



CHINA MINZHONG FOOD CORPORATION LIMITED

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FOR IMMEDIATE RELEASE

CHINA MINZHONG POSTS REVENUE OF RMB2.9 BILLION AND NET PROFIT OF RMB509.5 MILLION IN FY14

- Branded business segment benefited from wider distribution network and increased consumer awareness
- Net cash from operations increased 57.7% to RMB1.4 billion, on healthy receivables collection and better working capital management.
- Continued expansion into industrialised farming across PRC

Singapore, 25 July 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 RMB2.9 billion and net profit of RMB509.5 million for the full year ended 30 June 2014 (“FY14”). For the latest quarter ended 30 June 2014 (“4QFY14”), the Group recorded revenue and net profit of RMB663.6 million and RMB125.9 million respectively.

Summary of Results

RMB 'million	FY14	FY13	% change	4QFY14	4QFY13	% change
Revenue	2,896.6	3,247.8	(10.8%)	663.6	811.3	(18.2%)
Gross profit	952.1	1,115.7	(14.7%)	220.4	292.6	(24.7%)
Gross margin (%)	32.9%	34.4%	(1.5ppt)	33.2%	36.1%	(2.9ppt)
EBITDA ¹	884.9	1,110.0	(20.3%)	202.8	250.4	(19.0%)
Profit before tax	621.7	801.9	(22.5%)	150.6	171.8	(12.3%)
Net profit after tax	509.5	755.1	(32.5%)	125.9	162.7	(22.6%)
Net operating cash flow	1,413.7	896.4	57.7%	174.2	8.9	>100%

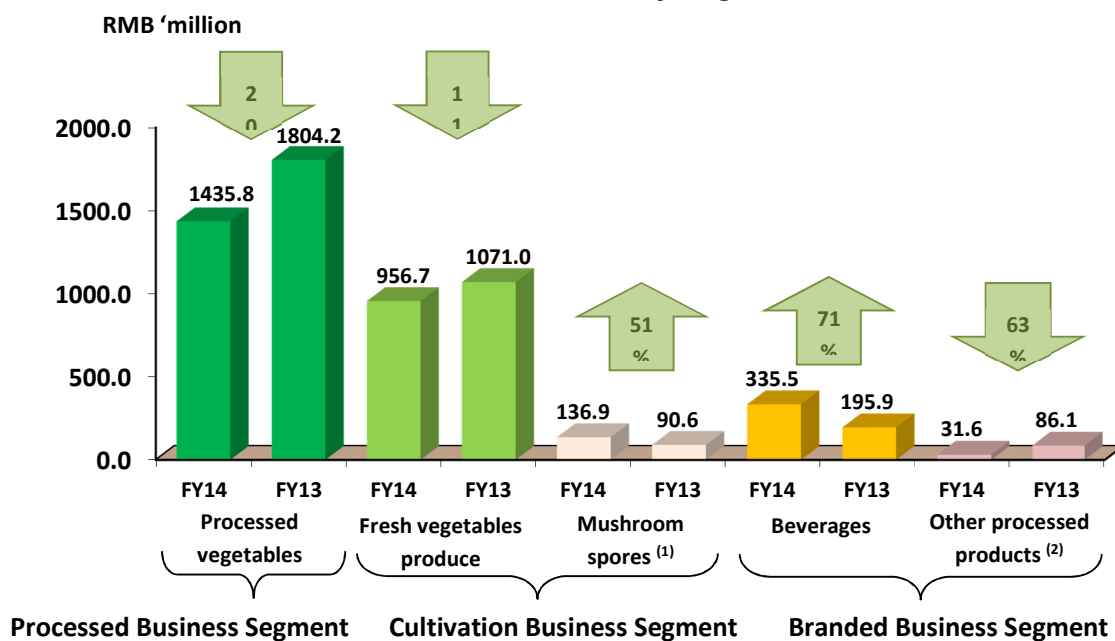
¹EBITDA refers to earnings before interest, tax, depreciation and amortization.



Since 1971

Review of FY14 Results

Revenue breakdown by segments

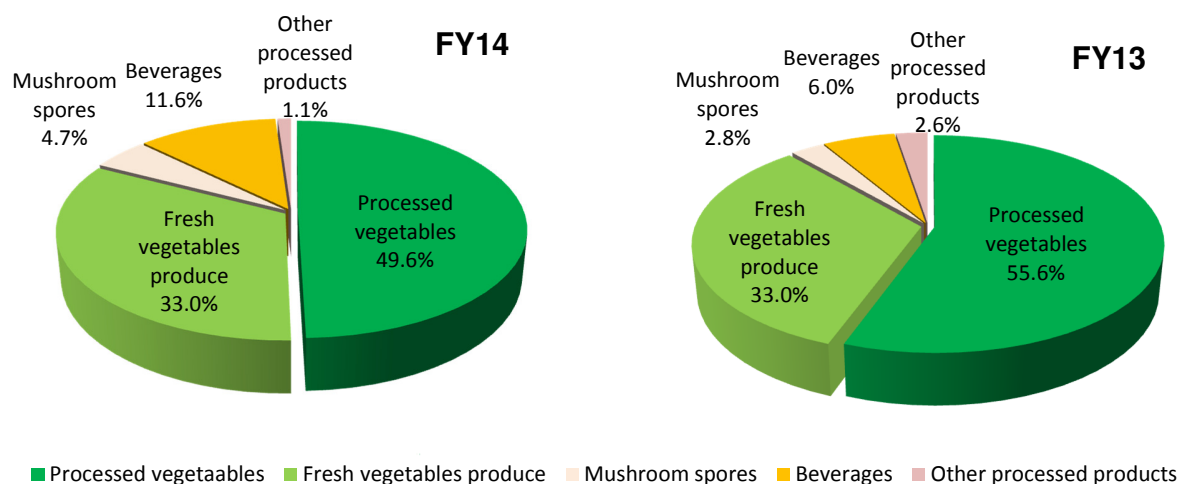


Note:-

(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 FY14, revenue declined 10.8% (or RMB351.2 million) to RMB2.9 billion, mainly due to a decrease in sales of RMB368.4 million in the processed business segment. The less favourable performance was mainly attributed 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. Revenue for the cultivation business segment recorded a smaller decline of RMB67.9 million, mainly due to lower selling prices for fresh vegetables produce, but partly offset by increases in mushroom spores sales.

On the other hand, the branded business segment bucked the trend with a sales increase of RMB85.2 million, as a result of the growth of domestic distribution channels and successful brand building efforts.

Gross profit in FY14 declined 14.7% to RMB952.1 million while gross profit margin slipped by 1.5ppt to 32.9% due to higher raw material costs for processed vegetables and rising labour costs in the cultivation segment. However, gross profit margin for beverages increased 12.2ppt to 39.4% due to lower unit fixed cost as production volume increases.

Selling and distribution expenses increased RMB40.2 million, mainly due to an increase in marketing and advertising expenses for our branded products domestically and an increase in marketing personnel headcount. Administrative expenses increased by RMB40.5 million, mainly due to a rise in professional fees, and higher depreciation expenses and property tax.

Profit before income tax declined by 22.5% to RMB621.7 million and net profit after tax declined 32.5% to RMB509.5 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 FY14, 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 57.7% to RMB1,413.7 million on healthy receivables and better working capital management. Net cash generated from financing activities amounted to RMB828.7 million. Overall cash and bank balances increased to RMB3,267.4 million as at 30 June 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.

In view of the trend of rising labour costs, shortage of farmers due to government urbanisation program, higher productivity, cost efficiency and ability to harvest all year round without weather disruption, the Group see its expansion into industrialised farming as a step in the right direction. The standardised cultivation procedures in industrialised farming allow for more labour specialisation and lesser reliance on labour. Meanwhile, the Group is also experimenting 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, "With rising labour costs and growing shortage of rural labour, we are gradually shifting from conventional open-field farming in the villages to industrialised farming located in factory spaces closer to the cities so as to have access to a larger labour pool. Our new industrialised farming capacity for champignon mushrooms cultivation at our Tianjin cultivation base has already started contributions and 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. The Group's new industrialised farming base in Jiangsu province is expected to commence operations by the end of this year."



Riding on the increasing domestic consumption in PRC, the Group also envisages a lot of growth opportunities for its branded business segment, particularly its beverages products, which has grown to become a significant revenue contributor. Through targeted advertising and marketing activities, the Group will be taking steps to increase the consumer awareness and enhance the branding of its products, and at the same time expanding its network of distribution channels to reach out to more consumers.

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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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