



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 REPORTS NET PROFIT OF RMB313.8M ON REVENUE OF RMB2.5B FOR FIRST 9 MONTHS

- 9M15 revenue rose 6.1% to RMB2.5b on higher orders for beverage and domestic canned products
- 9M15 gross profit margin for the Group rose to 41.1% from 39.2% as a result of higher gross profit margin for beverage segment
- 9M15 beverage segment revenue up by 12.1% to RMB1,675.7m due to higher orders for *Garden Fresh* juices
- 9M15 domestic canned products revenue rose 20.8% to RMB313.3m due to strong orders for *Grandness* canned fruits
- Cash and cash equivalents increased to RMB319.9m as at 30 September 2015 compared to RMB223.6m as at 31 December 2014

Financial Highlights RMB (million)	3Q15	3Q14	3Q15 VS 3Q14	9M15	9M14	9M15VS 9M14
Revenue	949.6	1,030.5	(7.9)%	2,456.6	2,315.8	6.1%
Gross profit	385.3	410.2	(6.1)%	1,010.5	908.2	11.3%
Gross profit margin	40.6%	39.8%	0.8ppt	41.1%	39.2%	1.9ppt
Distribution & selling expenses	(190.9)	(102.6)	86.0%	(364.6)	(240.9)	51.3%
Administrative expenses	(31.1)	(10.9)	186.8%	(89.0)	(55.1)	61.4%
Finance costs	187.1	(22.7)	N.M.	17.9	(84.1)	(121.3)%
Non-cash interest expenses related to convertible bonds (A)	188.3	(8.4)	N.M.	24.8	(67.3)	(136.8)%
Changes in fair value of the option derivatives in relation to convertible bonds (B)	(244.4)	(15.1)	N.M.	(136.8)	(68.4)	99.9%
Net profit attributable to shareholders (C)	76.9	186.1	(58.7)%	311.2	312.5	0.4%
Adjusted earnings [^] (exclude non-cash charges due to convertible bonds)	133.0	209.6	(36.5)%	423.2	448.3	(5.6)%

[^]Adjusted earnings = C-B-A

*According to market research reports by Euromonitor International Limited and Frost & Sullivan

SINGAPORE – 12 November 2015 – 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 producer and distributor of own-branded juices and canned fruits and vegetables today reported its unaudited results for the first nine months ended 30 September 2015 (“9M15”).

In 9M15, net profit attributable to shareholders for the Group decreased marginally to RMB311.2 million compared with RMB312.5 million from the same period last year (“9M14”) as a result of higher sales and improved profit margin for the Group.

For the third quarter ended 30 September 2015 (“3Q15”), net profit attributable to shareholders decreased by 58.7% year-on-year to RMB76.9 million from RMB186.1 million a year ago (“3Q14”) mainly due to higher distribution and selling expenses and non-cash adjustments as a result of the convertible bonds. Excluding the impact of non-cash interest expenses and changes in fair value of the option derivatives in relation to convertible bonds, adjusted earnings for 3Q15 would have decreased 36.5% to RMB133.0 million from RMB209.6 million in 3Q14.

Mr Huang Yupeng 黄育鹏, Chairman and CEO of Sino Grandness said, “Own branded beverage and domestic canned products continued to be key growth driver of our sales growth as seen in 9M15. Although our bottom-line was partly impacted by higher distribution and selling expenses, this is a reflection of our long term commitment to continue on with sustained investments in building brand value and expansion of distribution network across the PRC market and beyond. Over the past 5 years, our Group has invested more than RMB880m in distribution and selling expenses resulting in growing brand awareness and larger market share especially for *Garden Fresh* brand which is now the leading loquat juice brand in China with market share of more than 75%*.”

Revenue analysis by segments:

	3Q			9 months (9M)		
	Jul –Sept 2015	Jul – Sept 2014	Change	Jan – Sept 2015	Jan – Sept 2014	Change
Product segment	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Canned products						
- overseas	183,833	258,892	(29.0)	467,577	564,733	(17.2)
- domestic	138,117	140,254	(1.5)	313,272	259,278	20.8
Beverage	627,646	631,364	(0.6)	1,675,725	1,491,829	12.1
Total	949,596	1,030,510	(7.9)	2,456,574	2,315,840	6.1

In 9M15, the Group’s revenue increased by 6.1% to RMB2,456.6 million from RMB2,315.8 million in 9M14 due to higher orders for beverage and domestic canned products and steady expansion of distribution network in the PRC market. In 3Q15, the Group’s revenue decreased by 7.9% to RMB949.6 million from RMB1,030.5 million in 3Q14 primarily due to lower orders for overseas canned products.

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Beverage segment sales which comprised *Garden Fresh* juices rose 12.1% RMB1,675.7 million in 9M15 from RMB1,491.8 million in 9M14 while domestic canned products sales increased by 20.8% to RMB313.3 million in 9M15 from RMB259.3 million in 9M14. In 3Q15, beverage segment sales decreased marginally to RMB627.6 million from RMB631.4 million in 3Q14 while domestic canned products segment sales decreased 1.5% to RMB138.1 million in 3Q15 from RMB140.3 million in 3Q14.

Distribution and selling expenses in 9M15 increased by 51.3% to RMB364.6 million from RMB240.9 million mainly due to higher advertising and promotional (“A&P”) expenses and higher transportation costs. The higher A&P costs were incurred as the Group continued to strengthen brand image in PRC market via outdoor advertising, outdoor promotional activities as well as TV advertising and sponsorship of TV program such as “Men VS Women 男左女右” variety show aired on Shenzhen Satellite channel. As a percentage to Group sales, A&P expenses rose to 14.8% in 9M15 from 10.4% in 9M14. The increase in transportation costs was mainly attributed to the higher domestic sales of beverage and canned products in the PRC market.

Gross Profit and Gross Profit Margin (“GPM”)

As a result of higher Group sales and improvement in gross profit margin for beverage segment, the Group’s gross profit increased by 11.3% to RMB1,010.5 million in 9M15 from RMB908.2 million in 9M14. In 3Q15, the Group’s gross profit decreased by 6.1% to RMB385.3 million from RMB410.2 million in 3Q14 due to lower Group sales. The Group’s GPM in 3Q15 and 9M15 increased year-on-year to 40.6% from 39.8% and to 41.1% from 39.2% respectively mainly due to higher GPM for beverage segment which benefitted from lower cost of raw materials.

Higher Cash Balance

Cash and cash equivalents for the Group increased to RMB319.9 million as at 30 September 2015 compared to RMB223.6 million as 31 December 2014. The increase in cash and cash equivalents was mainly due to the bank loan obtained amounting to RMB125.0 million and net cash generated from operating activities of RMB205.8 million in 9M15 partially offset by acquisition of property, plant and equipment amounting to RMB142.5 million and RMB64.2 million of bank loan being repaid.

Outlook

In 9M2015, the National Bureau of Statistic of China reported that China’s gross domestic product (GDP) increased by 6.9% year-on-year to RMB 48,777.4 billion while national per capita disposable income increased 9.2% to RMB16,367. Chinese consumers spending is holding up as a result of rising middle class, higher households income and better living standards which led to better social behaviors and increased health awareness. Chinese consumers have become more concerned about the quality and safety of life and the food they purchase and consume. The sustained growth in consumer

*According to market research reports by Euromonitor International Limited and Frost & Sullivan

spending and heightened health and wellness awareness augurs well to fit the fruit juice and canned fruit industry in China.

To capitalize on the growth opportunities ahead for own-branded products such as *Garden Fresh* juices and *Grandness* canned fruits, the Group will continue to invest in advertising and promotional activities, sales and marketing and expand its distribution network beyond China's mainland market to other markets such as Hong Kong and Macao. The Group also plans to explore collaboration with new distributors in South East Asia to further diversify its customer base and enhance its brands awareness in overseas markets.

In November 2015, the Group announced that it has successfully secured indicative orders for *Garden Fresh* beverage products exceeding RMB 380 million after the conclusion of the autumn trade show held in Nanjing, People's Republic of China, during the last week of October 2015 ("Nanjing Trade Show").

During the Nanjing Trade Show, the Group also introduced a new range of *Garden Fresh* yogurt drink with 5 blended loquat flavours, namely loquat-mango, loquat-blueberry, loquat-strawberry, loquat-papaya and loquat-waxberry. *Garden Fresh* yogurt drink is a cultured milk drink which contains probiotics to help maintain a healthy digestive system and was jointly developed with China National Research Institute of Food & Fermentation Industries, one of China's oldest and largest national research institutions engaged in the food, bio-engineering research and development.

In November 2015, the Group also announced that it has entered into a strategic sponsorship agreement with a new TV series called 《Romance in the City 饮食男女》 as part of its advertising campaign to strengthen the brand equity and brand awareness of its in-house beverage brand "*Garden Fresh*" in China. The 25-minute drama series are jointly invested by major media companies such as Alibaba Pictures Group (阿里巴巴影业), Shenzhen Media Group (深圳广电集团), Media Asia Entertainment Group (寰亚传媒集团), Shanghai Media Group (上海文广集团), and other regional broadcast stations within China. Scheduled for telecast in December 2015, the show will be broadcasted by 11 stations in more than 10 cities across China. It is expected that 200 episodes will be aired during the first 12 months.

Barring unforeseen circumstances, the Group remains optimistic about its operating performance in FY2015.

Update on Proposed Spin-Off and Convertible Bonds

The Company wishes to update that the relevant work for the proposed spin-off of its beverage segment under its wholly-owned subsidiary, Garden Fresh (HK) Fruit & Vegetable Beverage Co., Limited and its group of subsidiaries for a listing on an internationally recognised stock exchange ("Proposed Spin-Off") is still on-going.

The Company also wishes to update that subsequent to our previous announcement dated 12 August 2015, the Company and the CB1 and CB2 bondholders has entered into

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further discussions in relation to the terms and details of the extension of the convertible bonds which is still on going. The computation of the fair value of the convertible bonds has been made on the assumption that the extension is made up to 30 September 2015.

The Company will keep shareholders updated on material developments relating to the Proposed Spin-Off as well as CB1 and CB2 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 one of the leading brands for loquat fruit juice in China as well as 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, Coles, Jusco 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 2010, the Group successfully launched its own-branded bottled juices Garden Fresh, comprising unique fruits such as loquat and hawthorn to target the huge domestic consumer base in China. 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.

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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