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## NEWS RELEASE

### **SINO GRANDNESS FY16 NET PROFIT SURGES 179.7% TO RMB578.2M FROM RMB206.7M IN FY15**

- FY16 Group revenue up 5.9% due to higher orders from beverage segment and domestic canned products segment
- FY16 gross profit rose 6.1% to RMB1,457.7m from RMB1,373.6m
- Cash and cash equivalents increased to RMB297.7m as at 31 December 2016 compared with RMB143.0m as at 31 December 2015
- EPS increased to SGD 17.6 cents in FY16 from SGD 6.3 cents in FY15
- NAV per share increased to SGD 73.1 cents as at 31 December 2016 from SGD 55.1 cents as at 31 December 2015

Financial Highlights RMB (million)	FY16	FY15	FY16 VS FY15
Revenue	3,509.6	3,313.9	5.9%
Gross profit	1,457.7	1,373.6	6.1%
Gross profit margin	41.5%	41.4%	+0.1ppt^
Distribution & selling expenses	(760.7)	(570.2)	33.4%
Administrative expenses	(166.8)	(111.6)	49.5%
Finance costs	(43.9)	(227.0)	(80.7%)
Changes in fair value of the option derivatives in relation to convertible bonds	133.3	(91.9)	(245.0%)
Net profit attributable to shareholders	578.2	206.7	179.7%
Earnings per share ("EPS") in SGD cents*	17.6	6.3	179.4%
Net asset value ("NAV") in SGD as at 31 December*	73.1	55.1	32.7%

^ppt means percentage point

\*NAV and EPS are calculated based on exchange rate of SGD1=RMB4.88 and based on 673,344,828 shares

**SINGAPORE – 28 February 2017** – 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 full year ended 31 December 2016 (“FY16”).

In FY16, net profit attributable to shareholders for the Group surged 179.7% to RMB578.2 million compared with RMB206.7 million from the same period last year (“FY15”) mainly due to higher orders from beverage segment and domestic canned products segment, higher other operating income and lower finance costs. Earnings per share (“EPS”) for FY16 increased 179.4% to SGD 17.6 cents from SGD 6.3 cents in FY15 while net asset value (“NAV”) per share increased to SGD 73.1 cents as at 31 December 2016 from SGD 55.1 cents as at 31 December 2015.

Mr Huang Yupeng 黄育鹏, Chairman and CEO of Sino Grandness said, “I am pleased to report that the Group’s higher margin own-branded business segments continued to register positive growth in FY16. Both beverage and domestic canned products segments recorded higher sales as a result of our sustained investments in advertising and promotional (“A&P”) activities, steady expansion of distribution network within the PRC market as well as the successful introduction of new products within each business segments. In particular, beverage segment new products such as soft pack mixed loquat beverages and loquat yogurt drinks have received positive responses from our distributors.”

“To capitalize on the growth opportunities ahead, the Group will continue to invest in various advertising and promotional activities as well as sales and marketing initiatives to enhance its brand visibility and brand recognition. Additionally, the Group will also continue to invest in product research and development in order to expand our product range and explore various strategic collaborations with operators of both online and offline marketing platforms in order to diversify and expand our distribution network further,” added Mr Huang.

#### Revenue analysis by segments:

	<u>12 months</u>		
	<u>FY16</u>	<u>FY15</u>	<u>Change</u>
<u>Product segment</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>%</u>
<u>Canned products</u>			
- overseas	535,366	576,224	(7.1%)
- domestic	443,225	418,628	5.9%
<u>Beverage</u>	2,531,014	2,319,050	9.1%
<u>Total</u>	3,509,605	3,313,902	5.9%

The Group's revenue increased by 5.9% in FY16 to RMB3,509.6 million from RMB3,313.9 million in FY15 due to higher sales from beverage segment and domestic canned products segment. Beverage segment sales which comprised Garden Fresh juices rose 9.1% to RMB2,531.0 million in FY16 from RMB2,319.1 million in FY15 while domestic canned products sales increased by 5.9% to RMB443.2 million in FY16 from RMB418.6 million in FY15. 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 People's Republic of China ("PRC") market.

In FY16, distribution and selling expenses increased by 33.4% to RMB760.7 million from RMB570.2 million in FY15 primarily due to higher A&P expenses and higher transportation costs. Higher A&P expenses were incurred as the Group continued to invest in growing distribution network and brand value in the PRC market via various advertising and promotional activities, including outdoor advertisements, TV advertisements and sponsorship of TV programs and events. The increase in transportation costs was mainly attributed to the higher domestic sales of beverage and canned products in the PRC market.

The Group's gross profit in FY16 increased by 6.1% to RMB1,457.7 million from RMB1,373.6 million in FY15. Gross profit margin ("GPM") for the Group in FY16 improved marginally to 41.5% from 41.4% in FY15 due to higher GPM for overseas canned products segment as a result of higher average selling price which more than offset the marginal decrease in GPM for beverage and domestic canned products segments.

Cash and cash equivalents for the Group increased to RMB297.7 million as at 31 December 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 FY16.

## **Outlook**

As a result of rising disposable incomes, ageing population, increasing health awareness and change in lifestyles, consumers have shown increasing demand for convenient products and functional health food. Functional health food is a multi-billion dollar market in China. According to the statistics of Hong Kong Trade Development Council, China's health food and nutritional supplement market is worth more than RMB1 trillion\*\*. Sino Grandness has responded to this trend by steadily expanding its product range in order to appeal to a broader customer base in the China market.

In January 2017, the Group announced that it has entered into an agreement with 深圳市微信食品股份有限公司("Wechat Food") to distribute the Company's full range of own-branded products, including beverage products, canned food and snack food through a mobile internet platform developed by Wechat Food. In January 2017, the Group also announced that it has entered into a strategic agreement with 重庆市礼仪之邦电子商务有限公司 ("LYZB E-Commerce") to distribute the Group's full range of own-branded products through LYZB E-Commerce's mobile internet platform called 集食惠 ("Ji Shi Hui"). Ji Shi Hui is a mobile internet marketing platform which can be accessed through the computer or mobile devices through the mobile application called Ji Shi Hui. It offers

interaction between online and offline users and is a dedicated platform for consumers in search of high quality food and beverage products.

According to a market report by CBNDData, the percentage of Chinese internet users who purchased products online has increased rapidly from 35.6% in 2011 to 60.0% in 2015<sup>^</sup>. Over the next few years, retail e-commerce sales in China are expected to grow from approximately USD298.9 billion in 2015 to USD839.5 billion in 2021<sup>^</sup>.

The strategic collaborations with Wechat Food and LYZB E-Commerce are in line with the Chinese government's initiatives to promote the new economy whereby online and offline business models work together to achieve synergies in cost savings and to generate greater turnover. Sino Grandness aims to expand its reach and turnover further in the China market through building a comprehensive distribution network comprising tens of thousands of retail points covering hundreds of cities (百城万店) which connects suppliers of safe and healthy food items with consumers through mobile internet. The recent collaborations with operators of online marketing platforms reflect the strategic move and emphasis which the Group is gradually putting into expanding its online distribution network going forward.

Barring unforeseen circumstances, the Group remains optimistic about its operating performance in FY2017.

**Source :**

<sup>\*\*</sup><http://china-trade-research.hktdc.com/business-news/article/China-Consumer-Market/China-s-Health-Food-Market/ccm/en/1/1X000000/1X002L54.htm>

<sup>^</sup><http://www.cbndata.com/report/87>

<sup>^</sup><https://www.statista.com/statistics/246041/forecast-of-b2c-e-commerce-sales-in-china/>

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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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