:

- (1) Based on the issued share capital of the Company of 979,410,658 Shares as at the Latest Practicable Date.
- (2) Mr. Huang Yupeng, the Chairman and Chief Executive Officer of the Company, and Ms. Huang Yushan, an Executive Director of the Company, are siblings.
- (3) Soleado is a wholly-owned subsidiary of TTA. Mr. Chalermchai Mahagitsiri holds approximately 22.02% direct and deemed interest (comprising direct interest of approximately 13.79% and an indirect interest of 8.23% held through his nominee, Credit Suisse AG, Singapore Branch) in TTA. Accordingly, Mr Chalermchai Mahagitsiri is deemed to be interested in 93,544,559 Shares held by Soleado.

Mr. Chalermchai Mahagitsiri also holds a direct interest of approximately 79.25% in PM Group Company Limited. Accordingly, he is deemed to be interested in 36,943,949 Shares held by PM Group Company Limited.

- (4) Soleado is a wholly-owned subsidiary of TTA. Accordingly, TTA is deemed to be interested in such Shares held by Soleado.

Share options granted

Particulars of the share options granted to the Directors as at the Latest Practicable Date are as follows:

Directors	Number of Share Options ⁽¹⁾	Earliest exercisable date ⁽¹⁾	Number of Share Options ⁽²⁾	Earliest exercisable date ⁽²⁾	Number of Share Options ⁽³⁾	Earliest exercisable date ⁽³⁾
Huang Yupeng	–	–	–	–	–	–
Huang Yushan	645,000	9 April 2016	645,000	9 April 2017	2,013,750	20 May 2018
Zhu Jun	800,000	9 April 2016	700,000	9 April 2017	800,000	20 May 2018
Chalermchai Mahagitsiri	–	–	–	–	–	–
Soh Beng Keng	200,000	9 April 2016	200,000	9 April 2017	200,000	20 May 2018
Liu Ling	100,000	9 April 2016	200,000	9 April 2017	200,000	20 May 2018
Wong Chee Meng, Lawrence	100,000	9 April 2016	200,000	9 April 2017	200,000	20 May 2018

Notes:

- (1) Granted on 9 April 2015 pursuant to the rules of the Sino Grandness Employee Share Option Scheme and exercisable any time after the first anniversary of the grant and up to the tenth anniversary therefrom.
- (2) Granted on 9 April 2015 pursuant to the rules of the Sino Grandness Employee Share Option Scheme and exercisable any time after the second anniversary of the grant and up to the tenth anniversary therefrom.
- (3) Granted on 20 May 2016 pursuant to the rules of the Sino Grandness Employee Share Option Scheme and exercisable any time after the second anniversary of the grant and up to the tenth anniversary therefrom.

Following completion of the Proposed Transactions, approximately 52.4% of the issued shares of the Company will be held by the public and therefore, the public float requirement under Rule 723 of the Listing Manual will be complied with.

LETTER TO SHAREHOLDERS

8. DIRECTORS' RECOMMENDATIONS

The Board (other than Mr. Chalermchai Mahagitsiri who is not independent for the purpose of the Proposed Transactions, and shall abstain from making a recommendation on the Proposed Transactions), including the members of the Audit Committee, having considered, (i) the terms and conditions, and financial effects of the Proposed Transactions, (ii) the rationale of the Conversion Option as set out in Section 3 of this Circular, and notwithstanding the opinion of the IFA as contained in the IFA Letter, are of the unanimous view that the Proposed Transactions, when viewed together with other commercial factors beneficial to the Group as a whole, as it allows the Group to secure funds and strengthen both its business and financial positions and have an additional mode of repayment of the Loan, are in the interests of the Company and its Shareholders as a whole, and accordingly recommend that Shareholders vote in favour of the Ordinary Resolution relating to the Proposed Transactions at the EGM.

In arriving at its recommendations, the Directors have taken into consideration the familiarity that the management of TTA, the holding company of Soleado, have with the food industry business in Thailand and the close ties of TTA's management with Nestle. A closer cooperation between TTA and the Group, through the increased equity stake arising from the Conversion Option, if exercised, will further align the interests of TTA and its management with that of the Group, allowing for higher probability of cooperation between the Group and TTA. While the Group has been developing the PRC markets for its products, it has always represented one of the strategic objectives of the Group to enter into another market for higher levels of growth. South East Asia, and Thailand specifically, with a sizeable population and Asian culture and tastes, represents a large potential market for the Group. Entry into any new market faces barriers of entry and competition from existing market participants and would be better facilitated by a local partner.

The Directors have also taken into account the factors set out in Section 1.3 and Section 3 (Rationale for the Conversion Option) of this Circular, which are as follows:

- (a) The discount and the basis for the determination of the Conversion Price was commercially agreed between the Company and Soleado following arm's length negotiations, taking into consideration, *inter alia*, the historical trading prices and volume of Shares traded on the SGX-ST, and the terms of the Conversion Option,
- (b) The Loan was offered and provided by Soleado as a show of support for and confidence in the Group as a Substantial Shareholder and strategic partner and the terms of the Loan are more favourable than the 2011 Bonds and 2012 Bonds, in that, *inter alia*, the interest rate on the Loan is less than interest rates of 20% per annum and 25% per annum payable on the 2011 Bonds and 2012 Bonds, respectively. The Conversion Option which forms part of the terms of the Loan Agreement was agreed so as to provide an avenue for increased equity participation by Soleado in our Group and further alignment of parties' interest;
- (c) The Conversion Option which forms part of the terms of the Loan Agreement was agreed so as to provide an avenue for increased equity participation by Soleado in our Group and further alignment of the parties' interest,
- (d) To ensure that the interests of Shareholders are protected, the Agreement, as amended, modified and/or supplemented due to the Rights Issue Results Announcement, provides a cap of 72,727,272 New Shares, which limits the dilutive effect whilst also having the positive effect of strengthening the Company's capital base and financial position,
- (e) The Conversion Option will also allow the Group to have an additional mode of repayment of the Loan, thereby substantially reducing cash outflow should the Option be exercised. This would strengthen the Group's financial position by enlarging the Company's working capital and capital base and enhance the financial flexibility of the Company to capitalise on potential growth and other opportunities, and

LETTER TO SHAREHOLDERS

- (f) The Company sees Soleado as a long-term strategic partner of the Group which may assist the Group in terms of new product development and expansion of distribution network in South East Asia in future.

The Executive Directors have also considered alternate sources of fund raising and have noted that of the Group's total outstanding financing amount of approximately RMB1,292.9 billion as at 31 December 2016, the Group's borrowing from financial institutions amounted to approximately 20.4% (approximately RMB263.7 million), with the balance 79.6% (approximately RMB1,029.2 million) being funds raised outside the PRC through issuances of bonds and convertible instruments. In addition, all bank borrowings raised in the PRC have a tenure of less than one (1) year and were also secured against the land and building of the Group (and the Group does not have unencumbered land and buildings to provide security). The Executive Directors note that while fund raising from traditional financial institutions in the PRC may involve lower borrowing costs, they are expected to require security over the fixed assets of the Group. PRC banks that the Group deals with customarily prefer offering to the Group loans of shorter tenures, albeit customarily rolled over at the expiration of the term, and therefore will restrict the flexibility of the Group in the deployment of funds.

Taking into consideration the above circumstances, the Executive Directors and the Audit Committee members have formed the unanimous view that the advantages offered by the Loan justify the terms of the Loan.

9. ABSTENTION FROM VOTING

In accordance with the Listing Manual, the Interested Persons (as defined in Section 1.4 to be Mr. Chalermchai Mahagitsiri, TTA, Soleado and PM Group collectively) will abstain, and have undertaken to ensure that each of their Associates will abstain, from voting on the Ordinary Resolution approving the Proposed Transactions at the Conversion Price pursuant to the Conversion Option in accordance with the Loan Agreement.

Further, each of the Interested Persons undertake to decline, and shall ensure that their Associates shall decline, to accept appointment as proxies to vote and attend at the forthcoming EGM in respect of the Ordinary Resolution relating to the Proposed Transactions for other Shareholders unless the Shareholder concerned shall have given specific instructions as to the manner in which his vote is to be cast at the EGM.

10. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page N-1 of this Circular, will be held on 8 June 2017 at 10.00 a.m. for the purpose of considering and if, thought fit, passing, with or without modification, the Ordinary Resolution set out in the Notice of EGM.

11. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend and vote at the EGM on their behalf should complete, sign and return the proxy form attached to the Notice of EGM in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898 not less than 48 hours before the time fixed for the EGM. The completion and return of the proxy form by such Shareholder will not prevent him from attending and voting in person at the EGM in place of his proxy should he subsequently wish to do so.

A Depositor will not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register as at 72 hours before the EGM.

LETTER TO SHAREHOLDERS

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in the Circular 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 the Circular in its proper form and context.

13. CONSENTS

The IFA has given and has not withdrawn its consent to the issue of this Circular, together with the IFA Letter as set out in Appendix A of this Circular, with the inclusion in this Circular of its name and all references to its name in the form and context in which they appear in this Circular.

14. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the Company's registered office at 6 Battery Road, #10-01, Singapore 049909 during normal business hours from the date hereof up to and including the date of the EGM:

- (i) the Loan Agreement;
- (ii) the Constitution of the Company;
- (iii) the annual report of the Company for FY2015 and FY2016;
- (iv) the IFA Letter; and
- (v) the consent letter from the IFA.

Yours faithfully
For and on behalf of the Board
SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED

Huang Yupeng
Chairman and Chief Executive Officer

APPENDIX A

LETTER OF ADVICE FROM THE IFA TO THE AUDIT COMMITTEE AND NON-INTERESTED DIRECTORS

The logo for Xandar Capital, featuring the word "XANDAR" in a large, white, serif font above the word "CAPITAL" in a smaller, white, sans-serif font, all set against a dark blue square background.

24 May 2017

Sino Grandness Food Industry Group Limited
Six Battery Road
#10-01
Singapore 049909

Attention: The Audit Committee and Non-Interested Directors

Dear Sirs

LETTER FROM XANDAR CAPITAL PTE LTD TO THE AUDIT COMMITTEE AND NON-INTERESTED DIRECTORS IN RESPECT OF THE CONVERSION OPTION OF THE US\$20 MILLION LOAN FROM SOLEADO HOLDINGS PTE. LTD. AS AN INTERESTED PERSON TRANSACTION SUBJECT TO SHAREHOLDERS' APPROVAL UNDER CHAPTER 9 OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

Unless otherwise defined or the context otherwise requires, all terms used herein shall have the same meanings as defined in the circular to Shareholders of Sino Grandness Food Industry Group Limited dated 24 May 2017 (the "Circular").

The following exchange rates (the "Exchange Rates") are applied in this letter:

- US\$1.00 : S\$1.375
- S\$1.00 : RMB4.60

1. INTRODUCTION

On 13 April 2016 (the "**Announcement Date**"), Sino Grandness Food Industry Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") announced that it had on the same day, entered into a convertible loan agreement (the "**Loan Agreement**") with Grandness (Shanxian) Food Co., Ltd. ("**Grandness Shanxian**", an indirect wholly-owned subsidiary of the Company), Shanxi Yongji Huaxin Food Co., Ltd. ("**Shanxi Yongji**", a wholly-owned subsidiary of the Company) and Huang Yushan ("**Ms Huang**", a director of the Company and the sister of Mr Huang Yupeng, the Chairman and Chief Executive Officer of the Company), and Soleado Holdings Pte. Ltd. ("**Soleado**") for the grant by Soleado to the Company of a loan of US\$20 million (the "**Loan**"). The full amount of the Loan has been disbursed by Soleado to the Company on 17 May 2016.

As at the Announcement Date, Soleado directly held 71,204,735 ordinary shares ("**Shares**") representing approximately 10.57% in the then issued share capital of the Company. As at the Latest Practicable Date, Soleado directly holds 93,544,559 Shares (approximately 9.55%) in the issued share capital of the Company. Soleado is a wholly-owned subsidiary of Thoresen Thai Agencies Public Company Limited ("**TTA**"), a company listed on the Stock Exchange of Thailand. Based on the latest available annual report of TTA (being TTA's annual report for the financial year ended 31 December ("**FY**") 2016), Mr Chalermchai

Mahagitsiri (a non-executive director of the Company), is the single largest shareholder of TTA, holding approximately 22.02% interest (direct and deemed) in TTA as at 30 December 2016.

Under Chapter 9 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”):

- (a) Mr Chalermchai Mahagitsiri is an Interested Person;
- (b) Soleado is deemed an associate of Mr Chalermchai Mahagitsiri and accordingly is also an Interested Person;
- (c) the Company, Grandness Shanxian and Shanxi Yongji are entities at risk; and
- (d) the Loan constitutes an interested person transaction (“**IPT**”).

Pursuant to the Loan Agreement, Soleado has the option to convert the Loan (“**Conversion Option**”) into new ordinary shares in the capital of the Company (“**New Shares**”). The maximum number of New Shares to be allotted and issued to Soleado was 50,000,000 New Shares and the conversion price shall be capped at S\$0.55 for each New Share (the “**Previous Conversion Price**”) or at 20% discount to the volume weighted average price (“**VWAP**”) for each Share traded on the SGX-ST during the last 60 market days immediately preceding the date of the written notice of conversion send by Soleado to the Company (“**60D VWAP**”), whichever is lower.

On 9 March 2017, the Company announced the completion of the renounceable non-underwritten rights issue of new ordinary shares (the “**Rights Shares**”) at the issue price of S\$0.21 for each Right Share on the basis of five (5) Rights Shares for every eleven (11) Shares held by entitled shareholders of the Company (“**Shareholders**”) as at the books closure date (the “**Rights Issue**”). The Company allotted and issued 306,065,830 Rights Shares pursuant to the Rights Issue.

On 15 March 2017, the Company announced that, following the completion of the Rights Issue, the Maximum New Shares has been adjusted to 72,272,272 New Shares and the Previous Conversion Price has been adjusted to S\$0.444 (the “**Conversion Price**”).

In accordance with Rule 909(3) of the Listing Manual, in the case of borrowing of funds from an interested person, the value of the transaction is the interest payable on the borrowing. However, as Soleado has the Conversion Option, the amount at risk to the Group includes the principal of the Loan of US\$20 million which, by itself, represented more than 5% of the latest audited net tangible assets (“**NTA**”) of the Group of approximately RMB1,809.85 million (or approximately US\$286.14 million)* as at 31 December 2015. Accordingly, the Conversion Option is subject to independent Shareholders’ approval pursuant to Rule 906 of the Listing Manual. Pursuant to Rule 921(4)(a) of the Listing Manual, an opinion from an independent financial adviser stating whether the Conversion Option, and all other transactions which are the subject of aggregation pursuant to Rule 906, are (i) on normal commercial terms; and (ii) prejudicial to the interests of the Company and its minority Shareholders, must be included in the Circular. Further details of the other interested person transactions of the Group can be found in Section 1.4 of the Circular.

Note: * without deducting deferred tax assets and adding back deferred tax liabilities.



Xandar Capital Pte Ltd (“**Xandar Capital**”) has been appointed to advise the audit committee of the Company and the directors of the Company (the “**Directors**”) who are not interested in the Conversion Option, namely, Mr Soh Beng Keng, Ms Liu Ling, Mr Wong Chee Meng, Lawrence, Mr Huang Yupeng, Ms Huang Yushan and Mr Zhu Jun (collectively, the “**Audit Committee and Non-Interested Directors**”), as to whether the Conversion Option is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders.

This letter sets out our evaluation of the Conversion Option, and our advice to the Audit Committee and Non-Interested Directors thereon (this “**IFA Letter**”).

2. TERMS OF REFERENCE

Xandar Capital has been appointed to advise the Audit Committee and Non-Interested Directors on whether the Conversion Option is on normal commercial terms and whether it is prejudicial to the interests of the Company and its minority Shareholders. As mentioned earlier, the Loan is not a subject of aggregation pursuant to Rule 906 of the Listing Manual and accordingly, we do not express any opinion on the Loan.

We are not and were not involved in any aspect of the negotiations pertaining to the Loan, nor were we involved in the deliberations leading up to the decisions on the part of the Directors to agree on the terms of the Loan. We do not, by this IFA Letter, make any representation or warranty in relation to the merits of the Loan. Our evaluation is limited to the Conversion Option, and has not taken into account the legal risks, commercial risks or merits, financial risks or merits of the Loan. Our terms of reference do not require us to evaluate or comment on the strategic or commercial merits and/or risks of the Loan. As with other business transactions of the Company, the merit and/or associated risks, whether commercial, financial or otherwise, of the Loan are solely the responsibility of the Directors. Likewise, we are not expressing herein as to the prices at which the Shares may trade upon the conversion of the Loan. We are also not addressing the relative merits of the Loan as compared to any alternative fund raising options previously considered by the Company or that otherwise may become available to the Group in the future. Such evaluations or comments remain the responsibility of the Board and the management of the Company.

In the course of our evaluation and for the purpose of our opinion in relation to the Conversion Option, we have held discussions with certain Directors and management of the Company and have examined information provided by the Directors and management of the Company and other publicly available information collated by us, upon which our view is based. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not make any representation or warranty in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We have nevertheless made reasonable enquiries and used our judgment as we deemed necessary or appropriate in assessing such information and are not aware of any reason to doubt the accuracy or reliability of the information.

We have relied upon the assurance of the Directors that the Directors collectively and individually accept full responsibility for the accuracy of the information stated in the Circular and confirm, after making all reasonable enquiries that, as at the Latest Practicable Date, to

the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Conversion Option and the Group, and the Directors are not aware of any facts the omission of which would make any statement in the Circular misleading. Where information in the Circular 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 the Circular in its proper form and context. In relation to this IFA Letter, the Directors have confirmed that the facts stated, with respect to the Conversion Option and the Group, are to the best of their knowledge and belief, fair and accurate in all material aspects.

Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information, provided or otherwise made available to us or relied on by us as described above. Furthermore, our terms of reference do not require us to express, and we do not express, an opinion on the future growth prospects of the Company or the Group. We are, therefore, not expressing any opinion herein as to the future financial or other performance of the Company or the Group.

Our opinion is based upon prevailing market, economic, industry, monetary and other conditions (where applicable) and the information made available to us contained in the Circular as of the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our view in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained therein. Shareholders should take note of any announcements relevant to their consideration of the Conversion Option which may be released by the Company after the Latest Practicable Date.

In arriving at our opinion, we did not consider the specific investment objectives, financial situation, tax consequences, risk profile or unique needs and constraints of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment objectives or portfolios should consult his or their legal, financial, tax or other professional advisors immediately.

Our opinion is for the use and benefit of the Audit Committee and Non-Interested Directors in their deliberation of whether the Conversion Option is on normal commercial terms and prejudicial to the interests of the Company and its minority Shareholders, and the statements made by the Audit Committee and Non-Interested Directors and shall remain the responsibility of the Audit Committee and Non-Interested Directors.

Our opinion in relation to the Conversion Option should be considered in the context of the entirety of this IFA Letter.

We recommend that the Audit Committee and Non-Interested Directors advise the Shareholders to read these pages carefully.



3. THE CONVERSION OPTION

Subject to Shareholders’ approval, Soleado shall have the option to convert the principal of the Loan to up to 72,272,727 New Shares and the Company may allot and issue such New Shares to Soleado and/or its nominee. Further information of the Conversion Option is set out in Sections 2.2 and 2.3 of the Circular, and Shareholders are advised to read the information carefully.

3.1 THE PRINCIPAL TERMS OF THE LOAN AGREEMENT RELEVANT TO THE CONVERSION OPTION

Information on the Loan Agreement is set out in Section 2 of the Circular. We extract the terms relevant to our analysis as follows:

Principal	US\$20 million.
Drawdown date	17 May 2016, also the “Closing Date”.
Maturity date	(a) 16 May 2018, being 24 months from the Closing Date (the “ Maturity Date ”), if independent Shareholders approve the Conversion Option; OR (b) any time after 16 November 2016, being six (6) months from the Closing Date if independent Shareholders do not approve the Conversion Option. Soleado shall be entitled to demand that the Loan shall be repaid in full or any balance outstanding thereof at any time after 16 November 2016 by giving the Company a 14-day prior written demand.
Interest rate	(a) 12% per annum* if independent Shareholders approve the Conversion Option; OR (b) 16.5% per annum* if independent Shareholders do not approve the Conversion Option. * calculated on actual or pro rata / 360-day count basis on the outstanding loan amount.
Interest payment	Every three months in arrears until the Loan is repaid in full, with the first interest payment due on 16 August 2016. As at the Latest Practicable Date, the total interest paid by the Group on the Loan amounted to US\$2.43 million or RMB15.37 million.

APPENDIX A



<p>Conversion period</p>	<p>Subject to independent Shareholders' approval being obtained for the Conversion Option, any time:</p> <p>(a) after 16 May 2017, being 12 months from the Closing Date; OR</p> <p>(b) after the date of completion of proposed spin-off relating to the Group's beverage business,</p> <p>whichever is earlier, but before the Maturity Date (the "Conversion Period").</p>
<p>Conversion Price</p>	<p>(a) S\$0.444 for each New Share; OR</p> <p>(b) at 20% discount to the VWAP per Share traded on the SGX-ST during the last 60 market days immediately preceding the date of the written notice of conversion send by Soleado to the Company (the "Conversion Notice"),</p> <p>whichever is lower.</p> <p>The Conversion Price shall be subject to adjustment in certain events, including but not limited to ("Adjustment Events" and each an "Adjustment Event"), consolidation or subdivision or reclassification of Shares, capitalisation of profits or reserves, excess distributions, rights issues of Shares or options over Shares (excluding employee stock options), rights issues of other securities, issues at less than current market price and other dilutive events.</p> <p>Should an Adjustment Event occur, an adjustment to the Conversion Price shall be made and such adjustment shall be determined by the mutual agreement of the Company and Soleado. The Company will prior to any agreement with Soleado on the adjustments appoint its auditors or an investment banker to review the adjustments. In the event that the Company and Soleado are unable to agree on the adjustment to the Conversion Price within 30 days from the Adjustment Event, the Company and Soleado shall engage an accounting firm (to act as experts and not arbitrator) to determine the new Conversion Price. Such determination by the accounting firm shall be final and binding on the parties.</p>

APPENDIX A



Maximum New Shares	<p>72,727,272 New Shares which will rank <i>pari passu</i> in all respects with the then existing Shares upon issue.</p> <p>The 72,727,272 New Shares represents approximately 7.43% of the issued and paid-up share capital of the Company as at the Latest Practicable Date (being 979,410,658 Shares) and approximately 6.91% of the enlarged issued and paid-up share capital of the Company immediately after the allotment and issue of the 72,727,272 New Shares (being 1,052,137,930 Shares).</p> <p>The balance principal amount of the Loan not converted into New Shares, if any, shall be deemed to be outstanding and repayable by the Company to Soleado, and subject to the interest rate of 12% per annum.</p>
Conversion option	Subject to independent Shareholders' approval being obtained for the Conversion Option, Soleado shall be entitled to convert the Loan or the outstanding balance thereof, as the case may be, into New Shares at the Conversion Price by sending the Conversion Notice to the Company during the Conversion Period.
Exchange rate for the conversion	The exchange rate displayed on Bloomberg website: http://www.bloomberg.com/quote/USDSGD:CUR on the date immediately before the date of the Conversion Notice.
Collateral	<p>(a) personal guarantee from Ms Huang and corporate guarantees from Grandness Shanxian and Shanxi Yongji; and</p> <p>(b) share charges in respect of the shares of (i) Grandness Shanxian and (ii) Shanxi Yongji in favour of Soleado.</p>

3.2 THE AMOUNT AT RISK TO THE GROUP

The amount at risk for the Conversion Option is the principal of US\$20 million which represents approximately 6.86% of the latest audited NTA of the Group as at 31 December 2015. As this amount at risk represents more than 5% of the latest audited NTA of the Group as at 31 December 2015, the Conversion Option is an interested person transaction subject to Shareholders' approval under Chapter 9 of the Listing Manual.

3.3 CONDITIONS PRECEDENT FOR THE CONVERSION OPTION

The conditions precedent for the Conversion Option are as follows:

- (a) the Company will seek specific shareholders' approval for the Conversion Option, and the allotment and issue of the New Shares to Soleado and/or its nominee. The New Shares will not be issued pursuant to the general mandate given to the Directors by the Shareholders at the annual general meeting of the Company held on 25 April 2016.



- (b) the obligations of the Company to allot and issue the New Shares to Soleado and/or its nominee are conditional on, *inter alia*, receipt of approval in-principle from the SGX-ST for the admission to and the listing and quotation of the New Shares on the Mainboard of SGX-ST.

3.4 RATIONALE OF THE CONVERSION OPTION

As set out in Section 3 of the Circular, the Conversion Option will allow the Group to have an additional mode of repayment of the Loan, and the Loan, if converted, will strengthen the Company's capital base and financial position.

3.5 ABOUT SOLEADO

Soleado is a wholly-owned subsidiary of TTA, a company listed on the Stock Exchange of Thailand. As at 31 December 2016, TTA had a market capitalisation of THB16,584.33 million (approximately S\$670.09 million based on the closing exchange rate of S\$1 to THB24.7495 as at 31 December 2016). Based on the annual report of TTA for FY2016, Soleado is an investment holding company, and had an issued and paid-up of S\$130 million as at 31 December 2016. As at 31 December 2016, other investments by Soleado include a 20% stake in Baria Serece (a port in Vietnam) and a 40% stake in Petrolift Inc (operating maritime transport in the Philippines).

On 30 December 2014, Soleado completed the subscription of 60,601,035 placement shares representing 9.00% of the then enlarged share capital of the Company at S\$0.4035 for each placement share ("**Placement Price**"). The Placement Price was based on the VWAP per Share of 29 December 2014, being the last market day immediately preceding the date of the completion of the placement. We note that Soleado has undertaken that, Soleado, TTA and/or the subsidiaries of TTA in aggregate shall continue to hold at least 47,134,138 Shares (7.00% of the then share capital of the Company) for 10 years after the completion of the subscription.

Soleado subsequently increased its direct interest in the Company to 71,204,735 Shares, or 10.57% of the then share capital of the Company in 2015. Between 30 August 2016 and 18 October 2016, Soleado sold 3,850,000 Shares and acquired 921,000 Shares in the market as part of its portfolio management, and held 68,275,735 Shares or 10.14% of the then share capital of the Company as at 31 December 2016. In March 2017, Soleado subscribed for, and was allotted and issued 25,268,824 Right Shares. As at the Latest Practicable Date, Soleado directly holds 93,544,559 Shares (approximately 9.55%) in the issued share capital of the Company.

Based on Soleado's shareholding as at the Latest Practicable Date, in the event that the maximum 72,727,272 New Shares are allotted and issued to Soleado upon the conversion of the Loan, Soleado's direct interest in the Company will increase to 166,271,831 Shares representing approximately 15.80% of the enlarged issued share capital of the Company immediately after the allotment and issue of the 72,727,272 New Shares (being 1,052,137,930 Shares).

Note: "THB" represents Thai Baht.

3.6 TRANSACTIONS WHICH ARE SUBJECT OF AGGREGATION UNDER RULE 906 OF THE LISTING MANUAL

As set out in Section 1.4 of the Circular, the Group had several interested person transactions for the period between 1 January 2016 and the Latest Practicable Date besides the Conversion Option. They comprise:

- (a) the Loan which is related to the Conversion Option. We note from the Circular that the amount at risk for the Loan (being the interest on the Loan) represents less than 5% of the latest audited NTA of the Group and accordingly is not subject to approval of the Shareholders. The Loan will continue (albeit with varied interest rate as further explained in Section 2.2 of the Circular) whether or not the approval of Shareholders is obtained for the Conversion Option. Accordingly, the Loan is not a subject of aggregation and we do not express any opinion on the Loan.
- (b) the personal guarantee provided by Ms Huang for the Loan in favour of Soleado, in addition to the corporate guarantees provided by Grandness Shanxian and Shanxi Yongji under the Loan Agreement. No fee is payable to Ms Huang for the provision of the personal guarantee. Ms Huang is also not related to Soleado.
- (c) a distribution agreement dated 26 October 2016 entered into between the Company and PM Group Company Limited ("**PM Group**") for the exclusive marketing rights for P80 Longan Health Essence (the "**P80 Essence**") for the People's Republic of China ("**China**") and Hong Kong markets from 26 October 2016 until 31 August 2037 (the "**Distribution Agreement**"). Mr Chalermchai Mahagitsiri holds a controlling interest in PM Group Company Limited. The Company is seeking separate shareholders' approval for the Distribution Agreement.

4. EVALUATION OF THE CONVERSION OPTION

In our evaluation of the Conversion Option, we have taken into account the following factors which we consider to be pertinent and to have a significant bearing on our evaluation:

- (a) the Conversion Price;
- (b) comparison with recent convertible transactions of companies listed on the SGX-ST;
- (c) the rationale of the Conversion Option and the financial effects of the conversion of the Loan;
- (d) evaluation of the terms attached to the Conversion Option;
- (e) comparing the terms of the Loan attached to the Conversion Options with the terms of the existing financing instruments of the Group; and
- (f) other considerations.



These factors are discussed in greater detail in the ensuing paragraphs.

4.1 THE CONVERSION PRICE

4.1.1 As compared to the historical closing price of the Shares

In the event that the Conversion Option is approved by the Independent Shareholders, the Conversion Option shall be exercisable by Soleado after 16 May 2017, being 12 months from the Closing Date; or after the date of completion of the proposed spin-off relating to the Group’s beverage business, whichever is earlier, and before the Maturity Date.

We set out below the closing price performance of the Shares ⁽¹⁾ for the period from 14 April 2014 (being 24 months prior to the Announcement Date) to the Latest Practicable Date:



Note:

(1) As adjusted for the Rights Issue by Bloomberg.

As set out in paragraph 3.1 of this IFA Letter, the Conversion Price will be S\$0.444 for each New Share or at 20% discount to 60D VWAP per Share, whichever is lower.

For the maximum conversion price of S\$0.444 for each New Share to be applicable, the 60D VWAP of the Shares will have to be equal to or above S\$0.555. Accordingly, we have applied S\$0.555 as the reference price for the above chart.

Shareholders should note that:

- (a) in the event that the 60D VWAP of the Shares is above S\$0.555, the discount to Soleado when Soleado exercises the Conversion Option will be more than 20%; and
- (b) in the event that the 60D VWAP of the Shares is equal to or below S\$0.555, the discount to Soleado when Soleado exercises the Conversion Option will be 20%.

As set out in the above chart, the Shares have closed below S\$0.555 for the whole of calendar year 2015. The Shares had closed above S\$0.555 in March 2016 and June 2016, and the closing price of the Shares was on a declining trend between June 2016 and the Latest Practicable Date despite the improving financial performance of the Group. Please

APPENDIX A



refer to paragraph 4.6.1(a) of this IFA Letter for the analysis of the financial performance of the Group.

4.1.2 As compared to the market prices of the Shares

We also set out below the market prices of the Shares ⁽¹⁾ for periods between 14 April 2014 and the Latest Practicable Date:

	Highest price ⁽²⁾ (S\$)	Lowest price ⁽²⁾ (S\$)	VWAP (S\$)	Average daily trading volume ⁽³⁾	Average daily trading volume as a percentage of free float ⁽⁴⁾ (%)
<u>Periods prior to the Announcement Date</u>					
Last 24 months	0.6825	0.2138	0.4117	3,649,628	0.78
Last 12 months	0.6643	0.2138	0.3811	3,238,048	0.69
Last 6 months	0.6643	0.2684	0.4391	3,195,451	0.69
Last 3 months	0.6643	0.2684	0.4722	4,975,965	1.07
Last 1 month	0.6643	0.4732	0.5849	6,370,963	1.37
13 April 2016, being the Announcement Date	0.6233	0.6006	0.6120	5,109,357	1.10
<u>Periods after the Announcement Date</u>					
From 14 April 2016 to the Latest Practicable Date	0.7143	0.1911	0.4104	3,784,767	0.81
Last 60 days preceding the Latest Practicable Date (including the Latest Practicable Date) (" 60D LPD VWAP ")	0.3050	0.2100	0.2513	3,184,310	0.68
As at the Latest Practicable Date	0.2300	0.2100	0.2194	10,237,500	2.20

Notes:

- (1) As adjusted for the Rights Issue by Bloomberg.
- (2) Refers to the highest and lowest transacted price of the Shares for the periods stated.
- (3) The average daily trading volume of the Shares is computed based on the total volume of Shares traded during the relevant period, divided by the number of days on which the Shares were traded during the relevant period.
- (4) Free float refers to the Shares other than those directly and deemed held by the Directors, the substantial Shareholders as well as associates of Directors and substantial Shareholders of the Company. For the purpose of computing the average daily trading volume as a percentage of free float for the various periods, we have calculated the free float to be approximately 465.92 million Shares, representing approximately 47.57% of the existing share capital of the Company.

APPENDIX A



As mentioned above, the 60D VWAP of the Shares will have to be at least S\$0.555 for the maximum conversion price of S\$0.444 for each New Share to be applicable. The Shares had traded above S\$0.555 for the 1 month period prior to the Announcement Date. The Conversion Price will be at a 20% discount to the 60D VWAP and lower than S\$0.444 if the 60D VWAP is below S\$0.555.

We also note that the Shares are relatively liquid with an average daily trading volume of more than 3,000,000 Shares in periods set out above with the highest average daily trading volume of 10,237,500 Shares as at the Latest Practicable Date.

As set out in paragraph 3.1 of this IFA Letter, the maximum New Shares to be issued under the Conversion Option is 72,727,272 New Shares. We set out below the various scenarios applicable to the Company if the Loan is converted at the maximum Conversion Price of S\$0.444 or at 20% discount to the historical lowest VWAP of the Shares:

Basis	Assumed Conversion Price ⁽¹⁾ (S\$)	Loan amount to be converted based on a maximum of 72,727,272 New Shares (US\$) ⁽²⁾	Balance amount of the Loan deemed outstanding and subject to the interest rate of 12% per annum (US\$) ⁽²⁾
Maximum Conversion Price (that is, 60D VWAP above S\$0.555)	0.444	20,000,000 ⁽³⁾	-
Lowest VWAP ⁽⁴⁾	0.175	9,256,198	10,743,802

Notes:

- (1) Rounded to three decimal places.
- (2) Based on the Exchange Rates.
- (3) 61,936,937 New Shares will be issued if the Conversion Price is S\$0.444
- (4) Being the lowest historical VWAP of S\$0.2194 amongst the various VWAP as set out in the table above.

Based on the above table and subject to no material fluctuation in the exchange rates between the United States dollars and the Singapore dollars:

- (a) in the event that the 60D VWAP of the Shares is above S\$0.555 at the point of conversion, the Company will be able to repay the Loan in full with the allotment and issue of 61,936,937 New Shares; and



- (b) in the event that the 60D VWAP of the Shares is below S\$0.555 at the point of conversion, the Company will have to repay approximately US\$52,893 of the Loan principal in cash for every S\$0.001 decrease in the Conversion Price.

4.1.3 As compared to the net asset value (“NAV”) and NTA per Share of the Company

As at 31 December 2016, the Group had NAV of RMB2.40 billion. After adding back deferred tax liabilities of RMB20.24 million, the Group had NTA of RMB2.42 billion.

On 9 March 2017, the Company announced the completion of the Rights Issue. The Company allotted and issued 306,065,830 Rights Shares pursuant to the Rights Issue and raised net proceeds of S\$63.87 million (equivalent to RMB293.82 million).

After adding the net proceeds to the NAV and NTA of the Group, and dividing the adjusted NAV and NTA of the Group with the existing enlarged share capital of 979,410,658 Shares after the Rights Issue, the Group will have adjusted NAV per Share of RMB2.75 (equivalent to S\$0.598) and adjusted NTA per Share of RMB2.77 (equivalent to S\$0.603).

The maximum Conversion Price of S\$0.444 is lower than the adjusted NAV per Share and adjusted NTA per Share. The discount represented by the Conversion Price to the adjusted NAV per Share or NTA per Share will be at least 25%. On the basis of the maximum Conversion Price of S\$0.444, this will represent a minimum discount of 25.8% to the adjusted NAV per Share and a minimum discount of 26.4% to the adjusted NTA per Share.

4.2 COMPARISON WITH RECENT CONVERTIBLE TRANSACTIONS OF COMPANIES LISTED ON THE SGX-ST

For the purpose of our evaluation, we have compared the terms of the Loan which are relevant to the Conversion Option vis-à-vis terms of recent convertible transactions completed by companies listed on the SGX-ST (the “**Recent Convertible Transactions**”) since 1 January 2015.

We wish to highlight that the list of Recent Convertible Transactions is not exhaustive, and that the principal terms of convertible instruments depend on various factors, *inter alia*, the underlying business (including its track record and profitability), the geographical and industrial segments in which the company operates, prevailing market conditions and sentiments, as well as security given for the loans. Accordingly, any comparison made with respect to Recent Convertible Transactions is intended to serve as an illustrative guide only.

APPENDIX A



The Recent Convertible Transactions are as follows:

Company name / Convertible instruments	Date of first announcement	Principal	Interest per annum	Tenure	Conversion terms
Asia Fashion Holdings Limited – Unsecured convertible bond	5 March 2015	S\$2,660,000 (convertible in integral of S\$177,000)	7% payable quarterly in arrears	Two (2) years from issue	<ul style="list-style-type: none"> - any time from three months after date of issue to maturity date - fixed S\$0.07 conversion price (35% premium to the VWAP of the company's shares on 5 March 2015) - full conversion will give bondholder 5.5% interest in the enlarged share capital of the company - conversion is at the option of bondholder except if the company exercise the redemption option or if the daily VWAP of the company's shares is above S\$0.10 for a consecutive period of 15 days
Beng Kuang Marine Limited – Unsecured convertible bonds	25 March 2015	S\$5 million	8% payable semi-annually in arrears	Four (4) years from date of issue	<ul style="list-style-type: none"> - any time from 12 months after date of issue to date of maturity of the bonds - fixed S\$0.21 conversion price (12.3% premium to VWAP of the company's shares on 24 March 2015) - full conversion will give bondholders 4.2% interest in the enlarged share capital of the company - conversion is at the option of bondholders
Artivision Technologies Ltd – Unsecured convertible loan	17 April 2015	US\$4 million in two (2) tranches (US\$2.7 million and US\$1.3 million)	15% payable semi-annually in arrears	24 months from date of issue	<ul style="list-style-type: none"> - any time during the tenure - fixed US\$0.0942 conversion price (34.7% premium to the VWAP of the company's shares on 17 April 2015) - full conversion will give lender 4.6% interest in the enlarged share capital of the company - conversion is at the option of lender
Swing Media Technology Group Limited – Unsecured convertible bonds	24 April 2015	S\$6 million	6% payable semi-annually in arrears	Two (2) years from date of issue	<ul style="list-style-type: none"> - any time from 30 days after the date of issue to seven days before maturity date - fixed S\$0.066 conversion price (24.5% premium to last traded price on 23 April 2015) - full conversion will give bondholders 11.95% interest in the enlarged share capital of the company - conversion is at the option of lender

APPENDIX A



Company name / Convertible instruments	Date of first announcement	Principal	Interest per annum	Tenure	Conversion terms
Armada Group Limited – Unsecured convertible bonds	30 April 2015	S\$2,256,000	12% payable quarterly in arrears	Two (2) years from date of issue	<ul style="list-style-type: none"> - 7 months from the date of issue up to maturity date - fixed S\$0.006 conversion price (50% premium to the VWAP of the company's shares on 30 April 2015) - full conversion will give bondholders 4.75% interest in the enlarged share capital of the company - conversion is at the option of lender
Xinren Aluminum Holdings Limited – Secured convertible bonds	29 May 2015	US\$250 million	8% payable semi-annually	Five (5) years from date of issue	<ul style="list-style-type: none"> - any time during the tenure - fixed S\$1.01 conversion price (120% premium to the VWAP of the company's shares on 27 May 2015) - full conversion will give bondholders 20.1% interest in the enlarged share capital of the company - conversion at the option of bondholders
MM2 Asia Limited – unsecured convertible notes	29 June 2015	S\$2,875,000	1.5% payable annually	30 June 2016 – one year	<ul style="list-style-type: none"> - any time from the date of issue until maturity date - fixed conversion price of S\$0.4892, (12.5% premium to the VWAP of the company's shares for the 15 trading days prior to 27 June 2015) - full conversion will give noteholder 2.80% interest in the enlarged share capital of the company - conversion is at the option of noteholder
China Auto Electronics Group Limited – Unsecured convertible bonds	14 August 2015	S\$60 million	1% payable annually in arrears	Three (3) years from date of issue	<ul style="list-style-type: none"> - one month after issue and up to five (5) days before maturity date - fixed S\$0.09 conversion price (76.5% premium to the VWAP of the company's shares on 12 August 2015) - full conversion will give bondholders 49.4% interest in the enlarged share capital of the company - conversion is at the option of bondholders

APPENDIX A



Company name / Convertible instruments	Date of first announcement	Principal	Interest per annum	Tenure	Conversion terms
Advance SCT Limited - Unsecured redeemable convertible bonds	25 August 2015	S\$1.5 million	6% payable on maturity	Two (2) years from the date of issue Note: shorten to one year with the signing of a supplemental agreement in December 2015	<ul style="list-style-type: none"> - any time from the date of issue until seven (7) days before maturity date - fixed S\$0.001 conversion price (same as last traded price) - full conversion will give bondholder 9.13% interest in the enlarged share capital of the company - conversion is at the option of bondholder
KS Energy Limited – Unsecured convertible bonds	21 September 2015	S\$7.5 million	6% payable semi-annually in arrears	One (1) year from date of issue	<ul style="list-style-type: none"> - any time during the tenure - fixed S\$0.28 conversion price (2.8% premium to the VWAP of the company's shares on 21 September 2015) - full conversion will give bondholders 4.96% interest in the enlarged share capital of the company - conversion at the option of bondholders
PNE Micron Holdings Limited - Unsecured convertible notes	30 September 2015	S\$1.9 million	8% payable semi-annually in arrears	2.5 years from date of issue	<ul style="list-style-type: none"> - any time from the date of issue up to maturity date by giving seven (7) business days' notice - fixed S\$0.072 conversion price (94.6% premium to the VWAP of the company's shares on 30 September 2015) - full conversion will give noteholders 4.14% interest in the enlarged share capital of the company - conversion at the option of noteholders
QT Vascular Ltd. – Secured convertible bonds	27 January 2016	S\$4.2 million	8% payable semi-annually in arrears	12 months from issue	<ul style="list-style-type: none"> - any time during the tenure - fixed exchange rate of US\$1 to S\$1.38 - fixed S\$0.128 conversion price (35.88% premium to the VWAP of the company's shares on 27 January 2016) - full conversion will give bondholders 5.0% interest in the enlarged share capital of the company - conversion at the option of bondholders

APPENDIX A



Company name / Convertible instruments	Date of first announcement	Principal	Interest per annum	Tenure	Conversion terms
MM2 Asia Limited - unsecured convertible notes	24 February 2016	S\$5 million	2% payable semi-annually in arrears	Three (3) years from date of issue	<ul style="list-style-type: none"> - any time from the date of issue until maturity date - fixed conversion price of S\$0.415 (19.5% premium to the 30 trading days VWAP of the company's shares ending on 19 February 2016) - full conversion will give noteholders 5.16% interest in the enlarged share capital of the company - conversion at the option of noteholders
Plato Capital Limited - Redeemable convertible unsecured loan stocks	25 February 2016	S\$10 million	0.5% payable on maturity	60 months from the date of issue	<ul style="list-style-type: none"> - any time from the date of issue until one month prior to the maturity date - fixed at S\$0.13 (26.21% premium to the VWAP of the company's shares on 17 February 2016) - full conversion will give loan stocks holder 32.27% interest in the enlarged share capital of the company - conversion at the option of loan stocks holder
Magnus Energy Group Limited – Secured convertible notes	6 April 2016	S\$3.5 million	8% upfront	180 days and extended to 31 March 2017 at extension fee of 1%	<ul style="list-style-type: none"> - 90% of 15 days VWAP of the company's shares - conversion at mutual agreement of company and lender
Vibropower Corporation Limited – Unsecured convertible loan	26 September 2016	S\$1 million	12% payable at end of the tenure	12 months from drawdown	<ul style="list-style-type: none"> - any time during the 12 months tenure - fixed S\$0.24 conversion price (9.09% premium to the VWAP of the company's shares on 26 September 2016) - full conversion will give bondholders 10.4% interest in the enlarged share capital of the company - conversion at the option of lenders
Accrelist Ltd. – Unsecured convertible loan	22 November 2016	S\$4 million	8% payable every 6 months	Three (3) years from date of issue	<ul style="list-style-type: none"> - 90% of five (5) days VWAP of the company's shares or NAV per share, whichever the higher - full conversion will give lender 14.02% interest in the enlarged share capital of the company (assuming issued at NAV per share) - conversion at the option of the company

APPENDIX A



Company name / Convertible instruments	Date of first announcement	Principal	Interest per annum	Tenure	Conversion terms
Sunpower Group Ltd – Unsecured convertible bond	14 December 2016	S\$110 million	2.5% payable on redemption or conversion	Five (5) years from the date of issue	<ul style="list-style-type: none"> - at any time on or after date of issue to five days before maturity date - initial conversion price fixed at S\$0.50 subject to adjustment (1.6% premium to the one-month VWAP of the company's shares prior to 12 December 2016) - full conversion will give bondholders 28.23% interest in the enlarged share capital of the company - conversion at the option of the bondholders
Equation Summit Limited – Unsecured convertible bonds	27 December 2016	S\$12 million	9% payable on first anniversary of closing date or on conversion or maturity date	From receipt of shareholders' approval until 23 December 2018	<ul style="list-style-type: none"> - from first anniversary till maturity date - fixed S\$0.011 conversion price (same VWAP of the company's shares on 20 December 2016) - full conversion will give bondholders 15.78% interest in the enlarged share capital of the company - conversion at the option of bondholders
Healthway Medical Corporation Limited – Secured convertible notes	16 January 2017	S\$10 million	Zero coupon	Five (5) years from 24 March 2017	<ul style="list-style-type: none"> - at any time on or after 24 March 2017 to seven business days before maturity date - fixed conversion price at S\$0.03384 (10% discount to the VWAP of the company's shares on 11 January 2017) - full conversion will give noteholder 45.68% interest in the enlarged share capital of the company - conversion at the option of the noteholder
HLH Group Limited - Unsecured equity linked convertible bond	19 January 2017	S\$20 million	5% payable annually in arrears	36 months from the date of issue	<ul style="list-style-type: none"> - at any time from 12 months after date of issue to one week before maturity date - fixed S\$0.01 conversion price (equivalent to closing prices of the company's shares three days immediately preceding 18 January 2017) - full conversion will give bondholders 23.10% interest in the enlarged share capital of the company - conversion at the option of the bondholders
High			15%		
Low			0%		
Mean			6%		

APPENDIX A



Company name / Convertible instruments	Date of first announcement	Principal	Interest per annum	Tenure	Conversion terms
Median			7%		
The Company – Secured convertible loan	13 April 2016	US\$20 million	12% payable quarterly in arrears	24 months	<ul style="list-style-type: none"> - any time from May 2017 or completion of a spin-off of the beverage business, whichever is earlier, and before maturity - 80% of 60 days VWAP or S\$0.444, whichever is lower - full conversion will give lender 6.91% interest in the enlarged share capital of the Company - conversion at the option of lender

We note that:

- (a) 19 out of the 21 Recent Convertible Transactions have fixed conversion price and have fixed the conversion price at the VWAP or last traded price of the respective companies' shares prior to the date of announcement of the convertible instruments. The conversion prices of these 19 Recent Convertible Transactions range from the 10% discount to the VWAP to 120% premium to the VWAP, and have a mean premium and median premium of 28.7% and 19.5% respectively. The maximum Conversion Price for the Conversion Option was determined at a discount of 18.23% to the VWAP of the Shares on the date prior to the signing of the Loan Agreement;
- (b) the Company, Magnus Energy Group Limited and Accrelist Ltd have conversion prices based on formulas. The Company's conversion price will be at a discount of at least 20% to the 60D VWAP. This discount rate is higher than the 10% discount to 15 days VWAP for the shares of Magnus Energy Group Limited and the 10% discount to five (5) days VWAP for the shares of Accrelist Ltd. Accrelist Ltd's conversion price also makes references to its NAV per share;
- (c) the interest rate applicable if the Conversion Option is approved by the Independent Shareholders at the higher end of the interest rate of the Recent Convertible Transactions which range from zero percent per annum to 15% per annum;
- (d) if not converted before maturity date, the Loan shall be repaid in full on maturity. We note that some of the Recent Convertible Transactions impose a premium on the principal upon redemption if such principal has not been converted at redemption. We calculated the effective interest rates of such Recent Convertible Transactions as follows:

Company name / Convertible instruments	Simple interest per annum	Tenure	Redemption premium	Effective interest per annum
Asia Fashion Holdings Limited – Unsecured convertible bond	7% payable quarterly in arrears	Two (2) years from issue	3% of the principal on redemption at maturity	8.5%

APPENDIX A



Company name / Convertible instruments	Simple interest per annum	Tenure	Redemption premium	Effective interest per annum
Xinren Aluminum Holdings Limited – Secured convertible bonds	8% payable semi-annually	Five (5) years from date of issue	19% of the principal on redemption at maturity	11.8%
MM2 Asia Limited – Unsecured convertible notes	1.5% payable annually	One (1) year from date of issue	8.5% per annum of the principal on redemption at maturity	10.0%
China Auto Electronics Group Limited – Unsecured convertible bonds	1% payable annually in arrears	Three (3) years from date of issue	2% of the principal per annum	3%
KS Energy Limited – Unsecured convertible bonds	6% payable semi-annually in arrears	One (1) year from date of issue	5% of the principal on redemption at maturity	11%
MM2 Asia Limited - unsecured convertible notes	2% payable semi-annually in arrears	Three (3) years from the date of issue	17.5% of the principal (compounded) on redemption at maturity	19.5%
Sunpower Group Ltd – Unsecured convertible bond	2.5% payable on redemption or conversion	Five (5) years from the date of issue	Redemption premium to enable bondholder to achieve internal rate of return of 8.0% per annum	10.5%
Healthway Medical Corporation Limited – Secured convertible notes	Zero coupon	Five (5) years from 24 March 2017	Redemption premium to enable noteholder to achieve internal rate of return of 6.0%	1.28%

The interest rate applicable of 12% per annum is lower than the effective rate of 19.5% for MM2 Asia Limited's unsecured convertible notes issued in February 2017 but is higher than the effective rates of the rest of the Recent Convertible Transactions which have redemption premiums;

- (e) save for Magnus Energy Group Limited whose interest was payable upfront, all interests are payable periodically in arrears. However, majority of the interests are payable on a semi-annually basis rather than on a quarterly basis;
- (f) we note that the principal of the secured convertible bonds for QT Vascular Ltd. (“QT”) is repayable irrespective of conversion. Should the bondholders of QT convert the entire principal of the secured convertible bonds, QT will still need to repay the principal of US\$4.2 million on the date of maturity of the secured convertible bonds. However, we also note that QT has been reporting losses for its then latest three financial years and for the nine months ended 30 September 2015 and had a net tangible liability position as at 30 September 2015 when it announced the convertible bonds on 27 January 2016;
- (g) the loan tenure applicable if the Conversion Option is approved by the Independent Shareholders, will be within the range of the Recent Convertible Transactions which range from approximately six months to five years. The Conversion Option is exercisable 12 months after the issue of the Loan or after the date of completion of

proposed spin-off relating to the Group's beverage business. Eight out of the 21 Recent Convertible Transactions also have delayed conversion period ranging from one months to 12 months after the issue of the convertible instruments; and

- (h) the Loan is a secured instrument. Only four out of the 21 Recent Convertible Transactions are secured convertible instruments.

4.3 RATIONALE FOR THE CONVERSION OPTION AND THE FINANCIAL EFFECTS OF THE CONVERSION OF THE LOAN

We note that Conversion Option will allow the Group to have an additional mode of repayment of the Loan. The Company's share capital will increase and will have a lower liability position if the Conversion Option is approved and exercised.

The financial effects of the Conversion Option are set out in Section 4 of the Circular. We summarised as follows:

- (a) the issued and paid up capital of the Company will increase by RMB126.5 million;
- (b) the NTA per Share (as adjusted for the Rights Issue) as at 31 December 2016 will decrease by 6.89% from RMB245.2 cents to RMB228.3 cents as the New Shares will be issued at a price below the NTA per Share; and
- (c) the earnings per Share ("**EPS**") for FY2016 will decrease by 9.83% from RMB59.0 cents to RMB53.2 cents as the profit will be lower due to the interest and fair value expenses and the profits will be distributed amongst the enlarged share capital.

We further note that the Company sees Soleado as a long-term strategic partner of the Group which may assist the Group in terms of new product development and expansion of distribution network in South East Asia in the future, given that Soleado has been a substantial shareholder of the Company in end 2014 and has undertaken to hold at least 47,134,138 Shares (representing 7.00% of the then share capital of the Company) for 10 years from 30 December 2014.

We also note that the Directors consider the Conversion Option to be beneficial for the Group as it allows the Group to secure funds and strengthen both its business and financial positions, and accordingly, the Conversion Option is in the interests of the Company and its Shareholders as a whole.

APPENDIX A



4.4 EFFECTIVE RETURN TO SOLEADO WITH THE CONVERSION OPTION

For illustrative purposes, we calculate the effective return to Soleado if Soleado exercises the Conversion Option at the 60D LPD VWAP of S\$0.2513 (that is, Conversion Price of S\$0.201 for each New Share) as follows:

	If Soleado exercise the Option on 17 May 2017 ⁽¹⁾	If Soleado exercise the Option on the Maturity Date
Interest paid by the Company	S\$ 3,300,000 ⁽¹⁾	S\$ 6,600,000 ⁽²⁾
Value of New Shares allotted and issued to Soleado	S\$ 18,274,343 ⁽³⁾	S\$ 18,274,343 ⁽³⁾
Balance of principal of Loan not repaid by the allotment and issue of New Shares	S\$ 12,881,818 ⁽⁴⁾	S\$ 12,881,818 ⁽⁴⁾
Total amount received by Soleado	S\$ 34,456,161	S\$ 37,756,161
US\$ equivalent	US\$ 25,059,026	US\$ 27,459,026
Net gain to Soleado	US\$ 5,059,026	US\$ 7,459,026
Effective rate of return to Soleado	25.3%	37.3%
Annualised rate of return to Soleado	25.3%	17.2%

Notes:

- (1) Being interest payable at 12% per annum for one (1) year, as the Loan can be converted one year after date of issue or upon completion of the spinning off of the beverage business of the Group.
- (2) Being interest payable at 12% per annum for two (2) years.
- (3) Being the market value of the 72,727,272 New Shares at the 60D LPD VWAP of S\$0.2513 for each New Share.
- (4) Being the difference between the principal of US\$20 million (equivalent to S\$27.50 million) and the principal repaid by the allotment and issue of the New Shares, being 72,727,272 New Shares multiplied by the conversion price of S\$0.201 for each New Share (being 20% discount to the 60D LPD VWAP of S\$0.2513 per Share).

The above table is purely for illustration purposes. The actual return to Soleado will depend on mainly on the market price of the Shares on the date of conversion. The return to Soleado will be lower if the market price of the Shares is lower than the 60D LPD VWAP as set out above, and will be higher if the market price of the Shares is higher than the 60D LPD VWAP as set out above.

We note that if Independent Shareholders do not approve the Conversion Option, the interest rate applicable will be 16.5% per annum. If the New Shares are allotted and issued to

Soleado based on the 60D LPD VWAP of S\$0.2513 (that is, Conversion Price of S\$0.201 for each New Share) as set out above, the effective annualised return to Soleado will be higher than 16.5% and will, if Soleado exercises the option on 17 May 2017, be 25.3%, and will, if Soleado exercise the Option on the Maturity Date, be 17.2%.

4.5 COMPARISON OF THE TERMS OF THE LOAN ATTACHED TO THE CONVERSION OPTION WITH THE TERMS OF THE EXISTING FINANCING INSTRUMENTS OF THE GROUP

4.5.1 Principal terms of existing financing instruments utilised by the Group

Based on the Company's annual report for FY2016, the Group had the following outstanding financing instruments as at 31 December 2016:

Financing instruments	Carrying amount as at 31 December 2016 (in million)	Effective interest rate
Secured bank borrowings from DBS Bank (China) Limited Shenzhen Branch	RMB20	Between 5.44% and 5.85% per annum
Secured bank borrowings from Shanghai Pudong Development Bank Co. Ltd Shenzhen Overseas Chinese Town Branch	RMB28.5	4.35% per annum
Secured bank borrowings from Shanghai Pudong Development Bank Co. Ltd Shenzhen Overseas Chinese Town Branch	RMB30	4.35% per annum
Secured bank borrowings from CITIC Bank Co., Ltd	RMB40	5.66% per annum
Secured bank borrowings from Shanghai Pudong Development Bank Co. Ltd Shenzhen Branch	RMB30	5.66% per annum
Secured bank borrowings from Shanghai Pudong Development Bank Co. Ltd	RMB65.2	2.16% per annum
Bohai International Trust Co., Ltd.	RMB50	1.62% per annum
DEG - Deutsche Investitions - und Entwicklungsgesellschaft mbH	RMB173.4	Between 4.50% to 5.06% per annum
Exchangeable bonds	RMB527.7	17.27% per annum
Straight bonds	RMB193.4	
Total	RMB1,158.2	

(a) Interest rates

As set out above, save for the exchangeable bonds and straight bonds, the effective interest rates of the remaining financing instruments utilised by the Group are all lower than the 12% interest rate attached to the Conversion Option.

We also note that the exchangeable bonds and straight bonds were initially zero coupon convertible bonds issued in 2011 and 2012 (“**Convertible Bonds**”) which had maturities of approximately three years. In 2014, a supplemental agreement was entered into to vary the terms of the convertible bond expiring in October 2014, including a simple cash interest of 3.5% per annum and extended the maturity to June 2015. On 1 March 2016, the Company announced the restructuring of the Convertible Bonds which include amendments such as interest rates of between 10% and 25% per annum on the Convertible Bonds.

(b) Tenure

Save for the bank borrowings from DEG - Deutsche Investitions - und Entwicklungsgesellschaft mbH of RMB173.4 million, all the other financing instruments are classified as current liabilities as at 31 December 2016 which implies that they have tenures of less than 12 months.

(c) Security

All of the financing instruments of the Group are secured financing. The collateral provided for the existing financing instruments of the Group include:

- (i) personal guarantees by Mr Huang Yupeng;
- (ii) corporate guarantees provided by wholly-owned subsidiaries, namely Shanxi Yongji Huaxin Food Co., Limited and Garden Fresh (Shenzhen) Fruit & Vegetable Beverage Co., Limited;
- (iii) pledge of bank balances totalling RMB10.0 million;
- (iv) a land use rights with a carrying amount of RMB3.2 million, and factory and warehouse premises with a carrying amount of RMB44.5 million; and
- (v) housing properties with an approximated fair value of RMB6.8 million belonging to Mr Huang Yupeng.

4.5.2 The collateral provided to Soleado for the Loan

The collateral provided to Soleado for the Loan comprise the following:

- (a) personal guarantee by Ms Huang;
- (b) corporate guarantee by Grandness Shanxian;
- (c) corporate guarantee by Shanxi Yongji; and
- (d) share charges in respect of the shares of (i) Grandness Shanxian and (ii) Shanxi Yongji in favour of Soleado (collectively, the “**Share Charges**”).

As set out above, the collaterals of the Loan are largely similar to the existing financing instruments of the Group in that both are charges. However, the existing financing instruments are secured by charges over assets and the Loan is secured by the Share Charges.

We understand that, in the event that the Company is unable to repay the Loan in accordance with the Loan Agreement, Grandness Shanxian, Shanxi Yongji and Ms Huang shall jointly or individually pay off the amount payable to Soleado. Soleado can also exercise its rights over the Share Charges and gain control over Grandness Shanxian and Shanxi Yongji.

We set out our review of the audited financial statements of Grandness Shanxian and Shanxi Yongji as follows:

(I) Grandness Shanxian

Grandness Shanxian is an indirect wholly-owned subsidiary of Grandness (HK) Industry Co., Limited. It produces and sells canned vegetables and canned fruits to the Group for the Group to onsell to its customers. It reported revenues of RMB165.41 million, RMB201.91 million and RMB125.58 million for FY2014, FY2015 and FY2016 respectively. The increase in revenue from FY2014 to FY2015 was due to increase in production with better harvest during FY2015. With the higher revenue, Grandness Shanxian reported a higher profit after tax of RMB36.69 million for FY2015 as compared to a profit after tax of RMB15.88 million for FY2014. The decrease in revenue from FY2015 to FY2016 was due to lower production. As a result of the lower revenue, Grandness Shanxian reported a lower profit after tax of RMB17.62 million for FY2016 as compared to a profit after tax of RMB36.69 million for FY2015.

As at 31 December 2016, Grandness Shanxian had total equity of RMB133.99 million (equivalent to approximately US\$21.17 million) made up of total assets of RMB270.72 million and total liabilities of RMB136.73 million. Total assets comprised property, plant and equipment of RMB160.22 million and deposits for new production lines of RMB81.39 million. Total liabilities comprised amount owing to related companies of RMB125.62 million. Total cash and bank balances as at 31 December 2016 was only RMB63,000.

(II) Shanxi Yongji

Shanxi Yongji has been a wholly-owned subsidiary of the Company since 2007. It produces and sells canned vegetables and canned fruits to the Group for the Group to onsell to its customers. It reported revenues of RMB156.62 million, RMB98.77 million and RMB91.28 million for FY2014, FY2015 and FY2016 respectively. The decrease in revenues was due to lower production in line with lower harvest. With the lower revenue, Shanxi Yongji reported a lower profit after tax of RMB3.39 million for FY2015 as compared to a profit after tax of RMB7.62 million for FY2014, and a loss after tax of RMB0.62 million for FY2016 as compared to a profit after tax of RMB3.39 million for FY2015.

As at 31 December 2016, Shanxi Yongji had total equity of RMB75.57 million (equivalent to approximately US\$11.94 million) made up of total assets of RMB296.88 million and total liabilities of RMB221.31 million. Total assets comprised property, plant and equipment of RMB104.50 million, investments in subsidiaries of RMB80.02 million and deposits for new

APPENDIX A



production lines of RMB83 million. Total liabilities comprised amount owing to related companies of RMB216.68 million. Total cash and bank balances as at 31 December 2016 was only RMB83,000.

(III) The combined NAV of Grandness Shanxian and Shanxi Yongji as at 31 December 2016

	Grandness Shanxian	Shanxi Yongji	Proforma Combined ⁽¹⁾
Total equity / NAV (in RMB'million)	133.99	75.57	209.56
US\$ equivalent (in million)			33.13

Note:

- (1) Simple combination of the financials of Grandness Shanxian and Shanxi Yongji and has not eliminated inter-company transaction, if any, between Grandness Shanxian and Shanxi Yongji.

The Loan has been fully drawn down on 16 May 2016. In the event that the independent Shareholders vote against the Conversion Option, the Loan will be repayable any time after 16 November 2016 upon the written demand of Soleado. If the Group is unable to repay the Loan, Soleado may enforce its rights to the Share Charges and the Company may lose its investment in Grandness Shanxian and Shanxi Yongji entirely. As at 31 December 2016, the combined NAV of Grandness Shanxian and Shanxi Yongji is higher than the principal of the Loan. The Group's production operations may also be affected.

4.6 OTHER CONSIDERATIONS

4.6.1 The financials of the Group and the dividend policy of the Company

In our consideration of the Conversion Option, we have also reviewed the financial performance and position of the Group.

(a) Financial performance of the Group

We extract and set out the recent financial performance of the Group as follows:

RMB'000	FY2013	FY2014	FY2015	FY2016	1Q2016	1Q2017
Revenue	2,261,018	2,819,449	3,313,902	3,509,605	723,706	635,087
Gross profit	875,058	1,127,875	1,373,584	1,457,708	296,695	248,489
PBT	442,193	422,432	400,646	738,459	402,149	82,706
Net profit attributable to equity holders of the Company	287,743	249,497	206,673	577,551	360,220	52,786

While the Group's revenue had increased from RMB2.26 billion in FY2013 to RMB3.31 billion in FY2015, the Group's PBT and net profit attributable to equity holders of the Company had decreased from RMB442.19 million and RMB287.74 million respectively in FY2013 to

APPENDIX A



RMB400.65 million and RMB206.67 million respectively in FY2015. The net profit attributable to equity holders of the Company increased by 179.46% from RMB206.67 million in FY2015 to RMB577.55 million in FY2016. The net profit attributable to equity holders of the Company decreased by 85.35% from RMB360.22 million in 1Q2016 to RMB52.79 million in 1Q2017.

We note that this was because a substantial portion of the Group's profit is affected by fair value gain or loss due to changes to fair value of the option derivatives in relation to the Convertible Bonds. We set out such fair value gains and losses for the recent financial periods as follows:

RMB'000	FY2013	FY2014	FY2015	FY2016	1Q2016	1Q2017
Changes to fair value of the option derivatives in relation to convertible bonds ((loss) / gain)	(43,638)	(155,805)	(91,915)	133,285	157,888	(7,077)
Gain on restructuring of convertible bonds	-	-	-	91,618	91,618	-
PBT after excluding changes to fair value of the option derivatives in relation to convertible bonds	485,831	578,237	492,561	513,556	244,261	89,783
Net profit attributable to equity holders of the Company after excluding changes to fair value of the option derivatives in relation to convertible bonds	331,381	405,302	298,588	352,648	110,714	59,863

Source: The Company's annual reports and results announcements.

After excluding the fair value changes to the option derivatives in relation to the convertible bonds, the Group's PBT would have increased from RMB485.83 million in FY2013 to RMB492.56 million in FY2015 instead of a decrease. While the Group's net profit attributable to the Company's equity holders after excluding the fair value changes for FY2015 was still lower than FY2013, the percentage decrease was lower. Before excluding the fair value changes to the option derivatives in relation to the convertible bonds, the Group's net profit attributable to the Company's equity holders decreased by 28.17% from FY2013 to FY2015. After excluding the fair value changes to the option derivatives in relation to the convertible bonds, the Group's net profit attributable to the Company's equity holders only decreased by 9.90% from FY2013 to FY2015.

In FY2016, after excluding the fair value changes to the option derivatives in relation to the convertible bonds as well as the gain on restructuring of convertible bonds, the net profit attributable to the Company's equity holders was 18.11% (or RMB54.06 million) higher than FY2015. We understand that this was due mainly to the higher revenue and gross profit in

FY2016, which increased by 5.91% (or RMB195.70 million) and 6.12% (or RMB84.12 million) from FY2015.

We note that the Group's net profit attributable to the Company's equity holders for 1Q2017 after excluding the fair value changes to the option derivatives in relation to convertible bonds as well as gain on restructuring of convertible bonds, was 45.93% (or RMB50.85 million) lower than 1Q2016. The decrease was mainly due to lower revenue (by RMB88.62 million or 12.25%) and lower gross profit (by RMB48.21 million or 16.25%) registered by the Group in 1Q2017 as compared to 1Q2016, as well as higher administrative expenses and finance costs registered by the Group in 1Q2017 as compared to 1Q2016.

(b) Financial position of the Group

As at 31 December 2016, the Group had NAV of RMB2.40 billion comprising total assets of RMB3.95 billion and total liabilities of RMB1.55 billion. Approximately 49.99% of the Group's total assets were property, plant and equipment, land use rights and deposit paid for non-current assets (which are principally new production lines). Approximately 29.18% of the Group's total assets were trade receivables. As at 31 December 2016, the Group had cash and cash equivalents of RMB297.75 million, representing 7.53% of its total assets. As at 31 December 2016, the Group's liabilities comprised mainly financing instruments such as bonds and bank borrowings as well as the Loan totalling RMB1.12 billion (or 72.16% of its total liabilities).

As at 31 December 2016, with the total outstanding financing amount of RMB1.12 billion and the NAV of RMB2.40 billion, the Group's gearing ratio was 0.47 times.

In March 2017, the Company completed the Rights Issue. With the net proceeds of S\$63.87 million (equivalent to RMB293.82 million), the Group's cash and cash equivalents and NAV improved to RMB591.57 million and RMB2.70 billion respectively upon the completion of the Rights Issue.

The Group's gearing ratio would have improved to 0.42 times upon the completion of the Rights Issue with the improved NAV position.

As at 31 March 2017, the Group's total outstanding financing amount was RMB1.20 billion and its NAV was RMB2.77 billion. The Group's gearing ratio of the Group as at 31 March 2017 was 0.43 times.

(c) Operating cash flow of the Group

We note that the Group has been generating positive net cash flow from its operating activities in the last four completed financial years as follows:

RMB'000	FY2013	FY2014	FY2015	FY2016	1Q2017
Net cash generated from operating activities	109,100	48,779	577,888	96,031	390,245

APPENDIX A



RMB'000	FY2013	FY2014	FY2015	FY2016	1Q2017
Cash and cash equivalents (including fixed deposits pledged) as at the end of the year/period	91,329	223,572	142,986	297,749	780,393

As mentioned above, the Company completed the Rights Issue raising approximately RMB293.82 million in March 2017 which would have increased the cash and cash equivalents of the Group.

As at 31 March 2017, the Group's cash and cash equivalents increased substantially to approximately RMB780.40 million.

(d) Dividend Policy of the Company

It was disclosed in the Company's circular dated 12 December 2014 that, pursuant to a subscription agreement dated 1 October 2014, the Company shall declare and pay at least 10% of the net profits of the Company as reflected in the audited accounts of the Company as dividends to Shareholders, whenever feasible, for as long as PM Group Company Limited (the subscriber) and its affiliates, hold at least 10% of prevailing total issued shares in the capital of the Company from time to time during a 10-year period commencing from completion of the subscription. We note that Mr Chalermchai Mahagitsiri holds a controlling interest in PM Group Company Limited. The subscription was completed on 30 December 2014. The Company declared and paid dividends of RMB12.20 million (or RMB0.018 per Share) on 6 June 2016.

4.6.2 Valuation statistics implied by the Conversion Price

We set out the valuation statistics as implied by the Conversion Price and the valuation statistics of companies listed on the SGX-ST and the Hong Kong Stock Exchange ("HKEX") which are principally engaged in similar businesses as the Group in the table below:

	Based on latest full year audited results		Based on latest available trailing 12 months unaudited results	
	P/E Ratio ⁽¹⁾	P/NAV Ratio ⁽²⁾	P/E Ratio ⁽¹⁾	P/NAV Ratio ⁽²⁾
Del Monte Pacific Limited ⁽³⁾	8.6	1.5	11.4	1.5
Tenwow International Holdings Limited ⁽⁴⁾	14.7	0.9	14.7	0.9
Tianyun International Holdings Limited ⁽⁵⁾	6.7	1.5	6.7	1.5

APPENDIX A



	Based on latest full year audited results		Based on latest available trailing 12 months unaudited results	
	P/E Ratio ⁽¹⁾	P/NAV Ratio ⁽²⁾	P/E Ratio ⁽¹⁾	P/NAV Ratio ⁽²⁾
Mean	10.0	1.3	10.9	1.3
Median	8.6	1.5	11.4	1.5
The Company as implied by the maximum Conversion Price of S\$0.444	3.5	0.7	3.5	0.7
The Company as implied by the Conversion Price of S\$0.201 based on 60D VWAP of S\$0.2513	1.6	0.3	1.6	0.3

Notes:

- (1) "P/E Ratio" refers to price-earnings ratio and is derived by dividing the market capitalisation of the comparable companies as at the Latest Practicable Date with the net profits attributable to the equity holders of the respective company.
- (2) "P/NAV Ratio" refers to price to book ratio and is derived by dividing the market capitalisation of the comparable companies as at the Latest Practicable Date with the net asset value of the respective company.
- (3) Del Monte Pacific Limited is listed on the SGX-ST as well as on the Philippine Stock Exchange, Inc. It produces and markets packaged vegetable and fruit, beverage and culinary products. It registered an audited net profit of US\$51.53 million for its financial year ended 30 April 2016 and an unaudited net profit of US\$39.15 million for its last 12 months ended 31 January 2017.
- (4) Tenwow International Holdings Limited is listed on HKEX. It produces and distributes packaged food and beverages throughout China. It registered an unaudited net profit of RMB204.83 million for its financial year ended 31 December 2016.
- (5) Tianyun International Holdings Limited is listed on HKEX. It operates as a producer of processed food. It registered an unaudited net profit of RMB128.78 million for its financial year ended 31 December 2016.

As mentioned in earlier paragraphs, the 60D VWAP of the Shares will have to be at least S\$0.555 for the maximum Conversion Price of S\$0.444 for each New Share to be applicable. Given that the recent VWAP of the Shares did not exceed S\$0.555, we have applied the 60D LPD VWAP of S\$0.2513 and present the valuation statistics for the Conversion Price of S\$0.201 in the above table.

As set out in the above table, the valuation statistics implied by the Conversion Price are below the mean and median ratios of comparable listed companies in Singapore and Hong Kong.

4.6.3 New Controlling Shareholder

Soleado will emerge as a new controlling shareholder, holding more than 15% interest in the Company, in the event that the maximum number of 72,727,272 New Shares are allotted and issued to Soleado upon the conversion of the Loan. Mr Chalermchai Mahagitsiri's interest in the Company will also increase accordingly. However, we note that Mr Huang Yupeng will still remain as the single largest controlling shareholder of the Company. We set out the shareholding changes of Mr Chalermchai Mahagitsiri and Mr Huang Yupeng as follows:

	As at the Latest Practicable Date			Assuming all 72,727,272 New Shares allotted and issued to Soleado		
	Direct	Deemed	Total	Direct	Deemed	Total
Mr Huang Yupeng	348,024,087 (35.53%)	-	348,024,087 (35.53%)	348,024,087 (33.08%)	-	348,024,087 (33.08%)
Mr Chalermchai Mahagitsiri ⁽¹⁾	-	130,488,508 (13.32%)	130,488,508 (13.32%)	-	203,215,780 (19.31%)	130,488,508 (19.31%)
TTA ⁽¹⁾	-	93,544,559 (9.55%)	93,544,559 (9.55%)	-	166,271,831 (15.80%)	166,271,831 (15.80%)
Soleado ⁽¹⁾	93,544,559 (9.55%)	-	93,544,559 (9.55%)	166,271,831 (15.80%)	-	166,271,831 (15.80%)
PM Group Company Limited ⁽¹⁾	36,943,949 (3.77%)	-	36,943,949 (3.77%)	36,943,949 (3.51%)	-	36,943,949 (3.51%)

Note:

- (1) Mr Chalermchai Mahagitsiri holds more than 20% interest (direct and deemed) in TTA. Pursuant to Section 4 of the Securities and Futures Act, Mr Chalermchai Mahagitsiri is deemed to be interested in any shares in which TTA has an interest, including any shares in which TTA's wholly-owned subsidiary, Soleado, has an interest. Mr Chalermchai Mahagitsiri holds a controlling interest in PM Group Company Limited. Pursuant to Section 4 of the Securities and Futures Act, Mr Chalermchai Mahagitsiri is deemed to be interested in any shares in which PM Group Company Limited has an interest.

4.6.4 Dilution to Public Shareholders

As only up to 72,727,272 New Shares will be allotted and issued to Soleado upon the exercise of the Conversion Option, public shareholders will only be diluted by up to 6.91% from 47.57% interest in the Company as at the Latest Practicable Date to 44.28% interest in the Company upon the allotment and issue of the 72,727,272 New Shares.

4.6.5 Abstention from Recommendation and Voting

Mr Chalermchai Mahagitsiri shall abstain from making a recommendation on the ordinary resolution in relation to the allotment and issue of the New Shares to Soleado.

Soleado and its associates (include TTA and PM Group Company Limited) will abstain from voting at the extraordinary general meeting on the ordinary resolution relating to the Conversion Option and Proposed Issuance. They have also undertaken to decline, and shall

ensure that their associates shall decline, to accept appointment as proxies for any Shareholder to vote in respect of the ordinary resolution relating to the Conversion Option and Proposed Issuance, unless the Shareholder concerned shall have given specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of the said resolution.

4.6.6 Undertaking from Mr Huang Yupeng

Mr Huang Yupeng has provided an undertaking to vote in favour of the resolution to procure the Shareholders' approval for the Conversion Option and Proposed Issuance at the extraordinary general meeting.

5. OPINION

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Conversion Option. We have carefully considered as many factors as we deem essential and balanced them before reaching our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

We set out below a summary of the key factors we have taken into our consideration:

- (a) based on the terms of the Loan Agreement, the Conversion Price will be at a discount equal or greater than 20% to the 60D VWAP of the Shares. However, based on the historical market prices of the Shares as set out in paragraph 4.1.2 of this IFA Letter, the Shares had only traded above S\$0.555 (being the lowest 60D VWAP for the maximum Conversion Price of S\$0.444 to be applicable) for the 1 month period prior to the Announcement Date. Accordingly, for as long as the market prices of the Shares continue to trade below S\$0.555, the Conversion Price will be at a 20% discount to the 60D VWAP of the Shares;
- (b) the Conversion Price will be at a discount to NAV per Share and NTA per Share. On the basis of the maximum Conversion Price of S\$0.444, this will represent a minimum discount of 25.8% to the adjusted NAV per Share and a minimum discount of 26.4% to the adjusted NTA per Share;
- (c) while Shareholders' approval of the Conversion Option will allow the Group to have an additional mode of repayment for the Loan, the effects of the Conversion Option on the financials of the Group is negative with the Company having a lower NTA per Share and a lower EPS upon the allotment and issue of the New Shares;
- (d) for illustrative purposes, had the New Shares been allotted and issued to Soleado based on the 60D LPD VWAP of S\$0.2513 (that is, Conversion Price of S\$0.201 for each New Share), the effective annualised return to Soleado will be higher than 16.5% (being the higher interest rate payable per annum if Independent Shareholders do not approve the Conversion Option) and will, if Soleado exercises the option on



17 May 2017, be 25.3%, and will, if Soleado exercise the Option on the Maturity Date, be 17.2%;

- (e) when comparing the terms of the Loan attached to the Conversion Option to those of the Recent Convertible Transactions, we note that:
 - (i) the discount quantum of the Conversion Option is higher than those of the Recent Convertible Transactions which for 19 out of the 21 Recent Convertible Transactions, range from 10% discount to the VWAP to 120% premium to the VWAP, and for the remaining two (2) Recent Convertible Transactions, set at a discount of 10% discount to the 15 days VWAP or five (5) days VWAP; and
 - (ii) the 12% interest rate of the Loan is at the higher end of the interest rate of the Recent Convertible Transactions which range from zero percent per annum to 15% per annum;
- (f) when comparing the terms of the Loan relevant to the Conversion Option to the existing financing instruments of the Group, we note that:
 - (i) save for the effective interest rate of 17.27% per annum applicable to the exchangeable bonds and straight bonds of the Company, the 12% interest rate of the Loan is higher than the interest rates of the existing financing instruments of the Group although the quantum of the Loan is higher than the average size of borrowings of the Group;
 - (ii) the collaterals of the existing financing instruments of the Group are largely similar to the Loan in that both are charges. However, the existing financing instruments are secured by charges over assets and the Loan is secured by the Share Charges; and
 - (iii) the NAV represented by the two subsidiaries, whose shares have been charged to Soleado, is higher than the principal of the Loan. The Company may lose its investment in the two subsidiaries entirely if the Company is unable to repay the Loan in accordance with the terms of the Loan Agreement and Soleado exercises its rights over the Share Charges;
- (g) other considerations as set out in paragraph 4.6 of this IFA Letter.

Accordingly, after taking into account the above factors which we deemed relevant to our analysis (including the principal terms of the Loan), we are of the opinion as of the date hereof that, the Conversion Option is not on normal commercial terms and is prejudicial to the interests of the Company and its minority Shareholders.

Nevertheless, we wish to highlight that the Company has already drawn down the Loan. As the number of New Shares to be allotted and issued to Soleado is capped at 72,727,272 New Shares, the shareholdings of the Company's existing Shareholders will only be diluted by 6.91% upon the allotment and issue of the New Shares.

APPENDIX A



Shareholders should note that trading in the Shares is subject to market fluctuations and, accordingly, our opinion on the Conversion Option does not and cannot take into account the trading activities or patterns of the Shares or the price levels beyond the Latest Practicable Date.

This IFA Letter is addressed to the Audit Committee and Non-Interested Directors and for their benefit, in connection with and for the purpose of their consideration of the Conversion Option, and the recommendation made by them to the Shareholders shall remain the responsibility of the Audit Committee and Non-Interested Directors.

Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company nor the Directors may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of Xandar Capital in each specific case, except for the forthcoming EGM and for the purposes of the Conversion Option.

This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly
For and on behalf of
XANDAR CAPITAL PTE LTD

ALEX TAN KAH KOON
EXECUTIVE DIRECTOR

PAULINE SIM POI LIN
HEAD OF CORPORATE FINANCE

APPENDIX B

TERMS OF THE 2011 BONDS AND 2012 BONDS

Pursuant to the Company's announcements on 1 March 2016 and 31 March 2016 respectively, the Company announced its entry into a restructuring agreement ("**Restructuring Agreement**") for the restructuring of the 2011 Bonds and the 2012 Bonds with, amongst others, Goldman Sachs, CDIB Capital Investment I Limited, CDIB & Partners Investment Holding (Cayman) Ltd, Garden Fresh (HK), Garden Fresh Cayco, and Garden Fresh BVI. It was announced that the Company had decided to undertake the proposed reorganisation of Garden Fresh Cayco ("**Reorganisation**") and for the purpose of the proposed listing, quotation and initial public offering of the shares of Garden Fresh Cayco on an internationally recognised stock exchange (including but not limited to the HKSE), the Company intends to carry out the Reorganisation by superimposing Garden Fresh Cayco and Garden Fresh BVI as holding companies of Garden Fresh (HK), and use Garden Fresh Cayco as the proposed listing entity. After the Reorganisation, the Company owns 100% interest in Grandness (HK) Industry Co., Limited, which in turn owns 100% interest in Garden Fresh Cayco, which in turn owns 100% interest in Garden Fresh BVI, which in turn holds 100% interest in Garden Fresh (HK). In view of the Reorganisation, the terms and conditions of the 2011 Bonds and the 2012 Bonds have been amended to permit the bondholders of the 2011 Bonds and 2012 Bonds to exchange 60% of principal amount of the 2011 Bonds and 2012 Bonds held by them respectively into shares in Garden Fresh Cayco, and to restructure 40% of principal amount of the 2011 Bonds and 2012 Bonds held by them through issuing the 2011 SB1 Bonds, the 2011 SB2 Bonds, the 2012 SB1 Bonds and the 2012 SB2 Bonds to the respective bondholders on the terms and in the manner set out in the Restructuring Agreement.

The amended salient terms and conditions of the 2011 Bonds and the 2012 Bonds as follows:

- (I) **Maturity Date:** The 2011 Bonds and 2012 Bonds pursuant to the amendment of the terms and conditions under the Restructuring Agreement are due 12 months from issue date of March 2016 (the "**Maturity Date**") or in the event of a Qualifying IPO completed before maturity date, are exchangeable into the Garden Fresh Cayco shares in accordance with the Terms and Conditions. A "**Qualifying IPO**" means an initial public offering of the Shares (i) on an Approved Exchange, (ii) in which the Bondholders have a right to participate to sell such Shares (exchanged from the Bonds) in an amount to be determined between Garden Fresh Cayco and the Bondholders.
- (II) **Exchange Right and Aggregate Exchange Proportion:** The right of Bondholder to exchange any Bond into Garden Fresh Cayco shares is called the "**Exchange Right**". The Bondholder shall be entitled at any time prior to the Maturity Date (the "**Exchange Period**") exercise the Exchange Right. Upon a Qualifying IPO before the Maturity Date, all Bondholders shall be deemed to have exercised the Exchange Right.

"**Aggregate Exchange Shareholding**" is equal to the Relevant Share Capital multiplied by the Aggregate Exchange Proportion.

"**Aggregate Exchange Proportion**" means a proportion, expressed as a percentage, determined by the following equations:

- (i) for any exchange occurring prior to the Qualifying IPO Date:

$$AEP = (PA \times 1.05) / \text{RMB}1,500,000,000$$

where:

AEP = Aggregate Exchange Proportion

PA = Principal amount of all Bonds outstanding as at the date of delivery (or deemed delivery) of the Exchange Notice

APPENDIX B

(ii) for any exchange occurring on the Qualifying IPO Date:

$$\text{AEP} = ((\text{PA} \times 1.05) / \text{RMB1,500,000,000}) \times (1 - \text{A/B})$$

where:

AEP = Aggregate Exchange Proportion

PA = Principal amount of all Bonds outstanding as at the date of delivery (or deemed delivery) of the Exchange Notice

A = total number of Shares issued pursuant to the Qualifying IPO on or prior to the date of completion of the Qualifying IPO (other than to (1) Mr. Huang Yupeng (and any of his associates), (2) any of the members of the Group, and (3) any person who was a shareholder of Garden Fresh Cayco immediately prior to the issue of Shares pursuant to the Qualifying IPO), but excluding for the avoidance of doubt any Shares issued pursuant to the Qualifying IPO in connection with the employee stock ownership plan of Garden Fresh Cayco

B = the total number of Shares issued and outstanding as at the completion of the Qualifying IPO

provided that, if at any time after the Issue Date up to the Qualifying IPO Date, Garden Fresh Cayco issues any shares (other than pursuant to the Qualifying IPO) or issues or grants any options, warrants or other rights to subscribe for, purchase or otherwise acquire any Shares (including convertible securities) (any such issue, a “**Capital Fundraising**”), in each case with an Aggregate Acquisition Proportion per RMB1 of invested amount for such Capital Fundraising which is higher than the Aggregate Exchange Proportion per RMB1 of principal amount of the Bonds applicable at such time, the Aggregate Exchange Proportion per RMB1 of principal amount of the Bonds shall be adjusted upwards to equal the Aggregate Acquisition Proportion per RMB1 of invested amount for such Capital Fundraising (and all provisions relating to the determination of the Aggregate Exchange Proportion shall be adjusted correspondingly). For the purposes of these conditions, where the purchase price in respect of Shares acquired in a Capital Fundraising is denominated in Hong Kong dollars, such purchase price will be exchanged into Renminbi using the Spot Rate for the relevant Rate Calculation Date.

“Aggregate Acquisition Proportion” means, in respect of a Capital Fundraising, a proportion, expressed as a percentage, equal to a fraction the numerator of which equals the number of Shares issued or issuable in connection with such Capital Fundraising and the denominator of which equals the Relevant Share Capital as of the date of such Capital Fundraising.

“Approved Exchange” means The Stock Exchange of Hong Kong Limited, the Taiwan Stock Exchange Corp. or any other international stock exchange which has been approved by an extraordinary resolution.

“HK Issuer” means Garden Fresh (HK) Fruit and Vegetable Beverage Co., Limited.

“Qualifying IPO Date” means the date of the admission to trading of the Garden Fresh Cayco shares on the Approved Exchange pursuant to a Qualifying IPO.

“Rate Calculation Date” means the day which is two Business Days before the date of the relevant Capital Fundraising.

“Relevant Share Capital” means the sum of (a) the number of issued ordinary Shares of Garden Fresh Cayco and (b) the number of ordinary Shares of Garden Fresh Cayco which would be issued in respect of any options, warrants, exchangeable bonds, rights of first refusal or other similar rights over securities of Garden Fresh Cayco upon exercise of such options, warrants or rights as at (i) the Exchange Date, (ii) the Qualifying IPO Date or (iii) the date of any Capital Fundraising, as applicable.

APPENDIX B

“Redemption Amount 1” means for each Bond being redeemed, an amount in RMB equal to the principal amount of such Bond multiplied by (1.25^X) (which is to the power of X, where X is the number of calendar days from and including the Issue Date to but excluding the date such Bond is redeemed, divided by 365).

“Redemption Amount 2” means for each Bond being redeemed, an amount in RMB equal to the principal amount of such Bond multiplied by (1.20^X) , (which is to the power of X, where X is the number of calendar days from and including the Issue Date to but excluding the date such Bond is redeemed, divided by 365).

“Spot Rate” means, in respect of each Rate Calculation Date, a rate determined by the Issuer in good faith, being the amount in Renminbi per HK\$1, expressed as the middle rate of exchange between the buying and selling rates for RMB and HKD as appears on Reuters Screen “HSBCRMB” Page at 11.00 a.m. (Hong Kong time) on the Rate Calculation Date. If no such rate is available, the Spot Rate shall be determined by the Issuer and the Bondholders in good faith and in a commercially reasonable manner.

- (III) **Redemption Amount:** If Garden Fresh Cayco fails to complete a Qualifying IPO before the Maturity Date, the HK Issuer shall on the Maturity Date redeem all of the outstanding Bonds (other than any Bonds in respect of which an Exchange Notice has been issued for exchange into Shares) at the aggregate Redemption Amount 1 for 2011 Bonds and Redemption Amount 2 for 2012 Bonds;
- (IV) **Event of Default:** Certain events of default which will entitle the Bondholders after complying with the prescribed procedures to immediately redeem the Bonds. The events of default includes amongst others breach of payment and other contractual obligations, certain cross default events under separate agreements entered into by the HK Issuer, the Company and Garden Fresh Cayco and upon occurrence of certain liquidation, insolvency and enforcement proceedings.

NOTICE OF EXTRAORDINARY GENERAL MEETING

SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED

(Company Registration Number: 200706801H)
(Incorporated in the Republic of Singapore)

Unless otherwise defined, all capitalised terms herein shall bear the same meaning as used in the circular dated 24 May 2017 issued by Sino Grandness Food Industry Group Limited (the "**Circular**").

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Sino Grandness Food Industry Group Limited (the "**Company**") will be held at Room 333, Level 3 Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Thursday, 8 June 2017 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without any amendments, the following resolution:

AS ORDINARY RESOLUTION

THE PROPOSED ISSUANCE OF THE NEW SHARES AT THE ADJUSTED MAXIMUM CONVERSION PRICE OF S\$0.444 PURSUANT TO THE CONVERSION OPTION IN ACCORDANCE WITH THE CONVERTIBLE LOAN AGREEMENT BETWEEN SOLEADO HOLDINGS PTE. LTD. AND THE COMPANY WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION

IT IS RESOLVED THAT:

- (A) approval be and is hereby given, for the purpose of Rule 803, Rule 804, Rule 811(3), Rule 811(4), Rule 812 and Rule 906(1)(a) of the Listing Manual, for the Company to allot and issue to Soleado and/or its nominee up to 72,727,272 New Shares priced at S\$0.444 (Singapore Cents Forty Four point Four) per New Share or at the 20% discount to the volume weighted average price ("**VWAP**") per Share traded on the SGX-ST during the last 60 market days immediately preceding the date of the Conversion Notice, whichever is the lower (the "**Conversion Price**") in accordance with the terms and conditions of the Loan Agreement dated 13 April 2016 between the Company and Soleado; and
- (B) the Directors of the Company and each of them be and is hereby authorised to implement, execute, perfect or give effect to complete and do all such acts and things (including but not limited to executing such documents as may be required, entering into supplemental or amendment agreements or instruments, or varying or supplementing the terms of the Proposed Transactions) as they or he may in their/his absolute discretion consider necessary, desirable or expedient in the interests of the Company to complete and perform the Proposed Transactions and to give effect to this Ordinary Resolution.

BY ORDER OF THE BOARD

Huang Yupeng
Chairman and Chief Executive Officer

Date: 24 May 2017

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- 1 (a) A member of the Company who is entitled to attend and vote at the Extraordinary General Meeting and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
- (b) A member of the Company who is entitled to attend and vote at the Extraordinary General Meeting who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

- 2 The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898 not less than forty eight (48) hours before the time appointed for the meeting.
3. A Depositor will not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register as at 72 hours before the EGM.

PROXY FORM

SINO GRANDNESS FOOD INDUSTRY GROUP LIMITED

(the "Company")
(Company Registration Number: 200706801H)
(Incorporated in the Republic of Singapore)

IMPORTANT

- 1 For investors who have used their CPF monies to buy the Company's shares, this Circular is sent to them at the request of their CPF Approved Nominees solely FOR INFORMATION ONLY.
- 2 This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We _____ (Name)

of _____ (Address)

being a *member/members of the Company hereby appoint

Name	Address	*NRIC/Passport No.	Proportion of Shareholdings (%)

*and/or

Name	Address	*NRIC/Passport No.	Proportion of Shareholdings (%)

or failing *him/her/them, the Chairman of the Extraordinary General Meeting of the Company as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Extraordinary General Meeting of the Company to be held at Room 333, Level 3 Suntec Singapore Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Thursday, 8 June 2017 at 10.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolution to be proposed at the Extraordinary General Meeting as indicated hereunder WITH AN "x" in the spaces provided hereunder. If no specific directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

* Please delete accordingly

	No. of Votes For ¹	No. of Votes Against ¹
ORDINARY RESOLUTION		
THE PROPOSED ISSUANCE OF THE NEW SHARES AT THE ADJUSTED MAXIMUM CONVERSION PRICE OF S\$ 0.444 PURSUANT TO THE CONVERSION OPTION IN ACCORDANCE WITH THE CONVERTIBLE LOAN AGREEMENT BETWEEN SOLEADO HOLDINGS PTE. LTD. AND THE COMPANY WHICH CONSTITUTES AN INTERESTED PERSON TRANSACTION		

Note:

1 If you wish to exercise all your votes "For" or "Against", please indicate with an "x" within the box provided. Alternatively, please indicate the number of votes as appropriate

All capitalised terms used in this Proxy Form which are not defined herein shall unless the context otherwise requires have the same meanings ascribed to them in the Company's Circular to Shareholders dated 24 May 2017 (including supplements and modifications thereto).

Dated this _____ day of _____ 2017.



Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM

PROXY FORM

Notes:

- 1 Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289)) of Singapore, you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
- 2 Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act (Chapter 50) of Singapore (“**the Act**”), a member is entitled to appoint not more than two (2) proxies to attend and vote on his behalf. Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- 3 The instrument appointing a proxy or proxies must be deposited at the Company’s Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898 not less than 48 hours before the time appointed for the meeting.
- 4 Where a member appoints two (2) proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- 5 The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
- 6 Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
- 7 A corporation that is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore.
- 8 The submission of an instrument or form appointing a proxy by a shareholder does not preclude him from attending and voting in person at the EGM if he so wishes.
- 9 The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.
- 10 **PERSONAL DATA PRIVACY:** By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, Listing Manual, regulations and/or guidelines (collectively, the “**Purposes**”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.