



CHINA MINZHONG FOOD CORPORATION LIMITED

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FOR IMMEDIATE RELEASE

CHINA MINZHONG POSTS REVENUE OF RMB2.2 BILLION AND NET PROFIT OF RMB383.6 MILLION IN 9MFY14

- Better sales performances recorded in cultivation and branded business segments.
- Net cash from operations increased 39.7% to RMB1.2 billion, on healthy receivables collection and better working capital management.
- Continued expansion into industrialised farming across PRC.

Singapore, 29 April 2014 – China Minzhong Food Corporation Limited (中国闽中食品有限公司) (“China Minzhong” or the “Group”) (SGX: K2N.SI; Bloomberg quote: MINZ SP), today posted revenue of RMB2.2 billion and net profit of RMB383.6 million for the 9 months ended 31 March 2014 (“9MFY14”). For the latest quarter ended 31 March 2014 (“3QFY14”), the Group recorded revenue and net profit of RMB690.3 million and RMB133.3 million respectively.

Summary of Results

RMB 'million	9MFY14	9MFY13	% change	3QFY14	3QFY13	% change
Revenue	2,233.0	2,436.5	(8.4%)	690.3	962.2	(28.3%)
Gross profit	731.7	823.0	(11.1%)	244.9	322.8	(24.1%)
Gross margin (%)	32.8%	33.8%	(1 ppt)	35.5%	33.5%	2.0 ppt
EBITDA ¹	682.1	850.9	(19.8%)	245.8	345.1	(28.8%)
Profit before tax	471.1	630.2	(25.2%)	181.9	269.8	(32.6%)
Net profit after tax	383.6	592.4	(35.3%)	133.3	255.0	(47.7%)
Net operating cash flow	1,239.5	887.5	39.7%	505.4	280.5	80.2%

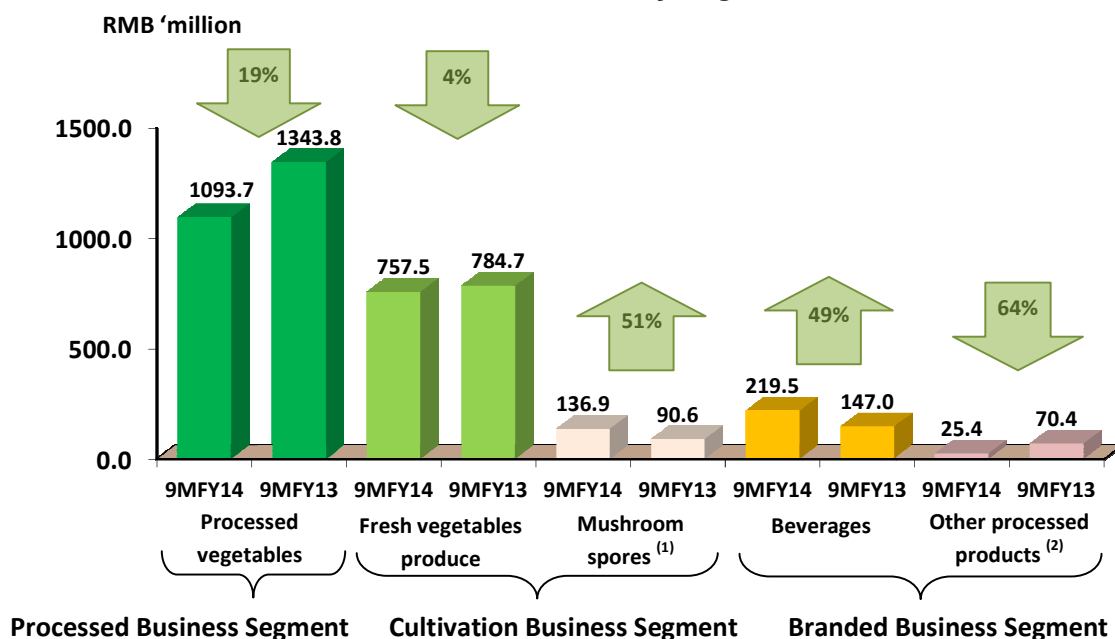
¹EBITDA refers to earnings before interest, tax, depreciation and amortization.



Since 1971

Review of 9MFY14 Results

Revenue breakdown by segments

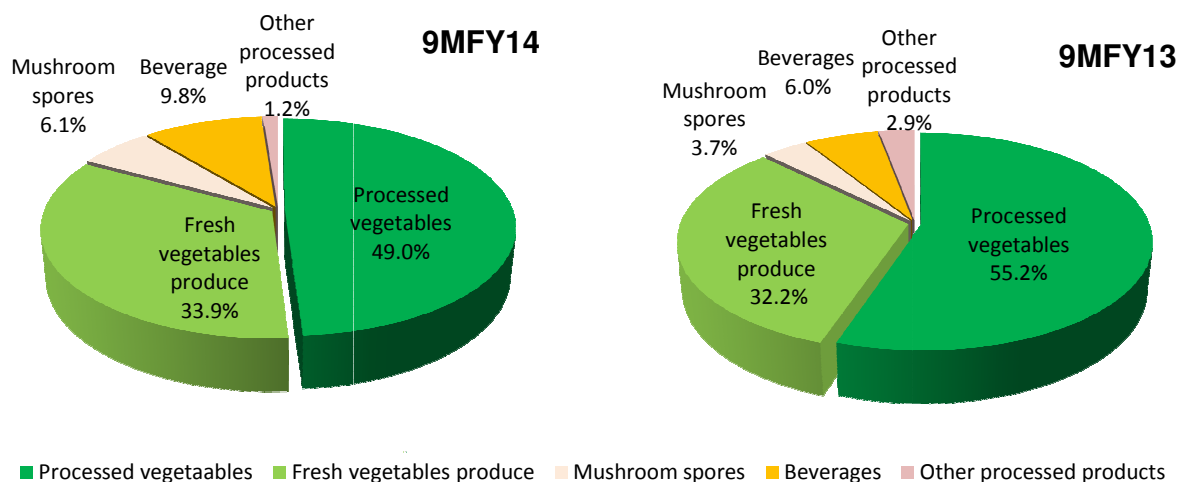


Note:-

(1) Sales of mushroom spores.

(2) Include IQF processed products, and other miscellaneous products (such as instant food and health food products).

Revenue percentage contribution by segments





Review of Results (Continued)

For 9MFY14, revenue declined 8.4% (or RMB203.5 million) to RMB2.2 billion on the back of a RMB250.1 million decrease in sales in the processed business segment. The less favourable performance was mainly due to a sales decline in fresh-packed products, where in light of food inflation and rising labour costs, have become less competitive relative to other Southeast Asian countries.

However, the cultivation and branded business segments bucked the trend, with sales increases of RMB19.1million and RMB27.5 million respectively. The cultivation business segment benefited from an increase in mushroom spores sales while the branded business segment gained traction through the expansion of domestic distribution channels and successful brand building efforts.

Gross profit in 9MFY14 declined 11.1% to RMB731.7 million while gross profit margin slipped by 1.0ppt to 32.8% due to higher raw material costs for processed vegetables and rising labour costs in the cultivation segment. However, gross profit margin for beverages increased 4.4ppt to 35.2% due to lower unit fixed cost as production volume increases.

Selling and distribution expenses increased RMB49.6 million, mainly due to an increase in marketing and advertising expenses of RMB40.0 million for our branded products domestically. Administrative expenses increased by RMB36.7 million, mainly due to a rise in professional fees and higher depreciation expenses as a result of property, plant and equipment additions during the period.

Profit before income tax declined by 25.2% to RMB471.1 million while net profit after tax declined 35.3% to RMB383.6 million due to higher income tax expenses. Fresh vegetables produce and certain categories of processed vegetables (eg. fresh-packed products) are exempted from income tax in PRC. In 9MFY14, the Group sold a higher proportion of brined products and branded beverages which are taxable, versus fresh-packed products which are tax exempted.



Review of Results (Continued)

Net cash generated from operating activities rose 39.7% to RMB1,239.5 million on healthy receivables and better working capital management. Net cash used in investing activities was RMB237.9 million while net cash generated from financing activities amounted to RMB794.0 million. Overall cash and bank balances increased to RMB3,059.4 million as at 31 March 2014 (30 June 2013: RMB826.4 million).

Outlook

The global and domestic consumption demand for both fresh vegetables and processed vegetables remains healthy, underpinned by growing consumer affluence, rising urbanization and preferences for healthy dietary eating habits. The agriculture industry in PRC continues to be strongly supported and favoured by the PRC government, particularly in the adoption of large-scale farming and use of modern agriculture technology. The No. 1 Central Document, which sets national policy priorities every year, has focused on rural matters since 2004. This year, it underscores the importance of rural reform, developing modern agriculture and maintaining food security.

The Group has kick-started the industrialised farming of champignon mushrooms in its Tianjin and Jiangsu cultivation bases, which will capitalise on the growing demand in the domestic markets and increase the raw material self-sufficiency for the Group's processing needs going forward. Meanwhile, the Group is also experimenting with the use of industrialized farming methodology for other high value crops to capitalise on the rising affluence in PRC.

Group's Executive Chairman and CEO Mr. Lin Guo Rong (林国荣) said, "As the trend of rising labour costs and growing shortage of rural labour continues, we see our expansion into industrialised farming as a step in the right direction. At the same time, we are also shifting away from price competitive sectors such as fresh packed products, to focus on other higher margin product segments."

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About China Minzhong Food Corporation Limited

China Minzhong (Bloomberg stock quote: MINZ SP) is a leading, internationally accredited, integrated vegetable processor in the People's Republic of China ("PRC"). Operating since 1971, China Minzhong has seven cultivation bases in the PRC and distributes its products to over 32 different countries around the world. Its key products consist of fresh vegetables produce and more than 100 types of processed vegetables, which include air-dried, freeze-dried, fresh-packed and brined products. China Minzhong's products have been awarded numerous international and domestic awards and certifications, including the ISO22000 (which incorporates the HACCP standards) and ISO 9001 standards, a testament to the Group's high quality assurance. China Minzhong's fresh organic vegetables are also certified by BCS Oko-Garantie GmbH, a German accreditation body which certifies organic standards imposed by the European Union.

Since 2002, China Minzhong has been named a "National Leading Dragon Head Enterprise" by the PRC government in recognition of its status as a leading agricultural enterprise. Currently, China Minzhong's new processing facilities are located at its New Industrial Park in Putian City, Fujian Province, PRC. The Group is also expanding its climate-controlled industrialized farming model across major cities in PRC.

For more information, please visit www.chinaminzhong.com

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