



## Sino Grandness Food Industry Group Limited

(Incorporated in the Republic of Singapore on 20 April 2007)

(Company Registration No. 200706801H)

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### NEWS RELEASE

#### **SINO GRANDNESS 1H16 NET PROFIT SURGED 121.0% TO RMB517.9M FROM RMB234.3M IN 1H15**

- 2Q16 net profit up 25.0% to RMB157.7m on record quarterly sales
- 1H16 gross profit up 22.9% to RMB768.2m from RMB625.2m
- 1H16 beverage segment revenue up by 28.0% to RMB1,341.5m due to strong orders for Garden Fresh juices
- 1H16 domestic canned products revenue increased by 21.8% to RMB213.3m due to strong orders for Grandness canned fruits
- Cash and cash equivalents increased to RMB587.3m as at 30 June 2016 compared to RMB143.0m as at 31 December 2015

Financial Highlights RMB (million)	2Q16	2Q15	2Q16 VS 2Q15	1H16	1H15	1H16 VS 1H15
Revenue	1,128.7	924.8	22.1%	1,852.5	1,507.0	22.9%
Gross profit	471.5	387.7	21.6%	768.2	625.2	22.9%
Gross profit margin	41.8%	41.9%	-0.1ppt	41.5%	41.5%	-
Other operating income	27.3	(3.4)	N.M	134.1	9.0	N.M
Distribution & selling expenses	(166.4)	(111.7)	49.0%	(280.8)	(173.7)	61.6%
Administrative expenses	(54.5)	(16.9)	222.4%	(93.1)	(57.8)	60.9%
Finance costs	(12.1)	(103.3)	(88.3%)	(18.5)	(169.2)	(89.1%)
Changes in fair value of the option derivatives in relation to convertible bonds	(37.4)	40.0	(193.5%)	120.5	107.6	12.0%
Net profit attributable to shareholders	157.7	126.2	25.0%	517.9	234.3	121.0%

**SINGAPORE – 11 August 2016** – Mainboard-listed Sino Grandness Food Industry Group Limited 中华食品工业集团有限公司 (“Sino Grandness” or “the Company” and together with its subsidiaries, the “Group”), a Shenzhen, China based integrated producer and distributor of own-branded juices and canned fruits and vegetables is pleased to announce its unaudited results for the first six months ended 30 June 2016 (“1H16”).

In 1H16, net profit attributable to shareholders for the Group surged 121.0% to RMB517.9 million compared to RMB234.3 million from the same period last year (“1H15”) as a result of higher sales across the board and higher other operating income. For the second quarter ended 30 June 2016 (“2Q16”), net profit attributable to shareholders increased by 25.0% year-on-year to RMB157.7 million from RMB126.2 million a year ago (“2Q15”). In 1H16, net cash generated from operating activities for the Group rose to RMB294.2 million compared with RMB108.1 million in 1H15. Cash and cash equivalents for the Group increased to RMB587.3 million as at 30 June 2016 compared to RMB143.0 million as 31 December 2015. The increase in cash and cash equivalents was mainly due to loans obtained and net cash generated from operating activities in 1H16.

Mr Huang Yupeng 黄育鹏, Chairman and CEO of Sino Grandness said, “I am pleased with the steady performance we have achieved during the first half of 2016. The positive indicative orders we received during the trade exhibition in Chengdu in March 2016 were reflected in the second quarter as we delivered record quarterly sales for both the beverage segment as well as the domestic canned products segment. In addition to expanding our product range and distribution network, we will continue to invest in various advertising and promotional activities in China and in Hong Kong in order to grow our brand value further and consolidate our position as the No.1 loquat juice brand in China.”

In March 2016, the Group successfully launched various new products under Garden Fresh and Hao Tian Yuan brands during the trade exhibition in Chengdu. Some of these new products include coconut milk beverage and longan juice under Garden Fresh brand and various dried food such as grilled squid, grilled anchovies and spicy shrimps.

Between April and June 2016, Garden Fresh brand was one of the main sponsors of 中国新歌声 (“Sing! China”) for the audition rounds held in Chengdu, Sichuan Province PRC. Sing! China is a popular reality singing talent show in China with a strong following and viewership. In June 2016, Garden Fresh also sponsored the Shenzhen leg of a popular mixed martial arts competition series called 昆仑决世界极限格斗赛. Through executing various brand sponsorship programs which enjoy strong viewership across China, Garden Fresh brand is expected to experience maximum exposure across multiple platforms including televisions, internet and print media.

#### Revenue analysis by segments:

	2Q		Change	Half Year (HY)		
	Apr – Jun 2016	Apr – Jun 2015		Jan – Jun 2016	Jan – Jun 2015	Change
Product segment	RMB’000	RMB’000	%	RMB’000	RMB’000	%
<u>Canned products</u>						
- overseas	191,800	188,186	1.9	297,642	283,744	4.9
- domestic	142,970	111,317	28.4	213,318	175,155	21.8
<u>Beverage</u>	793,974	625,264	27.0	1,341,490	1,048,079	28.0
<u>Total</u>	1,128,744	924,767	22.1	1,852,450	1,506,978	22.9

In 1H16, the Group's revenue rose by 22.9% to RMB1,852.5 million from RMB1,507.0 million in 1H15. In 2Q16, the Group's revenue increased by 22.1% to RMB1,128.7 million from RMB924.8 million in 2Q15. The growth in revenue was mainly attributed to strong orders for own-branded beverage products and domestic canned products.

Beverage segment sales which comprised Garden Fresh juices rose 28.0% to RMB 1,341.5 million in 1H16 from RMB1,048.1 million in 1H15 while domestic canned products sales increased by 21.8% to RMB213.3 million in 1H16 from RMB175.2 million in 1H15. In 2Q16, beverage segment sales rose 27.0% to a new quarterly high of RMB794.0 million from RMB625.3 million in 2Q15 while domestic canned products segment sales jumped 28.4% to a new quarterly high of RMB143.0 million in 2Q16 from RMB111.3 million in 2Q15. The increase in sales of beverage segment and domestic canned products segment was mainly driven by expansion of product range and distribution network in the PRC market. In 1H16, overseas canned products sales rose 4.9% to RMB297.6 million from RMB283.7 million due to higher demand from existing customers.

Distribution and selling expenses in 1H16 increased by 61.6% to RMB280.8 million from RMB173.7 million in 1H15 mainly due to higher advertising and promotional ("A&P") expenses and higher transportation costs. Higher A&P costs were incurred as the Group continued to invest in growing brand awareness in PRC market via various advertising and promotional activities, including TV advertising and sponsorship of TV programs. The increase in transportation costs was mainly attributed to the higher domestic sales of beverage and canned products in the PRC market.

In 1H16 the Group's gross profit increased by 22.9% to RMB768.2 million from RMB625.2 million in 1H15. In 2Q16, the Group's gross profit increased by 21.6% to RMB471.5 million from RMB387.7 million in 2Q15. Overall gross profit margin for the Group in 1H16 remained stable at 41.5% when compared to 1H15.

## **Outlook**

National Bureau of Statistic of China reported that China's Gross Domestic Product increased by 6.7% year-on-year to approximately RMB34,063.7 billion during the first 6 months of 2016 ("1H16"). Total retail sales of consumer goods in 1H16 rose 10.3% to RMB15,613.8 billion with retail sales in rural area rising 11.0% while retail sales in urban area rising at a relatively slower pace of 10.2%. The stronger growth of rural retail sales was reflective of the higher growth in per capital disposable income of rural residents, rising by 8.9% as compared to per capital disposable income of urban residents which rose at a slower pace of 8.0%.

(source : [http://www.stats.gov.cn/english/PressRelease/201607/t20160715\\_1377636.html](http://www.stats.gov.cn/english/PressRelease/201607/t20160715_1377636.html))

As a result of rising disposable incomes, improving living standards and busier lifestyles, Chinese consumers have shown increasing demand for convenient, health and wellness related products. Sino Grandness has responded to this trend by steadily expanding its product range for Garden Fresh juices, Grandness canned fruits and Hao Tian Yuan snack food in order to capture a larger market share in the PRC market.

Going forward, the Group will sustain its investments in various advertising and promotional activities as well as sales and marketing initiatives in order to grow the brand awareness of its in-house brands. The Group will also continue to promote & expand its distribution network beyond

China's mainland market to other markets such as Hong Kong, Macau and South East Asia in order to capture a broader customer base and develop its brands in overseas markets.

Barring unforeseen circumstances, the Group remains optimistic about its operating performance in 2016.

### **Update on proposed listing of Garden Fresh**

As announced on 31 March 2016, the Company's wholly owned subsidiary Garden Fresh Group Holding Co., ("Garden Fresh") has submitted an application to The Stock Exchange of Hong Kong ("HKSE") for the Proposed Listing on 31 March 2016 ("HKSE Application"). In addition, Garden Fresh has submitted a draft prospectus (the Application Proof) as part of the HKSE Application. The Company will keep shareholders updated on any material developments relating to the proposed listing as and when appropriate.

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### **About Sino Grandness Food Industry Group Limited**

Headquartered in Shenzhen the PRC, Sino Grandness is an integrated manufacturer and distributor of own-branded 鲜绿园® (Garden Fresh) juices as well as canned fruits and vegetables. Since its establishment in 1997, the Group has rapidly grown to become the No.1 brand for loquat fruit juice in China as well as one of the top exporters of canned asparagus, long beans and mushrooms from China. The Group's products are distributed globally across Europe, North America and in Asia, in renowned supermarkets, discount stores and convenience stores including as Lidl, Rewe, Carrefour, Walmart, Huelpeden, Jusco, 7-Eleven and Metro.

With stringent quality control and procedures implemented in its manufacturing processes, Sino Grandness' canned products are compliant with international standards, including Hazard Analysis and Critical Control Point ("HACCP") food safety system, British Retail Consortium ("BRC"), International Food Standard ("IFS") and International Organization for Standardization ("ISO") certifications. As such, Sino Grandness is able to export its canned products to customers globally including the European Union, which has enforced import restrictions (commonly known as "Green Barriers") since 2000 on the grounds of environmental and food safety issues.

Sino Grandness' production plants in China are strategically located in four provinces, namely Shandong, Shanxi, Sichuan and Hubei – all of which are key agricultural belts. The production bases straddle different climatic regions so that production activities can be carried throughout the year.

In recognition of the Group's R&D and brand building efforts, Garden Fresh juices have been accorded the "Innovative, Outstanding and Nutritious Award" by the PRC Food Industry in 2010 as well as "Top 100 Brand in China" by the joint agency of Global times, Asia Brand Association and China Economic Herald in 2013. Garden Fresh is ranked as the leading loquat juice brand in China in 2015 according to a market research report by Euromonitor.

*Note :*

*This release may contain predictions, estimates or other information that may be considered forward-looking statements. Actual results may differ materially from those currently expected because of a number of factors. These factors include (without limitation) changes in general industry and economic conditions, interest rate movements, cost of capital and capital availability, competition from other companies and venues for sale/manufacture/distribution of goods and services, shift in customer demands, changes in operating expenses, including employee wages and raw material prices, governmental and public policy changes, social and political turmoil and major health concerns. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by law.*

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