



Sino Grandness Food Industry Group Limited

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

(Company Registration No. 200706801H)

56th Floor, Tower A, Lian He Plaza,

No. 5022, Bin He Road, Futian District, Shenzhen, PRC (518033)

深圳市福田区滨河大道 5022 号联合广场 A 座 56 楼 (邮编:518033)

www.grandnessgroups.com

NEWS RELEASE

SINO GRANDNESS 1Q15 NET PROFIT SURGES 512.5% TO RMB108.2M FROM RMB17.7M IN 1Q14

- 1Q15 Group revenue increased 21.9% year on year (yoy) to RMB582.2m
- 1Q15 gross profit rose 26.7% yoy to RMB237.5m
- 1Q15 adjusted earnings up 44.7% yoy to RMB105.2m
- 1Q15 beverage segment revenue up by 26.4% yoy to RMB422.8m due to strong orders for Garden Fresh juices
- 1Q15 domestic canned products revenue surged 57.8% to RMB63.8m due to strong orders for Grandness canned fruits
- Cash and cash equivalents increased to RMB419.9m as at 31 March 2015 compared to RMB223.6m as at 31 December 2014
- Indicative orders secured after conclusion of Chengdu Trade Exhibition increased by 21.0% to RMB470m

Financial Highlights	1Q15	1Q14	1Q15 VS 1Q14
RMB (million)			
Revenue	582.2	477.6	21.9%
Gross profit	237.5	187.4	26.7%
Gross profit margin	40.8%	39.2%	1.6ppt
Distribution & selling expenses	(62.0)	(70.7)	(12.3)%
Administrative expenses	(40.9)	(22.1)	85.4%
Finance costs	(65.9)	(29.6)	122.4%
Non-cash interest expenses related to convertible bonds (A)	(64.6)	(29.0)	122.8%
Changes in fair value of the option derivatives in relation to convertible bonds (B)	67.6	(26.0)	N.M.
Net profit attributable to shareholders (C)	108.2	17.7	512.5%
Adjusted earnings* (exclude non-cash charged due to convertible bonds)	105.2	72.7	44.7%

*Adjusted earnings = C-B-A

SINGAPORE – 12 May 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 three months ended 31 March 2015 (“1Q15”).

In 1Q15, net profit attributable to shareholders for the Group surged more than 512.5% to RMB108.2 million compared to RMB17.7 million from the same period last year (“1Q14”) as a result of higher revenue, improving profit margin, lower distribution and selling expenses as well as non-cash adjustments in relation to convertible bonds.

Group revenue rose 21.9% in 1Q15 largely due to higher sales of Garden Fresh juices from beverage segment and Grandness products from domestic canned products segment. Distribution and selling expenses decreased 12.3% in 1Q15 to RMB62.0 million, accounting for 10.6% of Group revenue (1Q14 : 14.8% of Group revenue) mainly due to lower advertising and promotional (“A&P”) expenses partly offset by a moderate increase in transportation costs. A&P costs moderated in 1Q15 after the Group has intensified A&P activities during the preceding quarter (“4Q14”). The increase in transportation costs was mainly attributed to the higher domestic sales of beverage and canned products in the PRC market.

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 44.7% in 1Q15 to RMB105.2 million compared with RMB72.7 million in 1Q14.

Mr Huang Yupeng 黄育鹏, Chairman and CEO of Sino Grandness said, “I am pleased to see that overall sales momentum remained strong in 1Q15 as the slight decrease in export sales was more than offset by the strong growth momentum of Garden Fresh juices and Grandness canned products from the domestic market. Our own-branded products continued to perform well in the domestic PRC market as evidenced by the steady expansion in distribution network and product range. In addition to expanding our distribution network within the PRC market, we have also successfully rolled out Garden Fresh juices into prominent retail points in Hong Kong in recent months such as *wellcome* stores and 7-Elevens stores. Lastly, we are pleased to report a strong recovery in net profit in 1Q15 after recording a loss in 4Q14 as a result of non-cash adjustments related to the convertible bonds.”

In 1Q15, the Group continued to invest in various advertising and promotional activities in order to build brand awareness of its in-house brands and to expand its distribution network.

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”). The show has attracted strong viewership within China as it invited popular artists such as singers and actors as guests on the show to discuss about various issues. This program can also be viewed over various internet platforms, including the official website of the

Shenzhen Media Group at <http://www.s1979.com/tv/sztv.shtml>. The Group believes the sponsorship deal will help to increase Garden Fresh brand awareness further as the Group's products are prominently featured during the entire show.

In April 2015, the Group announced that it has successfully secured sizeable indicative orders of approximately RMB470.0 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.

Revenue analysis by segments:

	<u>1Q</u>		Change
	Jan - Mar 2015	Jan - Mar 2014	
Product segment	RMB'000	RMB'000	%
Canned products			
- overseas	95,558	102,469	(6.7)
- domestic	63,838	40,457	57.8
Beverage	422,815	334,629	26.4
Total	582,211	477,555	21.9

In 1Q15, Group revenue increased by 21.9% to RMB582.2 million from RMB477.6 million as the marginal decline in export sales of overseas canned products was offset by the stronger growth momentum of the Group's own-branded products from Chinese consumers due to growing demand and steady expansion of its distribution network within China. Beverage segment sales which comprised Garden Fresh juices rose 26.4% to RMB422.8 million in 1Q15 from RMB334.6 million in 1Q14 while sales of domestic canned products segment which comprised mainly Grandness canned fruits surged 57.8% to RMB63.8 million in 1Q15 from RMB40.5 million in 1Q14.

Higher Gross Profit Margin

Largely in line with the increase in Group sales, the Group's gross profit in 1Q15 increased by 26.7% to RMB237.5 million from RMB187.4 million. Overall gross profit margin ("GPM") for the Group in 1Q15 improved to 40.8% from 39.2% recorded in 1Q14, mainly due to improvement in profit margin of beverage segment partially offset by the decrease in profit margins of canned products segments. The increase in GPM of beverage segment was mainly attributable to lower cost of production while GPM of both overseas and domestic canned products segments decreased mainly due to higher cost of raw materials in 1Q2015 when compared to 1Q2014.

Higher Cash Balance

As a result of higher net cash generated from operating activities and lower investing activities, the Group exited the quarter with a stronger financial position with cash and

cash equivalents of RMB419.9 million as at 31 March 2015 compared to RMB223.6 million as at 31 December 2014.

Outlook

Health and wellness concerns are a growing trend for the consumers in China as a result of improving living standards and higher education. An increasing number of consumers in China now consider fruit juice products as a healthier choice when compared to carbonated drinks. As a result, per capita consumption of juices in China has exhibited stronger growth over the past few years when compared to carbonated beverages. Chinese consumers' increased health awareness is expected to continue to underpin demand for the Group's own-branded products such as Garden Fresh juices and Grandness canned fruits in China.

On top of growing its distribution network within the PRC market, the Group has successfully extended its network in Hong Kong market further by rolling out Garden Fresh juices into 7-Eleven stores in addition to wellcome stores. Presently, the two main Garden Fresh juices that are being distributed in Hong Kong are the 50% loquat juice and 50% blended hawthorn juice. As the Group continued to expand its product range within the PRC mainland market, the Group intends to also gradually expand the Garden Fresh product range available to overseas consumers as well.

The Group is also engaged in discussions with senior management of its strategic investors and distributors from Thailand to explore the possibility of exporting Garden Fresh juices into the Thailand market during the second half of 2015 and thereafter to use Thailand as a new hub to tap into other Southeast Asia markets.

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, 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.

For further information please contact :

Mr. Stephen Yong
VP, Investor Relations
Sino Grandness Food Industry Group Limited
Tel : +65-92999316
Email : ssyong@grandnessgroups.com