



**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 1H15 NET PROFIT SURGED 85.5% TO RMB234.3M FROM RMB126.4M IN 1H14**

- 1H15 Gross profit up 25.5% to RMB625.2m from RMB498.0m
- 1H15 gross profit margin rose to 41.5% from 38.7% in 1H14
- 1H15 beverage segment revenue up by 21.8% to RMB1,048.1m due to strong orders for Garden Fresh juices
- 1H15 domestic canned products revenue surged 47.2% to RMB175.2m due to strong orders for Grandness canned fruits
- Cash and cash equivalents increased to RMB324.0m as at 30 June 2015 compared to RMB223.6m as at 31 December 2014

Financial Highlights	2Q15	2Q14	2Q15 VS 2Q14	1H15	1H14	1H15VS 1H14
RMB (million)						
Revenue	924.8	807.8	14.5%	1,507.0	1,285.3	17.2%
Gross profit	387.7	310.6	24.8%	625.2	498.0	25.5%
Gross profit margin	41.9%	38.5%	3.4ppt	41.5	38.7	2.8ppt
Distribution & selling expenses	(111.7)	(67.6)	65.2%	(173.7)	(138.3)	25.6%
Administrative expenses	(16.9)	(22.2)	(23.9)%	(57.8)	(44.3)	30.6%
Finance costs	(103.3)	(31.7)	225.5%	(169.2)	(61.4)	175.7%
Non-cash interest expenses related to convertible bonds (A)	(98.9)	(30.0)	229.7%	(163.5)	(59.0)	177.1%
Changes in fair value of the option derivatives in relation to convertible bonds (B)	40.0	(27.3)	246.6%	107.6	(53.3)	301.8%
Net profit attributable to shareholders (C)	126.2	108.7	16.1%	234.3	126.4	85.5%
Adjusted earnings* (exclude non-cash charges due to convertible bonds)	185.1	166.0	11.5%	290.2	238.7	21.6%

\*Adjusted earnings = C-B-A

**SINGAPORE – 12 August 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 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 2015 (“1H15”).

In 1H15, net profit attributable to shareholders for the Group surged 85.5% to RMB234.3 million compared to RMB126.4 million from the same period last year (“1H14”) as a result of higher sales and improved profit margin. For the second quarter ended 30 June 2015 (“2Q15”), net profit attributable to shareholders increased by 16.1% year-on-year to RMB126.2 million from RMB108.7 million a year ago (“2Q14”).

Excluding the impact of non-cash interest expenses and changes in fair value of the option derivatives in relation to convertible bonds, adjusted earnings would have risen by 21.6% in 1H15 to RMB290.2 million compared with RMB238.7 million in 1H14.

Mr Huang Yupeng 黄育鹏, Chairman and CEO of Sino Grandness said, “I am pleased to see that demand for our own-branded products have remained strong in 1H15 as the strong growth in sales of Garden Fresh juices and Grandness canned products from the domestic market are more than enough to offset the slight decrease in sales of overseas canned products. Further, our Group gross profit margin has also improved as a result of the strong growth of own-branded products which enjoy higher profit margins compared to overseas canned products mostly sold on OEM basis with relatively lower profit margins. Apart from on-going efforts to expand within the PRC market, we have also successfully rolled out Garden Fresh juices into prominent retail channels in Hong Kong in 1H15 such as *wellcome* stores and *7-Elevens* stores. More recently, we have also expanded into **PARKnSHOP** stores, which is one of the leading supermarket chains in Hong Kong. There is potential to expand our presence further in Hong Kong this year as our distributor is presently engaged in discussions with other prominent distribution channels.”

**Revenue analysis by segments:**

	2Q		Change	Half Year (HY)		
	Apr – Jun 2015	Apr – Jun 2014		Jan – Jun 2015	Jan – Jun 2014	Change
Product segment	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Canned products						
- overseas	188,186	203,372	(7.5)	283,744	305,841	(7.2)
- domestic	111,317	78,567	41.7	175,155	119,024	47.2
Beverage	625,264	525,836	18.9	1,048,079	860,465	21.8
<b>Total</b>	<b>924,767</b>	<b>807,775</b>	<b>14.5</b>	<b>1,506,978</b>	<b>1,285,330</b>	<b>17.2</b>

In 1H15, the Group’s revenue rose by 17.2% to RMB1,507.0 million from RMB1,285.3 million in 1H14. In 2Q15, the Group’s revenue increased by 14.5% to RMB924.8

million from RMB807.8 million in 2Q14. 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 21.8% to RMB1,048.1 million in 1H15 from RMB860.5 million in 1H14 while domestic canned products sales surged 47.2% to RMB175.2 million in 1H15 from RMB119.0 million in 1H14. In 2Q15, beverage segment sales rose 18.9% to RMB625.3 million from RMB525.8 million in 2Q14 while domestic canned products segment sales jumped 41.7% to RMB111.3 million in 2Q15 from RMB78.6 million in 2Q14. 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.

Distribution and selling expenses in 1H15 increased by 25.6% to RMB173.7 million from RMB138.3 million 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 strengthen brand image in PRC market via outdoor advertising, outdoor promotional activities as well as TV advertising and sponsorship of TV program. The increase in transportation costs was mainly attributed to the higher domestic sales of beverage and canned products in the PRC market.

### **Higher Gross Profit and Gross Profit Margin (“GPM”)**

In 1H15 the Group’s gross profit increased by 25.5% to RMB625.2 million from RMB498.0 million in 1H14. In 2Q15, the Group’s gross profit increased by 24.8% to RMB387.7 million from RMB310.6 million in 2Q14. The Group’s GPM in 1H15 increased to 41.5% from 38.7% in 1H14 while GPM for 2Q15 rose to 41.9% from 38.5%. The increase in GPM of the Group for both 1H15 and 2Q15 was 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 RMB324.0 million as at 30 June 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 and net cash generated from operating activities in 1H15 partially offset by acquisition of property, plant and equipment and bank loan repaid.

### **Outlook**

Chinese consumers, as a result of higher disposable income and improved living standards, have shown increasing awareness on health and wellness. They have become more concerned about the quality and safety of food consumed. Both sustained growth in consumer spending and heightened health and wellness awareness augur well for the fruit juice and canned fruit industry in China.

To capitalize on the potential growth opportunities ahead for Garden Fresh juices and Grandness canned fruits, the Group will continue to invest in advertising and promotional

activities, sales and marketing as well as product development efforts in order to grow brand awareness, product offerings and distribution network for the Group. In March 2015, Garden Fresh brand became one of the main sponsors for a popular variety show on Shenzhen Satellite channel called 男左女右 ( “Men vs Women” ). In April 2015, the Group has commenced TV advertisements on Yunnan Satellite channel which has national coverage in China. The TV advertisements on Yunnan Satellite channel are expected to continue until October 2015. The Group believes the sponsorship deal and TV advertisements will help to increase Garden Fresh brand value and enhance brand awareness further.

In April 2015, the Group announced that it has successfully secured sizeable indicative orders of approximately RMB470 million after the conclusion of the trade exhibition held in Chengdu, Sichuan Province PRC during late March 2015 (“Chengdu Trade Exhibition”). During the Chengdu Trade Exhibition, the Group also introduced various new products including Garden Fresh loquat-lemon and loquat-kumquat beverage products as well as Grandness fruit jams.

Subsequent to our announcement on 22 July 2015, the Company had concluded discussions with CB1 and CB2 bondholders who had agreed to the extension of the maturity date. We are in the process of finalizing the legal documentation. In addition, the Company is currently in discussion with potential investors for funding on more favourable terms to further strengthen our financial position to support our business development and expansion. The Company will keep shareholders updated in due course.

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

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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, Huepeden, 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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