

CHINA MINZHONG FOOD CORPORATION LIMITED

(Registration No. 200402715N)

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

The directors are pleased to announce the results for the quarter period from 1 October 2014 to 31 December 2014 and the results for the financial period from 1 July 2014 to 31 December 2014. The comparatives are for the quarter period from 1 October 2013 to 31 December 2013 and the financial period from 1 July 2013 to 31 December 2013. These figures have not been audited.

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note 8(A)	Group				
		1.7.2014 to 31.12.2014	1.7.2013 to 31.12.2013	Change	1.10.2014 to 31.12.2014	1.10.2013 to 31.12.2013
		RMB '000	RMB '000	%	RMB '000	RMB '000
Revenue	1	1,021,505	1,542,757	(33.8%)	534,477	904,961
Cost of sales		(749,543)	(1,055,946)	(29.0%)	(390,374)	(586,579)
Gross profit	2	271,962	486,811	(44.1%)	144,103	318,382
Gross profit margin (%)		26.6%	31.6%	(5.0ppt)	27.0%	35.2%
Loss on fair value of biological assets less estimated point of sales cost	3	(4,900)	-	n.a.	(4,900)	-
Other income	4	103,689	56,886	82.3%	55,138	46,085
Selling and distribution expenses	5	(62,113)	(108,271)	(42.6%)	(36,765)	(38,220)
Administrative expenses	6	(75,295)	(71,547)	5.2%	(38,331)	(36,181)
Other expenses	7	(24,796)	(44,331)	(44.1%)	(15,965)	(33,182)
Finance cost	8	(52,034)	(30,369)	71.3%	(20,463)	(17,680)
Profit before tax	9	156,513	289,179	(45.9%)	82,817	239,204
Income tax	10	(27,059)	(38,859)	(30.4%)	(10,782)	(37,262)
Profit for the period		129,454	250,320	(48.3%)	72,035	201,942
Net Profit margin (%)		12.7%	16.2%	(3.5ppt)	13.5%	22.3%
Other comprehensive income:						
<i>Item that may be reclassified subsequently to profit or loss</i>						
- Currency translation difference arising from consolidation		(5,635)	(159)	>100%	(4,393)	(644)
- Fair value gain / (loss) arising from cash flow hedge		27,698	(47,966)	n.a.	6,301	(16,784)
Total comprehensive income		151,517	202,195	(25.1%)	73,943	184,514
Earnings per share (RMB)						
Basic		0.20	0.38	(48.3%)	0.11	0.31
Diluted		0.20	0.38	(48.3%)	0.11	0.31

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Profit before tax

Profit before tax is arrived at after charging / (crediting) the following:

	Group			
	1.7.2014 to 31.12.2014	1.7.2013 to 31.12.2013	1.10.2014 to 31.12.2014	1.10.2013 to 31.12.2013
	RMB '000	RMB '000	RMB '000	RMB '000
Depreciation of property, plant and equipment	57,122	45,819	28,686	23,455
Amortisation of land use rights	1,553	1,418	777	709
Amortisation of land improvement costs	39,985	43,533	19,516	21,002
Amortisation of operating lease prepayments	30,371	31,879	14,527	15,939
Amortisation of capitalised expenses	2,331	1,577	1,145	1,577
Loss on fair value of biological assets less estimated point of sales cost	4,900	-	4,900	-
Allowance for doubtful trade debts	8,845	12,963	8,845	12,963
Reversal of allowance for doubtful debts	(3,549)	(2,587)	(3,549)	(2,587)
Government grants	(6,140)	(24,754)	(4,811)	(23,219)
Interest income	(51,227)	(7,524)	(26,401)	(7,236)
Interest expenses	52,034	30,369	20,463	17,680

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1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31.12.2014	30.06.2014	31.12.2014	30.06.2014
	RMB'000	RMB'000	RMB'000	RMB'000
Share capital and reserves				
Share capital	1,503,789	1,503,789	1,503,789	1,503,789
Statutory reserve fund	121,090	114,349	-	-
Employees' share option reserve	2,889	4,629	2,889	4,629
Translation (deficit) / surplus	(4,829)	806	(81,077)	(1,207)
Hedging deficit	(1,475)	(29,173)	(1,475)	(29,173)
Retained earnings/ (Accumulated losses)	3,613,636	3,625,355	(85,442)	46,509
TOTAL EQUITY	5,235,100	5,219,755	1,338,684	1,524,547
Non-current assets				
Deferred tax assets	6,000	6,000	-	-
Property, plant and equipment	2,073,496	2,130,446	1,258	1,408
Land use rights	133,040	134,741	-	-
Biological assets	153,900	158,800	-	-
Land improvement costs	126,928	175,249	-	-
Investment in subsidiaries	-	-	1,226,599	1,300,835
Operating lease prepayments	269,598	328,775	-	-
Loan to a subsidiary	-	-	860,948	860,948
Current assets				
Land use rights	3,125	2,977	-	-
Biological assets	19,736	20,948	-	-
Inventories	70,405	106,614	-	-
Trade receivables	416,743	476,607	-	-
Due from a subsidiary (non-trade)	-	-	315,015	283,989
Operating lease prepayments	57,573	63,418	-	-
Other receivables and prepayments	121,412	149,895	142	220
Cash and bank balances	3,830,680	3,267,417	8,713	56,073
	4,519,674	4,087,876	323,870	340,282
TOTAL ASSETS	7,282,636	7,021,887	2,412,675	2,503,473

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1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year. (Continued)

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31.12.2014	30.06.2014	31.12.2014	30.06.2014
	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities				
Trade payables	156,845	103,453	-	-
Other payables and accruals	157,674	124,640	23,644	20,338
Bank term loans	777,095	593,680	114,582	-
Income tax liabilities	3,854	820	3,854	820
Government grants	3,060	3,265	-	-
	1,098,528	825,858	142,080	21,158
Non-current liabilities				
Government grants	17,097	18,506	-	-
Bank term loans	905,436	903,595	905,436	903,595
Deferred tax liabilities	25,000	25,000	25,000	25,000
Derivative financial instruments	1,475	29,173	1,475	29,173
	949,008	976,274	931,911	957,768
TOTAL LIABILITIES	2,047,536	1,802,132	1,073,991	978,926
NET ASSETS	5,235,100	5,219,755	1,338,684	1,524,547

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1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Bank term loans

	Unaudited 31.12.2014 RMB'000	Audited 30.6.2014 RMB'000
<u>Non-current</u>		
Interest bearing loan, unsecured	922,068	922,068
Adjustments for		
- Loan expenses	(23,419)	(23,419)
- Currency alignment	536	1,022
	899,185	899,671
Add: Amortisation of loan expenses	6,251	3,924
Net carrying amount at end of period	905,436	903,595
<u>Current</u>		
Interest bearing loans		
- Unsecured	617,095	433,680
- Guaranteed	160,000	160,000
	777,095	593,680
Total bank term loans	1,682,531	1,497,275

Interest rate for long-term bank loan is the aggregate of applicable USD LIBOR and 2.6% per annum.

Interest rates for short-term bank loans range from 3.2% to 9.3% (2014: 3.3% to 8.1%) per annum.

Sichuan Minzhong Organic Food Co., Ltd (a subsidiary of the Company) is providing guarantee for RMB160.0 million (2014: RMB160.0 million) short term bank loans to the Group.

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1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group			
	1.7.2014 to 31.12.2014	1.7.2013 to 31.12.2013	1.10.2014 to 31.12.2014	1.10.2013 to 31.12.2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Profit before income tax	156,513	289,179	82,817	239,204
Adjustments for:				
Depreciation of property, plant and equipment	57,122	45,819	28,686	23,455
Amortisation of land use rights	1,553	1,418	777	709
Amortisation of land improvement costs	39,985	43,533	19,516	21,002
Amortisation of operating lease prepayments	30,371	31,879	14,527	15,939
Amortisation of capitalised expenses	2,331	1,577	1,145	1,577
Property, plant and equipment written off	-	455	-	455
Allowance for doubtful trade debts	8,845	12,963	8,845	12,963
Reversal of allowance for doubtful debt	(3,549)	(2,587)	(3,549)	(2,587)
Biological assets	4,900	-	4,900	-
Government grants	(6,140)	(24,754)	(4,811)	(23,219)
Interest income	(51,227)	(7,524)	(26,401)	(7,236)
Interest expense on bank term loans	52,034	30,369	20,463	17,680
Gain on disposal of operating lease prepayments and land improvement costs	(1,013)	-	-	-
Operating profit before working capital changes	291,725	422,327	146,915	299,942
Inventories	36,209	2,294	52,170	4,525
Biological assets	1,212	21,582	9,284	30,099
Trade receivables	54,568	208,131	(52,913)	(140,526)
Other receivables and prepayments	24,537	147,513	10,889	51,431
Trade payables	53,392	(98,467)	(22,472)	(37,247)
Other payables and accruals	33,861	34,662	(370)	23,070
Cash generated from operations	495,504	738,042	143,503	231,294
Income tax paid	(36,776)	(6,012)	(18,548)	(6,012)
Interest received	47,942	2,113	37,421	1,825
Net cash generated from operating activities	506,670	734,143	162,376	227,107

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1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year. (Continued)

	Group			
	1.7.2014 to 31.12.2014	1.7.2013 to 31.12.2013	1.10.2014 to 31.12.2014	1.10.2013 to 31.12.2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from investing activities				
Purchase of property, plant and equipment	(9,779)	(60,162)	(4,314)	(34,160)
Proceeds from construction deposits	11,051	348,000	11,051	348,000
Proceeds from disposal of operating lease prepayments and land improvement costs	44,000	-	-	-
Refund from purchase of land use rights	17,800	-	2,800	-
Net cash generated from investing activities	63,072	287,838	9,537	313,840
Cash flows from financing activities				
Proceeds from bank loans	615,504	1,091,804	323,412	458,357
Repayment of bank loans	(423,936)	(547,715)	(323,957)	(188,715)
Government grant received	4,526	23,083	4,004	22,411
Dividend payment	(136,172)	(32,026)	-	(32,026)
Restricted cash	-	21,195	-	15,580
Interest paid	(52,034)	(30,300)	(20,463)	(18,687)
Net cash generated from / (used in) financing activities	7,888	526,041	(17,004)	256,920
Net increase in cash and cash equivalents	577,630	1,548,022	154,909	797,867
Cash and cash equivalents at beginning of periods	3,267,417	785,236	3,685,844	1,534,447
Effect of exchange rate changes in cash and cash equivalents	(14,367)	(4,603)	(10,073)	(3,659)
Cash and cash equivalents at end of period as stated in the consolidated statements of cash flows	3,830,680	2,328,655	3,830,680	2,328,655
Cash pledged to notes payables	-	20,000	-	20,000
Cash and cash equivalents at end of period as stated in the consolidated balance sheets	3,830,680	2,348,655	3,830,680	2,348,655

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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share Capital RMB'000	Statutory reserve fund RMB'000	Employees' share option reserve RMB'000	Translation deficit RMB'000	Hedging deficit RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1.7.2013	1,503,789	93,995	4,629	(677)	-	3,168,278	4,770,014
Profit for the period	-	-	-	-	-	250,320	250,320
Other comprehensive loss, net of tax	-	-	-	(159)	(47,966)	-	(48,125)
Total comprehensive income for the period	-	-	-	(159)	(47,966)	250,320	202,195
Dividend declared from profits for financial year ended 30 June 2013	-	-	-	-	-	(32,026)	(32,026)
Appropriation to statutory reserve fund	-	8,349	-	-	-	(8,349)	-
Balance at 31.12.2013	1,503,789	102,344	4,629	(836)	(47,966)	3,378,223	4,940,183

Group	Share Capital RMB'000	Statutory reserve fund RMB'000	Employees' share option reserve RMB'000	Translation deficit RMB'000	Hedging deficit RMB'000	Retained earnings RMB'000	Total equity RMB'000
Balance at 1.7.2014	1,503,789	114,349	4,629	806	(29,173)	3,625,355	5,219,755
Profit for the period	-	-	-	-	-	129,454	129,454
Other comprehensive (loss)/ income, net	-	-	-	(5,635)	27,698	-	22,063
Total comprehensive income for the period	-	-	-	(5,635)	27,698	129,454	151,517
Dividend declared from profits for financial year ended 30 June 2014	-	-	-	-	-	(136,172)	(136,172)
De-recognition of employees' share option reserve	-	-	(1,740)	-	-	1,740	-
Appropriation to statutory reserve fund	-	6,741	-	-	-	(6,741)	-
Balance at 31.12.2014	1,503,789	121,090	2,889	(4,829)	(1,475)	3,613,636	5,235,100

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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. (Continued)

<u>Company</u>	Share Capital RMB'000	Employees' share option reserve RMB'000	Translation deficit RMB'000	Hedging deficit RMB'000	Accumulated losses RMB'000	Total equity RMB'000
Balance at 1.7.2013	1,503,789	4,629	(19,040)	-	(112,078)	1,377,300
Loss for the period	-	-	-	-	(15,466)	(15,466)
Other comprehensive loss, net of tax	-	-	(12,602)	(47,966)	-	(60,568)
Total comprehensive loss for the period	-	-	(12,602)	(47,966)	(15,466)	(76,034)
Dividend declared from profits for financial year ended 30 June 2013	-	-	-	-	(32,026)	(32,026)
Balance at 31.12.2013	<u>1,503,789</u>	<u>4,629</u>	<u>(31,642)</u>	<u>(47,966)</u>	<u>(159,570)</u>	<u>1,269,240</u>

<u>Company</u>	Share Capital RMB'000	Employees' share option reserve RMB'000	Translation deficit RMB'000	Hedging deficit RMB'000	Retained earnings / (Accumulated losses) RMB'000	Total equity RMB'000
Balance at 1.7.2014	1,503,789	4,629	(1,207)	(29,173)	46,509	1,524,547
Profit for the period	-	-	-	-	2,481	2,481
Other comprehensive income/ (loss), net of tax	-	-	(79,870)	27,698	-	(52,172)
Total comprehensive loss for the period	-	-	(79,870)	27,698	2,481	(49,691)
Dividend declared from profits for financial year ended 30 June 2014	-	-	-	-	(136,172)	(136,172)
De-recognition of employees' share option reserve	-	(1,740)	-	-	1,740	-
Balance at 31.12.2014	<u>1,503,789</u>	<u>2,889</u>	<u>(81,077)</u>	<u>(1,475)</u>	<u>(85,442)</u>	<u>1,338,684</u>

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- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held on treasury shares, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

None

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at end of the current financial period and as at the end of the immediately preceding year.**

	Number of new Shares issued	Resultant Issued and Paid Up Share Capital	
		Number of Shares	(S\$'000)
As at 30 June and 31 December 2014	-	655,439,000	304,706

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at end of the current period reported on.**

During the current financial period and the immediately preceding financial year, the Company does not have any outstanding treasury shares.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been reviewed or audited by the Group's auditors.

The figures are management figures prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those used in the audited financial statements as of 30 June 2014.

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5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

As per above point 4.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding during the period.

	1.7.2014 to 31.12.2014	1.7.2013 to 31.12.2013	1.10.2014 to 31.12.2014	1.10.2013 to 31.12.2013
Based on weighted average number of ordinary shares on issue (RMB)	0.20	0.38	0.11	0.31
Weighted average number of shares (in thousands)	655,439	655,439	655,439	655,439

Diluted earnings per share

For the purpose of calculating diluted earnings per share, net profit attributable to equity holders of the Company and weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has dilutive potential share options.

	1.7.2014 to 31.12.2014	1.7.2013 to 31.12.2013	1.10.2014 to 31.12.2014	1.10.2013 to 31.12.2013
On a fully diluted basis (RMB)	0.20	0.38	0.11	0.31
Weighted average number of shares, adjusted for the effects of all dilutive ordinary shares (in thousands)	655,774	656,144	655,782	656,071

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	31.12.2014	30.6.2014	31.12.2014	30.6.2014
Net asset value per ordinary share based on issued share capital at the end of the period/year (RMB):	7.99	7.96	2.04	2.33
No. of shares in computing NAV(in thousands)	655,439	655,439	655,439	655,439

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8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

REVIEW OF PERFORMANCE

(A) Consolidated Income Statement

1. Revenue

The following table provides a breakdown of our revenue by business segments in 1HFY2015, 1HFY2014, 2QFY2015 and 2QFY2014 respectively:-

	1HFY2015 RMB'000	%	1HFY2014 RMB'000	%	2QFY2015 RMB'000	%	2QFY2014 RMB'000	%
Processed Business Segment:								
- Processed vegetables	456,405	44.7	727,176	47.1	259,208	48.5	476,148	52.6
Subtotal	456,405	44.7	727,176	47.1	259,208	48.5	476,148	52.6
Cultivation Business Segment:								
- Fresh vegetables produce	311,426	30.5	528,527	34.3	174,059	32.6	323,741	35.8
- Mushroom spores ⁽¹⁾	77,269	7.5	136,897	8.9	38,233	7.1	-	-
Subtotal	388,695	38.0	665,424	43.2	212,292	39.7	323,741	35.8
Branded Business Segment:								
- Beverages	169,600	16.6	131,394	8.5	57,247	10.7	97,810	10.8
- Others ⁽²⁾	6,805	0.7	18,763	1.2	5,730	1.1	7,262	0.8
Subtotal	176,405	17.3	150,157	9.7	62,977	11.8	105,072	11.6
Total revenue	1,021,505	100.0	1,542,757	100.0	534,477	100.0	904,961	100.0

Note:-

(1) Sales of mushroom spores.

(2) Miscellaneous products, such as instant food and health food products.

1.1 Revenue(1HFY2015 vs 1HFY2014)

Revenue for 1HFY2015 declined by 33.8% or RMB521.3 million, to RMB1,021.5 million (1HFY2014: RMB1,542.8 million). The decline was due to a decrease in sales of RMB270.8 million from the processed business segment and RMB276.7 million from the cultivation business segment, offset by an increase in sales of RMB26.2 million from the branded business segment.

Revenue of processed business segment decreased by 37.2% or RMB270.8 million, to RMB456.4 million (1HFY2014: RMB727.2 million), primarily due to decrease in sales volume by 38.2% or 8,206 tons, to 13,250 tons (1HFY2014: 21,456 tons). The weakened demand for processed products was primarily due to higher selling price arising from higher raw materials cost for vegetables processing.

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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

1.1 Revenue(1HFY2015 vs 1HFY2014) (Continued)

Revenue from the sales of fresh vegetables decreased by 41.1% or RMB217.1 million, to RMB311.4 million (1HFY2014: RMB528.5 million) mainly due to decline in sales volume by 43.7% or 78,028 tons, to 100,392 tons (1HFY2014: 178,420 tons) as a result of shortage of rural labour for cultivation activities.

Revenue from trading of mushroom spores decreased by 43.6% or RMB59.6 million, to RMB77.3 million (1HFY2014: RMB136.9 million), due to decline in sales volume by 41.8% or 16,849 tons, to 23,415 tons (1HFY2014: 40,264 tons), as a result of shortage of rural labour for cultivation activities.

Revenue from beverage business increased by 29.1% or RMB38.2 million to RMB169.6 million (1HFY2014: RMB131.4 million). Sales volume for 1HFY2015 increased by 18.0% or 12.2 million units to 79.8 million units (1HFY2014: 67.6 million units). The increase in beverage business sales is largely due to the growth of our domestic distribution channels for our branded products.

1.2 Revenue (2QFY2015 vs 2QFY2014)

Revenue for 2QFY2015 declined by 40.9% or RMB370.5 million, to RMB534.5 million (2QFY2014: RMB905.0 million). The decline was due to a decrease in sales of RMB216.9 million from the processed business segment, RMB111.5 million from the cultivation business segment, and RMB42.1 million from the branded business segment.

Revenue of processed business segment decreased by 45.6% or RMB216.9 million, to RMB259.2 million (2QFY2014: RMB476.1 million), primarily due to decrease in sales volume by 53.8% or 7,403 tons, to 6,346 tons (2QFY2014: 13,749 tons), offset by increase in average selling price ("ASP") by 17.9%. The weakened demand for processed products was primarily due to higher selling price arising from higher raw materials cost for vegetables processing.

Revenue from the sales of fresh vegetables decreased by 46.2% or RMB149.6 million, to RMB174.1 million (2QFY2014: RMB323.7 million) mainly due to decline in sales volume by 47.3% or 51,321 tons, to 57,128 tons (2QFY2014: 108,449 tons) as a result of shortage of rural labour for cultivation activities.

Revenue from trading of mushroom spores increased by RMB38.2 million, due to timing difference of mushroom spores trading. Conventional mushroom cultivation typically commenced after summer season and the mushroom spores are usually traded in September and October each year.

Revenue from beverage business decreased by 41.5% or RMB40.6 million to RMB57.2 million (2QFY2014: RMB97.8 million). Sales volume for 2QFY2015 decreased by 48.7% or 24.9 million units to 26.2 million units (2QFY2014: 51.1 million units), due to the surge in sales resulting from more aggressive marketing/branding promotion of beverage products in 2QFY2014.

CHINA MINZHONG FOOD CORPORATION LIMITED

(Registration No. 200402715N)

REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

2. Gross Profit

The following table provides a breakdown of our gross profit by business segments in 1HFY2015, 1HFY2014, 2QFY2015 and 2QFY2014 respectively:-

	1HFY2015 RMB'000	%	1HFY2014 RMB'000	%	2QFY2015 RMB'000	%	2QFY2014 RMB'000	%
Processed Business Segment:								
- Processed vegetables	98,146	36.1	205,745	42.2	61,038	42.4	140,790	44.2
Subtotal	98,146	36.1	205,745	42.2	61,038	42.4	140,790	44.2
Cultivation Business Segment:								
- Fresh vegetables produce	91,015	33.5	212,214	43.6	55,821	38.7	144,217	45.3
- Mushroom spores ⁽¹⁾	5,568	2.0	31,439	6.5	2,894	2.0	-	-
Subtotal	96,583	35.5	243,653	50.1	58,715	40.7	144,217	45.3
Branded Business Segment:								
- Beverages	77,271	28.4	39,496	8.1	23,989	16.6	34,491	10.8
- Others ⁽²⁾	(38)	-	(2,083)	(0.4)	361	0.3	(1,116)	(0.3)
Subtotal	77,233	28.4	37,413	7.7	24,350	16.9	33,375	10.5
Total gross profit	271,962	100.0	486,811	100.0	144,103	100.0	318,382	100.0

Note:-

(1) Sales of mushroom spores.

(2) Miscellaneous products, such as instant food and health food products.

2.1 Gross Profit (1HFY2015 vs 1HFY2014)

Gross profit for 1HFY2015 decreased by 44.1% or RMB214.8 million, to RMB272.0 million (1HFY2014: RMB486.8 million). Overall gross profit margin decreased by 5.0ppt to 26.6% (1HFY2014: 31.6%).

Gross profit from processed vegetables decreased by 52.3% or RMB107.6 million, to RMB98.1 million (1HFY2014: RMB205.7 million), in tandem with the decrease in revenue. Gross profit margin for processed vegetables decreased by 6.8ppt to 21.5% (1HFY2014: 28.3%), primarily due to increase in raw materials costs.

Gross profit from cultivation business segment decreased by 60.4% or RMB147.1 million, to RMB96.6 million (1HFY2014: RMB243.7 million), in tandem with the decrease in revenue. Gross profit margin for cultivation business segment decreased by 11.8ppt to 24.8% (1HFY2014: 36.6%), primarily due to increase in labour costs.

Gross profit from beverage business increased by 95.7% or RMB37.8 million, to RMB77.3 million (1HFY2014: RMB39.5 million), in tandem with the increase in revenue. Gross profit margin for beverage business increased by 15.5ppt to 45.6% (1HFY2014: 30.1%), primarily due to lower unit fixed costs as production volume increases.

CHINA MINZHONG FOOD CORPORATION LIMITED

(Registration No. 200402715N)

REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

2.2 Gross Profit (2QFY2015 vs 2QFY2014)

Gross profit for 2QFY2014 decreased by 54.7% or RMB174.3 million, to RMB144.1 million (2QFY2014: RMB318.4 million). Our overall gross profit margin decreased by 8.2ppt to 27.0% (2QFY2014: 35.2%).

Gross profit from processed vegetables decreased by 56.7% or RMB79.8 million, to RMB61.0 million (2QFY2014: RMB140.8 million). Gross profit margin for processed vegetables decreased by 6.1ppt to 23.5% (2QFY2014: 29.6%), primarily due to an increase in raw materials costs.

Gross profit from cultivation business segment decreased by 59.3% or RMB85.5 million, to RMB58.7 million (2QFY2014: RMB144.2 million), in tandem with the decrease in revenue. Gross profit margin for cultivation business segment decreased by 16.8ppt to 27.7% (2QFY2014: 44.5%), primarily due to an increase in labour costs, and low margin mushroom spores being traded during this quarter.

Gross profit from beverage business decreased by 30.4% or RMB10.5 million, to RMB24.0 million (2QFY2014: RMB34.5 million), in tandem with the decrease in revenue.

3 Loss on fair value of biological assets less estimate point of sales cost

The loss on fair value of biological assets of RMB4.9 million, was due to natural progression over the remaining lease term of the bamboo plantation, through realising the actual returns by recognising sales from harvesting during this financial period.

CHINA MINZHONG FOOD CORPORATION LIMITED

(Registration No. 200402715N)

REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

4. Other income

The breakdown of other income is as follows:

Other income	1HFY2015	1HFY2014	2QFY2015	2QFY2014
	RMB'000	RMB'000	RMB'000	RMB'000
Government grants	6,140	24,754	4,811	23,219
Rental income ⁽¹⁾	33,605	21,665	20,029	12,706
Gain on disposal of scrap materials, net	366	153	197	134
Reversal of allowance for doubtful debts	3,549	2,587	3,549	2,587
Interest income	51,227	7,524	26,401	7,236
Gain on disposal of operating lease prepayments and land improvement costs	1,013	-	-	-
Others	7,789	203	151	203
Total	103,689	56,886	55,138	46,085

Note:-

(1) Comprises of proceeds received from renting farmland/building spaces to third parties

4.1 Other income (1HFY2015 vs 1HFY2014)

Other income increased by 82.2% or RMB46.8 million, to RMB103.7 million (1HFY2014: RMB56.9 million), mainly due to increase in interest income of RMB43.7 million from bank deposits, increase in rental income of RMB11.9 million and refund of property tax of RMB7.5 million, offset by decrease in government grants of RMB18.6 million received.

4.2 Other income (2QFY2015 vs 2QFY2014)

Other income increased by 19.5% or RMB9.0 million, to RMB55.1 million (2QFY2014: RMB46.1 million), mainly due to increase in interest income of RMB19.2 million from bank deposits, increase in rental income of RMB7.3 million, offset by decrease in government grants of RMB18.4 million received.

CHINA MINZHONG FOOD CORPORATION LIMITED

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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

5.1 Selling and distribution expenses (1HFY2015 vs 1HFY2014)

Selling and distribution expenses decreased by 42.7% or RMB46.2 million, to RMB62.1 million (1HFY2014: RMB108.3 million), mainly due to decrease of RMB48.2 million for marketing and advertising expenses.

5.2 Selling and distribution expenses (2QFY2015 vs 2QFY2014)

Selling and distribution expenses remain relatively constant at RMB36.8 million (2QFY2014: RMB38.2 million).

6.1 Administrative expenses (1HFY2015 vs 1HFY2014)

Administrative expenses increased by 5.3% or RMB3.8 million, to RMB75.3 million (1HFY2014: RMB71.5 million), mainly due to increase in depreciation expenses of RMB12.2 million, offset by decrease in professional expenses of RMB8.1 million.

6.2 Administrative expenses (2QFY2015 vs 2QFY2014)

Administrative expenses increased by 6.1% or RMB2.2 million, to RMB38.4 million (2QFY2014: RMB36.2 million), mainly due to increase in depreciation expenses of RMB4.4 million, offset by decrease in professional expenses of RMB3.1 million.

CHINA MINZHONG FOOD CORPORATION LIMITED

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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

7 Other expenses

The breakdown of other expenses is as follows:

Other expenses	1HFY2015	1HFY2014	2QFY2015	2QFY2014
	RMB'000	RMB'000	RMB'000	RMB'000
Rental expenses	27,559	17,778	16,342	10,667
Allowance for doubtful trade debts	8,845	12,963	8,845	12,963
Loss of biological assets	-	4,445	-	4,445
Exchange (gain) / loss, net	(12,205)	2,642	(9,769)	(1,105)
Others	597	6,503 ⁽¹⁾	547	6,212 ⁽¹⁾
Total	24,796	44,331	15,965	33,182

Note:-

(1) Others mainly relates to expenses associated with corporate social responsibility activities, such as providing education sponsorship and promoting of community activities in Putian City, Fujian Province, PRC.

7.1 Other expenses (1HFY2015 vs 1HFY2014)

Other expenses decreased by 44.0% or RMB19.5 million to RMB24.8 million (1HFY2014: RMB44.3 million), mainly due to decrease in exchange loss and allowance for doubtful trade debts, of RMB14.8 million and RMB4.1 million respectively.

7.2 Other expenses (2QFY2015 vs 2QFY2014)

Other expenses decreased by 51.8% or RMB17.2 million to RMB16.0 million (2QFY2014: RMB33.2 million), mainly due to decrease in exchange loss and allowance for doubtful trade debts, of RMB8.7 million and RMB4.1 million respectively.

8.1 Finance cost (1HFY2015 vs 1HFY2014)

Finance cost increased by RMB21.6 million, to RMB52.0 million (1HFY2014: RMB30.4 million) due to increased bank borrowings.

8.2 Finance cost (2QFY2015 vs 2QFY2014)

Finance cost increased by RMB2.8 million, to RMB20.5 million (2QFY2014: RMB17.7 million) due to increased bank borrowings.

CHINA MINZHONG FOOD CORPORATION LIMITED

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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

9.1 Profit before tax (1HFY2015 vs 1HFY2014)

Profit before tax decreased by 45.9% or RMB132.7 million, to RMB156.5 million (1HFY2014: RMB289.2 million), in tandem with the decrease of gross profit, offset by lower selling and distribution expenses and higher other income.

9.2 Profit before tax (2QFY2015 vs 2QFY2014)

Profit before tax decreased by 65.4% or RMB156.4 million, to RMB82.8 million (2QFY2014: RMB239.2 million), in tandem with the decrease of gross profit.

10.1 Income tax (1HFY2015 vs 1HFY2014)

Income tax expense decreased by 30.3% or RMB11.8 million, to RMB27.1 million (1HFY2014: RMB38.9 million), in tandem with the decrease of profit before tax.

10.2 Income tax (2QFY2015 vs 2QFY2014)

Income tax expense decreased by 71.0% or RMB26.5 million, to RMB10.8 million (2QFY2014: RMB37.3 million), in tandem with the decrease of profit before tax.

CHINA MINZHONG FOOD CORPORATION LIMITED

(Registration No. 200402715N)

REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

11.1 EBITDA (1HFY2015 vs 1HFY2014)

Our EBITDA decreased by 32.7% or RMB142.7 million, to RMB293.6 million (1HFY2014: RMB436.3 million).

11.2 EBITDA (2QFY2015 vs 2QFY2014)

Our EBITDA decreased by 53.1% or RMB165.9 million, to RMB146.4 million (2QFY2014: RMB312.3million).

A reconciliation of the net income and EBITDA is as follows:

	Group			
	1HFY2015	1HFY2014	2QFY2015	2QFY2014
	RMB'000	RMB'000	RMB'000	RMB'000
Net income	129,454	250,320	72,035	201,942
Add / (Less):				
Interest expenses	52,034	30,369	20,463	17,680
Interest income	(51,227)	(7,524)	(26,401)	(7,236)
Income tax expense	27,059	38,859	10,782	37,262
Depreciation of property, plant and equipment	57,122	45,819	28,686	23,455
Amortisation of land use rights	1,553	1,418	777	709
Amortisation of land improvement costs	39,985	43,533	19,516	21,002
Amortisation of operating lease prepayments	30,371	31,879	14,527	15,939
Amortisation of capitalised expense	2,331	1,577	1,145	1,577
Loss on fair value of biological assets less estimated point of sales cost	4,900	-	4,900	-
EBITDA	293,582	436,250	146,430	312,330
EBITDA margins	28.7%	28.3%	27.4%	34.5%

CHINA MINZHONG FOOD CORPORATION LIMITED

(Registration No. 200402715N)

REVIEW OF PERFORMANCE (Continued)

(B) Consolidated Balance Sheet (31 December 2014 vs 30 June 2014)

Non-current assets

Non-current assets decreased by approximately 5.8% or RMB171.0 million, to RMB2,763.0 million (30 June 2014: RMB2,934.0 million), primarily due to disposal of operating lease prepayments and land improvement costs of RMB43.0 million and the result of amortisation and depreciation expenses.

Current assets

Current assets increased by 10.6% or RMB431.8 million, to RMB4,519.7 million (30 June 2014: RMB4,087.9 million), primarily due to increased cash and bank balances of RMB563.3 million, offset by a decline in inventories, trade receivables, and other receivables and prepayments, of RMB36.2 million, RMB59.9 million and RMB28.5 million respectively. The increased in cash and bank balances was mainly due to collections from trade debtors.

Non-current liabilities

Non-current liabilities decreased by 2.8% or RMB27.3 million to RMB949.0 million (30 June 2014: RMB976.3 million), primarily due to mark to market value of the derivative financial instrument, amounting to RMB27.7 million. This derivative financial instrument is pertaining to the Cross Currency Swap transactions entered pursuant to the long term loan facility.

Current liabilities

Current liabilities increased by 33.0% or RMB272.6 million, to RMB1,098.5 million (30 June 2014: RMB825.9 million). This was largely attributable to increase in short term bank financing of RMB183.4 million and increase in trade and other payables and accruals of RMB86.4 million.

Working capital days

<u>Days</u>	For the 12 Months ended	
	31 December 2014	30 June 2014
Trade Receivables Turnover ⁽¹⁾	99	99
Trade Payables Turnover ⁽²⁾	(40)	(38)
Inventory Turnover ⁽³⁾	23	25
Cash Conversion	82	86

The turnover days remained relatively stable.

Note:-

(1) Average trade receivables / revenue x 365 days

(2) Average trade payables / cost of goods sold x 365days

(3) Average inventory balance / cost of goods sold for processed products x 365 days

CHINA MINZHONG FOOD CORPORATION LIMITED

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REVIEW OF PERFORMANCE (Continued)

(C) Consolidated Cash Flow Statement

1HFY2015

For the 6 months ended 31 December 2014, we recorded a net cash inflow from operating activities of RMB506.7 million. This comprised cash generated from operating activities before changes in working capital of RMB291.7 million, net working capital inflow of RMB203.8 million, income tax payment of RMB36.8 million and interest income of RMB48.0 million received. The net working capital inflow was a result of decrease in trade and non-trade receivables, of RMB54.6 million and RMB24.5 million respectively, decrease in inventories and biological assets, of RMB36.2 million and RMB1.2 million respectively, and increase in trade and non-trade payables, of RMB53.4 million and RMB33.9 million respectively.

For the 6 months ended 31 December 2014, net cash generated from investing activities of RMB63.1 million was mainly due to proceeds from disposal of operating lease prepayments and land improvement costs, refund of deposits for land use rights and construction, of an aggregated amount of RMB72.9 million, offset by property, plant and equipment additions of RMB9.8 million.

For the 6 months ended 31 December 2014, net cash generated from financing activities of RMB7.9 million was attributable to the net proceeds from our bank borrowings, amounting to RMB191.6 million and government grant of RMB4.5 million received, offset by dividend and interest paid, of RMB136.2 million or RMB52.0 million respectively.

2QFY2015

For the 3 months ended 31 December 2014, we recorded a net cash inflow from operating activities of RMB162.4 million. This comprised cash generated from operating activities before changes in working capital of RMB146.9 million, net working capital outflow of RMB3.4 million, income tax payment of RMB18.5 million and interest income of RMB37.4 million received. The net working capital outflow was a result of increase in trade receivables of RMB52.9 million, and decrease in trade payables and non-trade payables, of RMB22.5 million and RMB0.4 million respectively, offset by decrease in inventories, biological assets and non-trade receivables, of RMB52.2 million, RMB9.3 million and RMB10.9 million respectively.

For the 3 months ended 31 December 2014, net cash generated from investing activities of RMB9.5 million was mainly due to refund of deposits for land use rights and construction, of an aggregated amount of RMB13.8 million, offset by property, plant and equipment additions of RMB4.3 million.

For the 3 months ended 31 December 2014, net cash used from financing activities of RMB17.0 million was mainly attributable to interest paid of RMB20.5 million, offset by government grant of RMB4.0 million received.

CHINA MINZHONG FOOD CORPORATION LIMITED
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9. **Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

No forecast had been issued for the financial period under review.

10. **A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The agriculture industry in PRC continues to be strongly supported and favoured by the PRC government, particularly in the use of modern agriculture technology to increase food security and raise farmers' income. At the same time, the rising domestic consumption in PRC presents many growth opportunities for the Group's branded business segment. However, the cultivation and processed business segments will continue to face challenges ahead in view of the shortage of rural labour for cultivation activities and rising costs.

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11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not Applicable.

(d) Books closure date

Not Applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared/recommended for the current financial period reported on.

13. Present on-going interested person transactions

For the financial period ended 31 December 2014, the Group has been supplying processed vegetables to the Company's immediate holding company, PT Indofood Sukses Makmur Tbk. These sales, amounting to RMB1.9 million, were transacted on an arm's length basis in the ordinary and usual course of business. To date, no interested person transactions ("IPT") mandate has been obtained.

CHINA MINZHONG FOOD CORPORATION LIMITED

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14. Proceeds Usage Report

The Company refers to the net proceeds amounted to S\$85.2 million raised from the allotment and issuance of 98,000,000 New Shares to PT Indofood Sukses Makmur Tbk, at S\$0.915 per New Share, on 27 February 2013.

As at the date of this announcement, the utilisation of the net proceeds is as follows:

Intended Use	Amount allocated (S\$' million)	Amount utilised (S\$' million)
Expansion of the Group's industrialised farming operation	70.0	-
General working capital for materials purchases	15.2	15.2
Total	85.2	15.2

BY ORDER OF THE BOARD

LIN GUO RONG
Chief Executive Officer
13 February 2015

CHINA MINZHONG FOOD CORPORATION LIMITED
(Registration No. 200402715N)

**FINANCIAL RESULTS OF THE COMPANY AND THE GROUP FOR THE FINANCIAL PERIOD ENDED
31 DECEMBER 2014**

We confirmed that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the Second Quarter financial results of the Company and the Group for the financial period ended 31 December 2014 to be false or misleading in any material aspect.

For and on behalf of the Board

LIN GUO RONG
Director

LIM YEOW HUA
Director