

CIRCULAR DATED 24 NOVEMBER 2016

THIS CIRCULAR IS ISSUED BY CHINA MINZHONG FOOD CORPORATION LIMITED. THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF ZICO CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION AND YOU SHOULD READ IT CAREFULLY.

If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your issued ordinary shares in the capital of China Minzhong Food Corporation Limited (the “**Company**”), you should immediately forward this Circular to the purchaser, the transferee or the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or the transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.



CHINA MINZHONG FOOD CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200402715N)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

VOLUNTARY CONDITIONAL OFFER

by

CIMB BANK BERHAD (13491-P)

Singapore Branch
(Incorporated in Malaysia)

for and on behalf of

MARVELLOUS GLORY HOLDINGS LIMITED

(Company Registration No. 1919546)
(Incorporated in the British Virgin Islands)

to acquire all the issued and paid-up ordinary shares in the capital of the Company other than those already held by the Offeror (as defined herein) as at the date of the Offer (as defined herein)

Independent Financial Adviser to the Independent Directors



ZICO CAPITAL PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 201613589E)

SHAREHOLDERS SHOULD NOTE THAT THE OFFER DOCUMENT (AS DEFINED HEREIN) STATES THAT ACCEPTANCES OF THE OFFER SHOULD BE RECEIVED BY THE OFFEROR BY 5.30 P.M. (SINGAPORE TIME) ON 8 DECEMBER 2016 OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR. ACCORDINGLY, SHAREHOLDERS WHO WISH TO ACCEPT THE OFFER MUST DO SO BY SUCH TIME AND DATE.

CONTENTS

	Page
DEFINITIONS	3
CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS	10
INDICATIVE TIMETABLE	11
LETTER TO SHAREHOLDERS	12
1. INTRODUCTION	12
2. THE OFFER	14
3. TERMS AND CONDITIONS OF THE EXCHANGEABLE BONDS	17
4. IRREVOCABLE UNDERTAKINGS	19
5. INFORMATION ON THE OFFEROR	21
6. RATIONALE FOR THE OFFER	22
7. OFFEROR'S INTENTION FOR THE COMPANY	23
8. COMPULSORY ACQUISITION AND LISTING STATUS	24
9. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER	25
10. RECOMMENDATION OF THE INDEPENDENT DIRECTORS	29
11. ACTION TO BE TAKEN BY SHAREHOLDERS	30
12. OVERSEAS SHAREHOLDERS	31
13. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS	33
14. DIRECTORS' RESPONSIBILITY STATEMENT	33
15. ADDITIONAL INFORMATION	34

CONTENTS

	Page
APPENDIX I – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER	I-1
APPENDIX II – ADDITIONAL GENERAL INFORMATION	II-1
APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION ...	III-1
APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015	IV-1
APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR 15M2016	V-1
APPENDIX VI – REVIEW REPORT FROM THE INDEPENDENT AUDITORS ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2016 AND FIFTEEN-MONTH PERIOD ENDED 30 SEPTEMBER 2016	VI-1
APPENDIX VII – LETTER FROM THE IFA ON THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF THE GROUP FOR THE 15-MONTH PERIOD ENDED 30 SEPTEMBER 2016	VII-1

DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires or unless otherwise stated:

“15 November Announcement”	:	The announcement dated 15 November 2016 released by CIMB, for and on behalf of the Offeror, in relation to the level of acceptances of the Offer
“15M2015”	:	The 15 months period ended 30 September 2015
“15M2016”	:	The 15 months period ended 30 September 2016
“15M2016 Results”	:	The unaudited consolidated financial statements of the Group for 15M2016
“Adjustment”	:	Shall have the meaning ascribed to it in Section 2.6 of this Circular
“Business Day”	:	A day (other than Saturday, Sunday or a public holiday) on which commercial banks are open for business in Singapore
“Cash and Exchangeable Bonds Consideration”	:	S\$0.7665 in cash and S\$0.4335 in principal amount of Exchangeable Bonds for each Offer Share
“Cash Consideration”	:	S\$1.20 in cash for each Offer Share
“CDP”	:	The Central Depository (Pte) Limited
“CIMB”	:	CIMB Bank Berhad, Singapore Branch, the financial adviser to the Offeror in connection with the Offer
“Circular”	:	This circular to Shareholders dated 24 November 2016 in relation to the Offer
“Closing Date”	:	5.30 p.m. on 8 December 2016 or such later date(s) as may be announced from time to time by or on behalf of the Offeror, being the last day for the lodgement of acceptances of the Offer
“CMZ BVI”	:	China Minzhong Holdings Limited
“CMZ Management”	:	(a) Mr. Lin Guo Rong, Executive Chairman and Chief Executive Officer of the Company; (b) Mr. Siek Wei Ting, Executive Director and Chief Financial Officer of the Company; (c) Mr. Wang Da Zhang, the Chief Operating Officer of the Company; and (d) Mr. Huang Bing Hui, the Chief Technology Officer of the Company

DEFINITIONS

“CMZ Management Promissory Notes”	:	The interest-free promissory notes with an aggregate principal amount of S\$38,620,320 to be issued by the Offeror to CMZ BVI pursuant to the Irrevocable Undertakings given by CMZ BVI and the CMZ Management to the Offeror
“Code”	:	The Singapore Code on Take-overs and Mergers
“Commencement Date”	:	The date falling two (2) months from the close of the Offer
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore
“Company”	:	China Minzhong Food Corporation Limited
“Company Securities”	:	(a) Shares, (b) securities which carry voting rights in the Company, or (c) convertible securities, warrants, options or Derivatives in respect of Shares or such securities in (b)
“Concert Parties”	:	Parties acting or presumed to be acting in concert with the Offeror in connection with the Offer
“Constitution”	:	The constitution of the Company
“CPF”	:	The Central Provident Fund of Singapore
“CPFIS”	:	CPF Investment Scheme
“CPFIS Investors”	:	Investors who have purchased Shares using their CPF contributions pursuant to the CPFIS
“Derivative”	:	Includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security or securities
“Despatch Date”	:	10 November 2016, being the date of despatch of the Offer Document
“Directors”	:	The directors of the Company (including the Independent Directors) as at the Latest Practicable Date
“Distributions”	:	Dividends, rights and other distributions declared, paid or made by the Company
“Encumbrances”	:	Claims, charges, equities, mortgages, liens, pledges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever
“Exchange Period”	:	The period commencing from the Commencement Date and ending two (2) months after the Commencement Date (or such later date as the Offeror may determine)
“Exchange Price”	:	S\$1.20 per Exchange Share

DEFINITIONS

“Exchange Shares”	:	Shares to be delivered pursuant to the exercise by a holder of an Exchangeable Bond of the right to exchange such Exchangeable Bond for Exchange Shares at the Exchange Price
“Exchangeable Bonds”	:	Zero Coupon Mandatorily Exchangeable Bonds to be issued by the Offeror to Shareholders who accept the Offer and elect to receive the Cash and Exchangeable Bonds Consideration, the terms and conditions of which are set out in Appendix 8 to the Offer Document
“Existing Share Capital”	:	The existing issued and paid-up share capital of the Company of 655,439,000 Shares as at the Latest Practicable Date
“FAA”	:	Form of Acceptance and Authorisation for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are deposited with CDP
“FAT”	:	Form of Acceptance and Transfer for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are not deposited with CDP
“Formal Offer Announcement”	:	The announcement dated 21 October 2016 released by CIMB, for and on behalf of the Offeror, in relation to the Offeror’s firm intention to make the Offer
“Formal Offer Announcement Date”	:	21 October 2016, being the date of the Formal Offer Announcement
“FY”	:	Financial year ended 30 June
“Group”	:	The Company and its subsidiaries
“IFA” or “ZICO Capital”	:	ZICO Capital Pte. Ltd., the independent financial adviser to the Independent Directors in respect of the Offer
“IFA Letter”	:	The letter dated 24 November 2016 from the IFA to the Independent Directors in respect of the Offer as set out in Appendix I to this Circular
“Implementation Agreement”	:	The implementation agreement dated 6 September 2016 entered into between the Offeror, ISM and CMZ BVI in relation to the Offer, as described in Section 2.2 of the Offer Document
“Independent Auditors”	:	Crowe Horwath First Trust LLP
“Independent Directors”	:	The Directors who are considered independent for the purpose of making recommendations to the Shareholders in respect of the Offer, namely, Mr. Goh Kian Chee, Mr. Lim Yeow Hua and Mr. Lim Gee Kiat

DEFINITIONS

“Irrevocable Undertakings”	:	The irrevocable undertakings given by the Undertaking Shareholders in favour of the Offeror, as described in Section 4 of this Circular
“ISM”	:	PT Indofood Sukses Makmur Tbk
“ISM Acceptance”	:	ISM’s acceptance of the Offer in respect of all of its 543,252,517 Shares to be made pursuant to the Irrevocable Undertaking given by ISM to the Offeror
“Latest Practicable Date”	:	16 November 2016, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“Minimum Acceptance Condition”	:	Shall have the meaning ascribed to it in Section 2.7 of this Circular
“Offer”	:	The voluntary conditional offer by CIMB, for and on behalf of the Offeror, to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, as such offer may be amended, extended and revised from time to time by or on behalf of the Offeror
“Offer Consideration”	:	S\$1.20 for each Offer Share, to be satisfied by either the Cash Consideration or the Cash and Exchangeable Bonds Consideration
“Offer Document”	:	The document dated 10 November 2016 issued by CIMB, for and on behalf of the Offeror, in respect of the Offer
“Offer Document LPD”	:	3 November 2016, stated in the Offer Document to be the latest practicable date prior to the printing of the Offer Document
“Offer Settlement Date”	:	In relation to any Offer Shares tendered in acceptance of the Offer, the settlement date in respect of such Offer Shares
“Offer Shares”	:	Shall have the meaning ascribed to it in Section 2.1 of this Circular read with Section 2.4 of this Circular
“Offeror”	:	Marvellous Glory Holdings Limited
“Offeror Securities”	:	(a) Offeror Shares, (b) securities which carry substantially the same rights as any Offeror Shares, and (c) convertible securities, warrants, options and Derivatives in respect of any Offeror Shares or such securities in (b)
“Offeror Shares”	:	Ordinary shares in the capital of the Offeror

DEFINITIONS

“Overseas Shareholders”	:	Shareholders whose addresses are outside Singapore as shown in the Register or the Depository Register, as the case may be, and “Overseas Shareholder” shall be construed accordingly
“PRC”	:	People’s Republic of China
“Pre-Conditional Offer Announcement”	:	The announcement dated 6 September 2016 issued by CIMB, for and on behalf of the Offeror in connection with the pre-conditional voluntary offer for the Company
“Pre-Conditional Offer Announcement Date”	:	6 September 2016, being the date of the Pre-Conditional Offer Announcement
“Pre-Conditions”	:	The pre-conditions to the making of the Offer as set out in Section 2.3 of the Pre-Conditional Offer Announcement
“Prosperous Investment”	:	Prosperous Investment Holdings Limited
“Record Date”	:	In relation to any Distributions, the date on which Shareholders must be registered with the Company or CDP, as the case may be, in order to participate in such Distributions
“Reference Period”	:	The period commencing three (3) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date
“Register”	:	The register of members of the Company, as maintained by the Share Registrar
“SFA”	:	The Securities and Futures Act, Chapter 289 of Singapore
“SGXNET”	:	Singapore Exchange Network, a system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share Registrar”	:	Boardroom Corporate & Advisory Services Pte. Ltd.
“Shareholders”	:	Holder of the Offer Shares, including persons whose Offer Shares are deposited with CDP or who have purchased Offer Shares on the SGX-ST

DEFINITIONS

“Shareholders’ Agreement”	:	The shareholders’ agreement which will be entered into between the Offeror, Prosperous Investment and CMZ BVI in connection with the Offer in relation to, amongst others, the regulation of the relationship of Prosperous Investment and CMZ BVI <i>inter se</i> as shareholders of the Offeror and the affairs of the Offeror, as described in Section 8.2 of the Offer Document
“SIC”	:	Securities Industry Council of Singapore
“Specified Date”	:	5.00 p.m. on 14 November 2016
“SRS”	:	The Supplementary Retirement Scheme
“SRS Investors”	:	Investors who purchase Shares pursuant to SRS
“Undertaking Shareholders”	:	Collectively, ISM, CMZ BVI and the CMZ Management

Currencies and Units of Measurement

“RMB”	:	Renminbi, being the lawful currency of the PRC
“S\$”	:	Singapore dollars, being the lawful currency of Singapore
“%”	:	Per centum or percentage

Unless otherwise defined, the term **“acting in concert”** shall have the meaning ascribed to it in the Code.

The terms **“Depositor”** and **“Depository Register”** shall have the meanings ascribed to them in Section 81SF of the SFA.

The terms **“subsidiary”** and **“related corporation”** shall have the meanings ascribed to them in Section 5 and Section 6 the Companies Act respectively.

References to **“you”** and **“your”** in this Circular are to the Shareholders.

References to **“Offer Document”** shall include the FAA and FAT, unless the context otherwise requires.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA, the Code, the Listing Manual or any statutory modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning assigned to it under the Companies Act, the SFA, the Code, the Listing Manual or any statutory modification thereof, as the case may be, unless the context otherwise requires.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

DEFINITIONS

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing one gender shall, where applicable, include the other gender. References to persons shall, where applicable, include corporations.

Any discrepancies in the figures in this Circular between the listed amounts and the total thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day and date in this Circular shall be a reference to Singapore time and date respectively, unless otherwise stated.

Statements which are reproduced in their entirety from the Offer Document, the IFA Letter, and the Constitution are set out in this Circular within quotes and italics, and capitalised terms used within these reproduced statements bear the meanings ascribed to them in the Offer Document, the IFA Letter and the Constitution, respectively.

Unless otherwise stated, references in this Circular to the total number of issued Shares are based on 655,439,000 issued Shares as at the Latest Practicable Date, unless otherwise stated.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “aim”, “seek”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “plan”, “potential”, “strategy”, “forecast”, “possible”, “probable” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information as at the Latest Practicable Date. Such forward-looking statements are not guarantees of future results, performance, events achievements and involve known and unknown risks and uncertainties. Accordingly, actual results or outcomes may differ materially from those described in such forward-looking statements. Given the risks and uncertainties involved, Shareholders and investors should not place undue reliance on such forward-looking statements, and neither the Company nor the IFA assumes any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

INDICATIVE TIMETABLE

Date of despatch of the Offer Document	:	10 November 2016
Date of despatch of this Circular	:	24 November 2016
Closing Date	:	5.30 p.m. on 8 December 2016 or such later date(s) as may be announced from time to time by or on behalf of the Offeror
Date of settlement of consideration for valid acceptances of the Offer	:	<p>(a) In respect of acceptances of the Offer which are complete and valid in all respects and are received on or before the date on which the Offer becomes or is declared to be unconditional in all respects, within seven (7) Business Days of that date; or</p> <p>(b) in respect of acceptances of the Offer which are complete and valid in all respects and are received after the Offer becomes or is declared to be unconditional in all respects, but before the Offer closes, within seven (7) Business Days of the date of such receipt.</p>

Please refer to paragraph 2 of Appendix 1 to the Offer Document for further information.

LETTER TO SHAREHOLDERS

CHINA MINZHONG FOOD CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 200402715N)

Board of Directors

Mr. Lin Guo Rong (Executive Chairman and Chief Executive Officer)
Mr. Siek Wei Ting (Executive Director and Chief Financial Officer)
Mr. Hendra Widjaja (Non-Executive Director)
Mr. Kasim Rusmin (alternate director to Mr. Hendra Widjaja)
Mr. Goh Kian Chee (Independent Director)
Mr. Lim Yeow Hua (Independent Director)
Mr. Lim Gee Kiat (Independent Director)

Registered Office

9 Battery Road, #15-01
Straits Trading Building
Singapore 049910

24 November 2016

To: The Shareholders of China Minzhong Food Corporation Limited

Dear Sir/Madam

VOLUNTARY CONDITIONAL OFFER BY CIMB, FOR AND ON BEHALF OF THE OFFEROR, FOR THE OFFER SHARES

1. INTRODUCTION

1.1 Pre-Conditional Offer Announcement. On 6 September 2016, CIMB announced, for and on behalf of the Offeror, that subject to and contingent upon the satisfaction of the Pre-Conditions, the Offeror intended to make a voluntary conditional offer for the Offer Shares at the Offer Consideration of S\$1.20 for each Offer Share.

A copy of the Pre-Conditional Offer Announcement is available on the website of the SGX-ST at www.sgx.com.

1.2 Formal Offer Announcement. On 21 October 2016, CIMB announced, for and on behalf of the Offeror, amongst others, that the Pre-Conditions have been satisfied and the Offeror's firm intention to make the Offer.

A copy of the Formal Offer Announcement is available on the website of the SGX-ST at www.sgx.com.

1.3 Offer Document. Shareholders should by now have received a copy of the Offer Document, as announced by CIMB, for and on behalf of the Offeror, which should have been despatched on 10 November 2016, setting out, amongst others, the terms and conditions of the Offer. **Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.**

The copies of the Offer Document, the FAA and the FAT are available on the website of the SGX-ST at www.sgx.com.

LETTER TO SHAREHOLDERS

1.4 Aggregate holding of Shares of the Offeror and its Concert Parties.

On 15 November 2016, CIMB, for and on behalf of the Offeror, announced, amongst others, the following:

- (a) based on information provided to the Offeror, as at 5.00 p.m. on 14 November 2016 (the “**Specified Date**”), the Offeror had received, pursuant to the Offer, valid acceptances in respect of 7,486,600 Offer Shares, representing approximately 1.14% of the total number of issued Shares. Based on information available to the Offeror, none of the Undertaking Shareholders or the Concert Parties had tendered their Shares in acceptance of the Offer as at the Specified Date;
- (b) as at the Pre-Conditional Offer Announcement Date, the Offeror and its Concert Parties collectively owned or controlled an aggregate of 575,436,117 Shares, representing approximately 87.79% of the total number of issued Shares;
- (c) from the Pre-Conditional Offer Announcement Date and up to the Specified Date, save for the acceptances received pursuant to the Offer stated in Section 1.4(a) of this Circular above, neither the Offeror nor any of its Concert Parties (based on information available to the Offeror as at the Specified Date) has acquired or agreed to acquire any further Offer Shares; and
- (d) based on information available to the Offeror, as at the Specified Date, (i) the Offeror owns, controls or has agreed to acquire (including by way of valid acceptances of the Offer and excluding the Offer Shares which are the subject of the Irrevocable Undertakings) 7,486,600 Shares, representing approximately 1.14% of the total number of issued Shares, while (ii) the Offeror and its Concert Parties collectively own, control or have agreed to acquire (including by way of valid acceptances of the Offer) an aggregate of 582,922,717 Shares, representing approximately 88.94% of the total number of issued Shares.

Please also refer to Section 4 of this Circular for further information on the Irrevocable Undertakings given in favour of the Offeror by the Undertaking Shareholders.

1.5 Independent Financial Adviser. The Company has appointed ZICO Capital Pte. Ltd. (“**ZICO Capital**”) as the independent financial adviser to advise the Independent Directors in respect of the Offer.

1.6 Purpose of Circular. The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Offer and to set out the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix I to this Circular carefully and consider the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer before deciding whether or not to accept the Offer.

If you are in any doubt about the Offer, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

LETTER TO SHAREHOLDERS

2. THE OFFER

2.1 Offer Terms. Based on the information set out in the Offer Document, CIMB has, for and on behalf of the Offeror, made the Offer to acquire all the Shares other than those already held by the Offeror as at the date of the Offer (the “**Offer Shares**”), in accordance with Rule 15 of the Code and on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT. The principal terms and conditions of the Offer, as extracted from the Offer Document, are set out below.

2.2 Offer Consideration. The consideration for each Offer Share is S\$1.20 (the “**Offer Consideration**”) to be satisfied as follows:

EITHER

- **S\$1.20 in cash (the “Cash Consideration”);**

OR

- **S\$0.7665 in cash and S\$0.4335 in principal amount of Exchangeable Bonds (the “Cash and Exchangeable Bonds Consideration”).**

The cash amount to be paid and the principal amount of Exchangeable Bonds to be issued to a Shareholder who elects to receive the Cash and Exchangeable Bonds Consideration will be rounded down to the nearest S\$0.01 in each case.

For each acceptance of the Offer, Shareholders may accept the Offer on the basis of either (a) the Cash Consideration, or (b) the Cash and Exchangeable Bonds Consideration, but not a combination thereof. A Shareholder who fails to specify and elect the form of Offer Consideration in the manner described above shall be deemed to have elected to receive the Cash Consideration in respect of all of his Shares tendered in acceptance of the Offer.

2.3 Cash and Exchangeable Bonds Consideration. The Cash and Exchangeable Bonds Consideration comprises (i) approximately 63.9% of the Offer Consideration in the form of cash, and (ii) approximately 36.1% of the Offer Consideration in the form of the Exchangeable Bonds.

The Exchangeable Bonds will be exchangeable into Exchange Shares at the Exchange Price of S\$1.20 per Exchange Share (which is equivalent to the Offer Consideration) (rounded down to the nearest Exchange Share) during the Exchange Period as specified in the terms and conditions of the Exchangeable Bonds. Further, the Exchangeable Bonds will be mandatorily exchanged into Exchange Shares at the Exchange Price at the expiry of the Exchange Period. A summary of the principal terms and conditions of the Exchangeable Bonds is set out in Section 3 of this Circular as extracted from Section 4 of the Offer Document.

2.4 Offer Shares. For the avoidance of doubt, the Offer will be extended, on the same terms and conditions, to all the Shares owned, controlled or agreed to be acquired by the Concert Parties (including, for the avoidance of doubt, ISM, CMZ BVI and the CMZ Management). For the purpose of the Offer, the expression “**Offer Shares**” shall include such Shares.

LETTER TO SHAREHOLDERS

Shareholders may choose to accept the Offer in respect of all or part of their holdings of Offer Shares.

2.5 No Encumbrances. The Offer Shares are to be acquired (a) fully paid, (a) free from all Encumbrances, and (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Formal Offer Announcement Date, and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions (if any), the Record Date for which falls on or after the Formal Offer Announcement Date.

2.6 Adjustments for Distributions. Without prejudice to the generality of the foregoing, the Offer Consideration has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distributions, the Record Date for which falls on or after the Formal Offer Announcement Date. In the event of any such Distribution, the Offer Consideration payable to a Shareholder who validly accepts or has validly accepted the Offer shall be reduced by an amount which is equal to the amount of such Distribution (the “**Adjustment**”) as follows, depending on when the Offer Settlement Date falls:

- (a) if the Offer Settlement Date falls on or before the Record Date, the Offeror will pay the relevant accepting Shareholders the unadjusted Offer Consideration of S\$1.20 for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; and
- (b) if the Offer Settlement Date falls after the Record Date, the Offer Consideration payable for such Offer Shares tendered in acceptance shall be reduced by an amount which is equal to the Distribution in respect of such Offer Shares, as the Offeror will not receive such Distribution from the Company.

In effecting any such Adjustment, the Offeror shall endeavour, as far as practicable, to effect the Adjustment such that the ratio of cash to Exchangeable Bonds offered under the Cash and Exchangeable Bonds Consideration before the Adjustment is maintained.

2.7 Minimum Acceptance Condition. The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror holding such number of Shares carrying more than 50.0% of the voting rights attributable to the issued Shares (excluding any Shares held in treasury) as at the close of the Offer (the “**Minimum Acceptance Condition**”).

Save for the Minimum Acceptance Condition, the Offer will be unconditional in all other respects.

Upon receipt by the Offeror of the ISM Acceptance pursuant to the terms of the ISM’s Irrevocable Undertaking, the Minimum Acceptance Condition will be fulfilled and the Offer will then become unconditional in all respects.

2.8 Duration of the Offer. Based on the information set out in Paragraph 1 of Appendix 1 to the Offer Document, the duration of the Offer is as follows:

- (a) **First Closing Date.** The Offer is open for acceptance by Shareholders for at least 28 days from the Despatch Date, unless the Offer is withdrawn with the consent of the

LETTER TO SHAREHOLDERS

SIC and every person released from any obligation incurred thereunder. **Accordingly, the Offer will close at 5.30 p.m. on 8 December 2016 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.**

- (b) **Subsequent Closing Date(s).** If the Offer is extended and:
- (i) the Offer is not unconditional as to acceptances as at the date of such extension, the announcement of the extension must state the next Closing Date; or
 - (ii) the Offer is unconditional as to acceptances as at the date of such extension, the announcement of the extension need not state the next Closing Date but may state that the Offer will remain open until further notice. In such a case, the Offeror must give Shareholders at least 14 days' prior notice in writing before it may close the Offer.
- (c) **No Obligation to Extend the Offer.** The Offeror is not obliged to extend the Offer if the condition of the Offer as set out in Section 3.7 of the Offer Document is not fulfilled by the Closing Date.
- (d) **Offer to Remain Open for 14 Days After Being Declared Unconditional as to Acceptances.** Pursuant to Rule 22.6 of the Code, if the Offer becomes or is declared unconditional as to acceptances, the Offer will remain open for a period (the "**Rule 22.6 Period**") of not less than 14 days after the date on which the Offer would otherwise have closed, in order to give Shareholders who have not accepted the Offer the opportunity to do so.

This requirement does not apply if, before the Offer has become or is declared unconditional as to acceptances, the Offeror has given Shareholders at least 14 days' notice in writing (the "**Shut-Off Notice**") that the Offer will not be open for acceptance beyond a specified Closing Date, provided that:

- (i) the Offeror may not give a Shut-Off Notice in a competitive situation; and
- (ii) the Offeror may not enforce a Shut-Off Notice, if already given, in a competitive situation.

For these purposes, the SIC would normally regard a "competitive situation" to have arisen if a competing offer for the Company has been announced.

If a declaration that the Offer is unconditional is confirmed in accordance with paragraph 4.2(a) of Appendix 1 to the Offer Document, the Rule 22.6 Period will run from the date of such confirmation or the date on which the Offer would otherwise have closed, whichever is later.

- (e) **Final Day Rule.** The Offer (whether revised or not) will not be capable:
- (i) of becoming or being declared unconditional as to acceptances after 5.30 p.m. on the 60th day after the Despatch Date; or
 - (ii) of being kept open after the expiry of such 60-day period unless the Offer has previously become or been declared to be unconditional as to acceptances, provided that the Offeror may extend the Offer beyond such 60-day period with the SIC's prior consent (the "**Final Day Rule**"). The SIC will normally grant such permission if a competing offer has been announced.

LETTER TO SHAREHOLDERS

- (f) **Revision.** The Offeror reserves the right to revise the terms of the Offer at such time and in such manner as it may consider appropriate. If the Offer is revised, the Offer will remain open for acceptance for at least 14 days from the date of despatch of the written notification of the revision to Shareholders. In any case where the terms are revised, the benefit of the Offer (as so revised) will be made available to each of the Shareholders who had previously accepted the Offer.
- 2.9 Warranty.** A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably represent, warrant and undertake to the Offeror that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Formal Offer Announcement Date and thereafter attaching thereto, including the right to all Distributions (if any), the Record Date for which falls on or after the Formal Offer Announcement Date.
- 2.10 Closing Date.** The Offer Document states that the Offer will close at **5.30 p.m. on 8 December 2016 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.**
- 2.11 Further Details.** Further details of the Offer, in relation to (a) the settlement of the consideration for the Offer, (b) the requirements relating to the announcement(s) of the level of acceptances of the Offer, and (c) the right of withdrawal of acceptances of the Offer, are set out in Appendix 1 to the Offer Document.
- 2.12 Procedures for Acceptance.** Appendix 2 to the Offer Document sets out the procedures for acceptance of the Offer by a Shareholder.

3. TERMS AND CONDITIONS OF THE EXCHANGEABLE BONDS

A summary of the principal terms and conditions of the Exchangeable Bonds as set out in Section 4 of the Offer Document is reproduced below.

“4. EXCHANGEABLE BONDS

A summary of the principal terms and conditions of the Exchangeable Bonds is set out below. This summary is derived from, and should be read in conjunction with, the full text of the “Terms and Conditions of the Exchangeable Bonds” as set out in Appendix 8 to this Offer Document and the Deed Poll:

Issuer	<i>Marvellous Glory Holdings Limited</i>
The Exchangeable Bonds	<i>Up to S\$270,181,215.90 Zero Coupon Mandatorily Exchangeable Bonds exchangeable into CMZ Shares.</i>
Issue Size	<i>Assuming all Shareholders accept the Offer and they (including ISM but excluding the CMZ Management and CMZ BVI) elect to receive the Cash and Exchangeable Bonds Consideration in respect of all their Offer Shares tendered in acceptance of the Offer, the Offeror will issue up to S\$270,181,215.90 in principal amount of Exchangeable Bonds, which will be exchangeable into up to 225,151,013 CMZ Shares representing approximately 34.4% of the total number of issued CMZ Shares.</i>

LETTER TO SHAREHOLDERS

Issue Price	<i>100% of the principal amount of the Exchangeable Bonds.</i>
Status of the Exchangeable Bonds	<i>The Exchangeable Bonds will constitute direct and unsecured obligations of the Offeror and will rank pari passu and rateably without any preference or priority among themselves, and (subject to obligations preferred by mandatory provisions of law) will rank at least equally with all other outstanding unsecured and unsubordinated obligations of the Offeror.</i>
Form and Denomination	<i>The Exchangeable Bonds will be issued in registered form, in the denomination of S\$0.01 each or integral multiples thereof.</i>
Transferability	<i>The Exchangeable Bonds are not transferable by the holders thereof.</i>
Interest	<i>The Exchangeable Bonds are zero coupon bonds and will not bear any interest.</i>
Exchange Rights	<p><i>Each holder of an Exchangeable Bond has the right to exchange such Exchangeable Bond (the “Exchange Right”) for CMZ Shares (the “Exchange Shares”) at any time during the Exchange Period (as defined below).</i></p> <p><i>The number of Exchange Shares to be delivered on exchange of an Exchangeable Bond will be determined by dividing the principal amount of the Exchangeable Bond to be exchanged by the Exchange Price (as set out below).</i></p> <p><i>Exchange Rights may be exercised in respect of the whole of the principal amount of an Exchangeable Bond only.</i></p> <p><i>Fractions of Exchange Shares will not be delivered upon exchange of any Exchangeable Bond and no cash adjustments will be made in respect thereof.</i></p>
Exchange Period	<i>Period commencing two (2) months from the date of the close of the Offer (the “Commencement Date”) and ending two (2) months after the Commencement Date (or such later date as the Offeror may determine).</i>
Exchange Price	<i>S\$1.20 per Exchange Share (which is equivalent to the Offer Consideration).</i>
No Adjustment to Exchange Price	<i>The Offeror will procure that so long as any of the Exchangeable Bonds remain outstanding, CMZ shall not (i) make any alteration to its capital structure (including, inter alia, any sub-division, share split or consolidation of the CMZ Shares, rights issues, capitalisation of reserves or other capital distributions) and (ii) declare any dividends or make any other distribution to its shareholders. Accordingly, the Exchange Price shall not be subject to any adjustment.</i>

LETTER TO SHAREHOLDERS

Mandatory Exchange	<i>Unless previously exchanged and cancelled, the Offeror will mandatorily exchange all the outstanding Exchangeable Bonds into Exchange Shares at the Exchange Price upon the expiry of the Exchange Period. The Offeror shall not be obliged to redeem the Exchangeable Bonds.</i>
Governing Law and Jurisdiction	<i>The Deed Poll is governed and construed in accordance with the laws of Singapore. The courts of the Republic of Singapore have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Deed Poll or the Exchangeable Bonds and the Offeror submits, and each holder of the Exchangeable Bonds shall be deemed to submit, to the exclusive jurisdiction of the courts of the Republic of Singapore.”</i>

4. IRREVOCABLE UNDERTAKINGS

4.1 Irrevocable Undertakings. As stated in Section 7.1 of the Offer Document, the Undertaking Shareholders have each given an Irrevocable Undertaking to the Offeror, whereby each of the Undertaking Shareholders has undertaken, amongst others:

- (a) to accept the Offer in respect of all the Shares owned by each of them respectively prior to and up to the close of the Offer; and
- (b) not to, directly or indirectly, (i) offer, (ii) sell, transfer, give or otherwise dispose of, (iii) grant any option, right or warrant to purchase in respect of, (iv) charge, mortgage, pledge or otherwise create an encumbrance over, or (v) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the legal, beneficial or economic consequences of ownership of, all or any of the Shares owned by them or any interest therein until the close of the Offer.

4.2 Undertaking Shareholders. The names of the Undertaking Shareholders and the number of Shares owned by them as at the Offer Document LPD are extracted from the Offer Document and reproduced below:

Name	Number of Shares	Percentage of issued Shares ⁽¹⁾
ISM	543,252,517	82.88%
CMZ BVI	5,403,891	0.82%
Mr. Lin Guo Rong	13,083,000 ⁽²⁾	2.00%
Mr. Siek Wei Ting	7,895,703 ⁽²⁾	1.20%
Mr. Wang Da Zhang	2,603,703 ⁽²⁾	0.40%
Mr. Huang Bing Hui	3,197,303 ⁽²⁾	0.49%
Total	575,436,117	87.79%

LETTER TO SHAREHOLDERS

Notes:

- (1) Based on the total number of 655,439,000 issued Shares as at the Offer Document LPD.
- (2) Excludes 5,403,891 Shares held by CMZ BVI. As at the Offer Document LPD, the entire issued share capital of CMZ BVI is held by Mr. Siek Wei Ting on trust for Mr. Lin Guo Rong. On or prior to the acceptance of the Offer by the CMZ Management and CMZ BVI, CMZ BVI will be beneficially-owned by Mr. Lin Guo Rong as to 57.44%, Mr. Siek Wei Ting as to 24.54%, Mr. Wang Da Zhang as to 8.09% and Mr. Huang Bing Hui as to 9.93%.

Further information on the Irrevocable Undertakings, as extracted from the Offer Document, is set out below.

The Undertaking Shareholders have undertaken to accept the Offer in respect of an aggregate of 575,436,117 Shares, representing approximately 87.79% of the total number of issued Shares.

ISM has agreed in its Irrevocable Undertaking, amongst others, to elect for the Cash and Exchangeable Bonds Consideration in respect of all its 543,252,517 Offer Shares to be tendered by ISM in acceptance of the Offer (the “**ISM Acceptance**”) and as such, ISM will, upon the Offer becoming unconditional, receive:

- (a) cash of S\$416,403,054.28; and
- (b) S\$235,499,966.11 in principal amount of Exchangeable Bonds (the “**ISM Bond Amount**”). Such Exchangeable Bonds will be exchangeable at the Exchange Price into 196,249,971 Shares (representing approximately 29.94% of the total number of issued Shares) following the close of the Offer.

In addition, CMZ BVI and the members of the CMZ Management have agreed in their respective Irrevocable Undertakings, amongst others, that the consideration for the aggregate of 32,183,600 Offer Shares (representing approximately 4.91% of the total number of issued Shares) to be tendered by CMZ BVI and the members of the CMZ Management in acceptance of the Offer shall be satisfied in full by the issue of the CMZ Management Promissory Notes to CMZ BVI. The CMZ Management Promissory Notes will be regarded as a shareholder’s loan by CMZ BVI to the Offeror.

The CMZ Management Promissory Notes shall not be repayable by the Offeror until after the expiry of 18 months from the date of issue and provided that the Offeror has sufficient funds to repay the amount of principal outstanding under the CMZ Management Promissory Notes.

As none of the Undertaking Shareholders is a related corporation or nominee of the Offeror under the Companies Act, the 575,436,117 Offer Shares (representing approximately 87.79% of the total number of issued Shares) to be tendered by the Undertaking Shareholders in acceptance of the Offer will be included and count towards the 90.0% threshold for compulsory acquisition under Section 215(1) of the Companies Act and thereby increase the likelihood of the Offeror reaching such threshold (please refer to Section 12 of the Offer Document for further information).

The ISM Acceptance and its election for the Cash and Exchangeable Bonds Consideration would therefore enable ISM’s Shares to be counted towards the 90.0% threshold for compulsory acquisition under Section 215(1) of the Companies Act whilst enabling ISM to retain a 29.94% shareholding interest in CMZ upon the exchange of its Exchangeable

LETTER TO SHAREHOLDERS

Bonds as per ISM's original intention under the binding Memorandum of Understanding dated 14 October 2015 entered into between ISM and CMZ BVI in relation to the proposed acquisition by CMZ BVI of 347,000,000 Shares (representing approximately 52.94% of the total number of issued Shares) from ISM at S\$1.20 per Share.

The Irrevocable Undertakings shall lapse if the Offer lapses or is withdrawn, or fails to become or be declared unconditional by 31 March 2017 (or such later date as may be agreed in writing by the respective parties) for any reason other than a breach of the Undertaking Shareholders' obligations under their respective Irrevocable Undertakings.

Please refer to Section 7 of the Offer Document for further information on the Irrevocable Undertakings.

5. INFORMATION ON THE OFFEROR

5.1 **Offeror.** Information on the Offeror as set out in Section 8 of the Offer Document is reproduced below.

"8. INFORMATION ON THE OFFEROR

8.1 **The Offeror.** *The Offeror is a special purpose vehicle incorporated in the British Virgin Islands on 26 July 2016 for the purpose of undertaking the Offer. Its principal activities are those of an investment holding company. The Offeror has not carried on any business since its incorporation, except for matters in connection with the making of the Offer.*

As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of US\$10,000 comprising 10,000 issued Offeror Shares, of which 9,299 Offeror Shares are held by Prosperous Investment and 701 Offeror Shares are held by CMZ BVI, representing approximately 92.99% and 7.01% of the total number of issued Offeror Shares, respectively. Prosperous Investment is a company which is ultimately wholly-owned by Mr Anthoni Salim through Great Resources and Pure Gold. As at the Latest Practicable Date, the entire issued share capital of CMZ BVI is held by Mr Siek Wei Ting on trust for Mr Lin Guo Rong. On or prior to the acceptance of the Offer by the CMZ Management and CMZ BVI, CMZ BVI will be beneficially-owned by Mr Lin Guo Rong as to 57.44%¹, Mr Siek Wei Ting as to 24.54%, Mr Wang Da Zhang as to 8.09%¹ and Mr Huang Bing Hui as to 9.93%¹.

The 7.01% shareholding interest of CMZ BVI in the Offeror has been arrived at based on an effective interest in CMZ of 4.91% through the Offeror, on the assumption that the Offeror is able to acquire 100% of the CMZ Shares and none of the accepting Shareholders (other than ISM) elects to receive the Cash and Exchangeable Bonds Consideration. Depending on the level of acceptance of the Offer and the extent to which Shareholders (other than ISM) elect to receive the Cash and Exchangeable Bonds Consideration in respect of their CMZ Shares tendered in acceptance of the Offer or acquired under the compulsory acquisition (if any) of CMZ Shares pursuant to Section 215 of the Act, CMZ BVI's shareholding percentage in the Offeror shall be adjusted (the "Offeror Shareholding Adjustment") up to a shareholding percentage of between:

LETTER TO SHAREHOLDERS

- (a) *approximately 7.48%, in the event the Offeror is able to acquire 100% of the CMZ Shares and all accepting Shareholders (other than the CMZ Management and CMZ BVI) elect to receive the Cash and Exchangeable Bonds Consideration; and*
- (b) *approximately 8.49% in the event the Offeror only acquires approximately 87.79% of the CMZ Shares from the Undertaking Shareholders pursuant to the Irrevocable Undertakings and only ISM elects to receive the Cash and Exchangeable Bonds Consideration,*

by way of issuance of Offeror Shares to CMZ BVI and, if necessary, Prosperous Investment, so as to ensure that CMZ BVI retains an effective interest in CMZ of approximately 4.91% through the Offeror.

As at the Latest Practicable Date, the Directors of the Offeror are Mr Tan Hang Huat, Mr Teng Tien Eng Moses, Mr Lin Guo Rong and Mr Siek Wei Ting.

8.2 Shareholders' Agreement. *In connection with the Offer, the Offeror, Prosperous Investment and CMZ BVI have on the Pre-Conditional Offer Announcement Date entered into a preliminary agreement in relation to the establishment of the Offeror and the making and the funding of the Offer. Further to such agreement, the Offeror, Prosperous Investment and CMZ BVI will enter into a shareholders' agreement (the "Shareholders' Agreement") in relation to, inter alia, the regulation of the relationship of Prosperous Investment and CMZ BVI inter se as shareholders of the Offeror and the affairs of the Offeror and the Company.*

The SIC has confirmed that the arrangements under the Irrevocable Undertakings, the Implementation Agreement and the Shareholders' Agreement do not constitute special deals for the purpose of Rule 10 of the Code."

The footnote in respect of the above extract is reproduced below:

"¹ 75.46% of the shares in CMZ BVI will be held by Mr Siek Wei Ting on trust for Mr Lin Guo Rong, Mr Wang Da Zhang and Mr Huang Bing Hui."

5.2 Further Information. Further information on the Offeror is set out in Appendix 3 to the Offer Document.

6. RATIONALE FOR THE OFFER

The full text of the rationale for the Offer as set out in Section 10 of the Offer Document has been extracted from the Offer Document and reproduced below.

"10. RATIONALE FOR THE OFFER

10.1 Intention to Delist and Privatise the Company. *The Offeror is making the Offer with a view to delisting and privatising the Company. The Offeror is of the view that the delisting and privatisation of the Company will provide the Offeror and the Company with greater control and management flexibility in the implementation of any strategic initiatives and/or operational changes of the CMZ Group to improve its performance over the longer term as well as dispense with compliance costs associated with maintenance of a listed status.*

LETTER TO SHAREHOLDERS

10.2 Opportunity for Shareholders to realise their investment in the CMZ Shares at a premium. *The Offer Consideration represents a premium of approximately 23.1% and 25.9% over the VWAP² per CMZ Share for the three (3)-month and six (6)-month periods up to and including 30 August 2016, being the Unaffected Date. The Offer Consideration also represents a premium of 25.0% over the last transacted price per CMZ Share on the Unaffected Date.*

The Offer Consideration represents (a) a premium of approximately 3.7% over the VWAP per CMZ Share for the period between the Unaffected Date and the Latest Practicable Date and (b) a premium of approximately 0.8% over the closing price of the CMZ Shares on the Latest Practicable Date.

10.3 Low Trading Liquidity. *The trading volume of the CMZ Shares has been low, with an average daily trading volume³ of approximately 54,202 CMZ Shares, 125,536 CMZ Shares and 92,143 CMZ Shares during the three (3)-month period, six (6)-month period and 12-month period up to and including the Unaffected Date. These represent only 0.008%, 0.019% and 0.014% of the total number of issued CMZ Shares for the aforementioned relevant periods respectively.*

The Offer therefore provides Shareholders with an opportunity to realise their entire investment in the CMZ Shares at a premium over the prevailing market prices which would not otherwise be readily available to Shareholders given the low trading liquidity of the CMZ Shares.”

The footnotes in respect of the above extract are reproduced below:

² *Calculation of VWAP does not include married trade transactions within the relevant periods.*

³ *Calculated by using the total volume of CMZ Shares traded divided by the number of market days with respect to the three (3)-month period, six (6)-month period and twelve (12)-month period up to and including the Unaffected Date. Calculation of average daily trading volume does not include married trade transactions within the relevant periods.”*

7. OFFEROR’S INTENTION FOR THE COMPANY

The full text of the Offeror’s intention for the Company as set out in Section 11 of the Offer Document has been extracted from the Offer Document and reproduced below.

“11. THE OFFEROR’S INTENTION RELATING TO CMZ

The Offeror intends to undertake a review of the business of the CMZ Group following the close of the Offer with a view to identifying areas in which the strategic direction and operations of the CMZ Group can be enhanced, including to explore opportunities to create synergies between the CMZ Group and ISM. In addition, the Offeror retains the flexibility at any time to consider any options or opportunities in relation to the CMZ Group which may present themselves and which it may regard to be in the interests of the Company.

LETTER TO SHAREHOLDERS

Given ISM's retained equity interest of approximately 29.94% in CMZ, it is expected that ISM will have at least one board seat in CMZ following the close of the Offer.

Save as disclosed above, the Offeror presently has no intentions to (a) introduce any major changes to the existing business of the CMZ Group, (b) re-deploy the fixed assets of the CMZ Group, or (c) discontinue the employment of existing employees of the CMZ Group, in each case, other than in the ordinary course of business."

8. COMPULSORY ACQUISITION AND LISTING STATUS

The full text of the Offeror's intentions with regards to compulsory acquisition and the listing status of the Company as set out in Section 12 of the Offer Document has been extracted from the Offer Document and reproduced below.

"12. COMPULSORY ACQUISITION AND LISTING STATUS

12.1 Compulsory Acquisition. *Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires CMZ Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued CMZ Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any CMZ Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the CMZ Shares of Shareholders who have not accepted the Offer (the "Dissenting Shareholders") at a price equal to the Offer Consideration.*

In such event, the Offeror intends to exercise its right to compulsorily acquire all the CMZ Shares not acquired under the Offer and the Offeror will then proceed to delist the Company from SGX-ST. In the event the Offeror exercises such right, Dissenting Shareholders shall be entitled to elect to receive either the Cash Consideration or the Cash and Exchangeable Bonds Consideration in respect of their CMZ Shares to be acquired by the Offeror. A Dissenting Shareholder who fails to specify and elect the form of Offer Consideration shall be deemed to have elected to receive the Cash Consideration in respect of all of his CMZ Shares to be acquired by the Offeror.

As none of the Undertaking Shareholders is a related corporation or nominee of the Offeror under the Companies Act, the 575,436,117 Offer Shares (representing approximately 87.79% of the total number of issued CMZ Shares) to be tendered by the Undertaking Shareholders in acceptance of the Offer pursuant to their Irrevocable Undertakings will be included and count towards the 90% threshold for compulsory acquisition under Section 215(1) of the Companies Act.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their CMZ Shares on the terms of the Offer in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of CMZ Shares which, together with the CMZ Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued CMZ Shares. Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

LETTER TO SHAREHOLDERS

12.2 Listing Status. Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and its Concert Parties to above 90% of the total number of issued CMZ Shares (excluding any CMZ Shares held in treasury), the SGX-ST may suspend the trading of the CMZ Shares on the SGX-ST until it is satisfied that at least 10% of the total number of CMZ Shares (excluding any CMZ Shares held in treasury) are held by at least 500 Shareholders who are members of the public. Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of CMZ Shares (excluding any CMZ Shares held in treasury), thus causing the percentage of the total number of CMZ Shares (excluding any CMZ Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the CMZ Shares only at the close of the Offer.

In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total number of CMZ Shares held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the CMZ Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of CMZ Shares in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

The Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of CMZ Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted.”

9. ADVICE AND RECOMMENDATION IN RELATION TO THE OFFER

9.1 Appointment of IFA. ZICO Capital has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer.

Shareholders should read and consider carefully the recommendation of the IFA to the Independent Directors in respect of the Offer as set out in the IFA Letter and the recommendation of the Independent Directors set out in Section 10 of this Circular before deciding whether to accept or reject the Offer.

9.2 Independence of Directors. Mr. Goh Kian Chee, Mr. Lim Yeow Hua and Mr. Lim Gee Kiat are considered independent for the purposes of making a recommendation to Shareholders in relation to the Offer.

The SIC has ruled that the following Directors, Mr. Lin Guo Rong, Mr. Siek Wei Ting, Mr. Hendra Widjaja and Mr. Kasim Rusmin (alternate director to Mr. Hendra Widjaja), are exempted from the requirement to make a recommendation on the Offer as they face irreconcilable conflicts of interests in doing so as persons acting in concert with the Offeror or a nominee of a person acting in concert with the Offeror.

LETTER TO SHAREHOLDERS

Notwithstanding such exemption, Mr. Lin Guo Rong, Mr. Siek Wei Ting, Mr. Hendra Widjaja and Mr. Kasim Rusmin (alternate director to Mr. Hendra Widjaja) will still assume responsibility for the accuracy of facts stated or opinions expressed in documents, announcements and/or advertisements issued by or on behalf of the Company in connection with the Offer.

- 9.3 Evaluation of the Offer by the IFA.** The IFA Letter setting out the advice and recommendations of the IFA to the Independent Directors in respect of the Offer is set out in Appendix I to this Circular. The key considerations relied upon by the IFA in arriving at its advice to the Independent Directors are set out in section 13 of the IFA Letter.

Shareholders should read and consider carefully the key considerations relied upon by the IFA in arriving at its advice to the Independent Directors, in conjunction with, and in the context of the full text of the IFA Letter.

- 9.4 Advice of the IFA in respect of the Offer.** After having regard to the considerations set out in the IFA Letter, and based on the circumstances of the Company and the information as at the Latest Practicable Date, the IFA has made certain recommendations to the Independent Directors at section 13 of the IFA Letter, an extract of which is set out below and should read in conjunction with, and in the context of, the full text of the IFA Letter. Unless otherwise stated, all terms and expressions used in the extract below shall have the meanings given to them in the IFA Letter.

“13. OUR RECOMMENDATIONS

In arriving at our recommendations in respect of the Offer, we have taken into consideration, inter alia, the following factors summarised below. The factors set out herein should be considered in the context of the entirety of this IFA Letter and the Circular:

- (a) market quotation, trading liquidity of the Shares and the Company’s historical share price performance relative to the FSSTI;*
- (b) financial performance and financial position of the Group;*
- (c) asset-based valuation of the Group;*
- (d) comparison with the valuation statistics of selected listed companies broadly comparable to the Group;*
- (e) comparison with precedent successful privatisation and delisting transactions on the SGX-ST;*
- (f) dividend record of the Group; and*
- (g) other considerations.*

LETTER TO SHAREHOLDERS

We set out below a summary of the factors we have taken into our consideration:

- (a) The Shares are trading at levels close to the Offer Consideration only after the Pre-Conditional Offer Announcement Date. The Offer may be supporting the current market price of the Shares and there is no assurance that the market price of the Shares will be maintained at the prevailing level after the close of the Offer;*
- (b) The Offer Consideration represents a premium of 35.4%, 25.9%, 23.1% and 24.8% to the VWAP of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Pre-Conditional Offer Announcement Date respectively;*
- (c) The Offer Consideration represents a premium of 25.0% to the VWAP of the Shares of S\$0.960 on the Unaffected Date;*
- (d) The Offer Consideration represents a premium of 4.2% to the VWAP of the Shares of S\$1.151 for the period after the Pre-Conditional Offer Announcement Date and up to the Formal Offer Announcement Date;*
- (e) The Offer Consideration represents a premium of 0.5% to the VWAP of the Shares of S\$1.194 for the period after the Formal Offer Announcement Date and up to the Latest Practicable Date. The Offer Consideration also represents a premium of 0.8% to the VWAP of the Shares of S\$1.190 as at the Latest Practicable Date;*
- (f) The Shares were generally very thinly traded. The average daily traded volume for the 12-month period prior to the Pre-Conditional Offer Announcement Date and up to the Latest Practicable Date represented only between 0.043% to 1.280% of the Company's free float;*
- (g) Revenue and profit before tax of the Group has been decreasing from FY2013 to 15MFY2016. Please refer to the explanations in section 10.2 for reasons of the decrease in revenue and profit before tax. On the back of rising urbanisation and declining rural labour, 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. However, 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;*
- (h) The Offer Consideration represents a discount of 27.7% to the NAV per Share as at 30 September 2016;*
- (i) The PER of the Company, as implied by the Offer Consideration is higher than the range of PER of the Comparable Companies as well as the mean and median PERs of the Comparable Companies;*
- (j) The P/NAV ratio of the Company, as implied by the Offer Consideration is within the range of P/NAV ratios of the Comparable Companies. It is higher than the median P/NAV ratios but lower than the mean P/NAV ratios of the Comparable Companies;*

LETTER TO SHAREHOLDERS

- (k) *The EV/EBITDA ratio of the Company, as implied by the Offer Consideration is lower than the range of EV/EBITDA ratios of the Comparable Companies as well as the mean and median EV/EBITDA ratios of the Comparable Companies;*
- (l) *The premia implied by the Offer Consideration against the 3-month VWAP, 1-month VWAP and the last-transacted price of the Shares prior to the Pre-Conditional Offer Announcement Date are within the ranges but are lower than the mean and median of the corresponding premia of the Selected Comparable Transactions;*
- (m) *The Company did not declare any dividend in respect of 15MFY2016 in view of general market uncertainties and tightening credit market. We understand from the Company that it does not have a formal dividend policy. The Group has recorded decreasing profitability from FY2013 to 15MFY2016. As such, there is no assurance that the Company will continue to pay dividends in the future or maintain the level of dividends paid in the previous periods;*
- (n) *The Undertaking Shareholders have provided Irrevocable Undertakings to the Offeror to, inter alia, accept the Offer in respect of an aggregate of 575,436,117 Offer Shares (representing approximately 87.79% of the total number of issued Shares);*
- (o) *The Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer in the event that the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury). The Offeror will then proceed to delist the Company from SGX-ST;*

Following from the Irrevocable Undertakings and valid acceptances in respect of 7,486,600 Offer Shares as at 14 November 2016, the Offeror and its concert parties will only need to acquire and/or receive valid acceptances in respect of more than 6,972,383 Shares, representing approximately 1.06% of the total number of issued Shares, for the SGX-ST to suspend the trading of the Shares at the close of the Offer, and for the Offeror to be entitled to its right for compulsory acquisition;

- (p) *In the event that the Shares are suspended and/or delisted, Shareholders may face potential difficulties in selling their Shares as there will be an absence of a ready public market. Less marketability of the Shares may also result in the Shares being valued at a discount to the shares of comparable listed companies; and*
- (q) *In the event the Company is delisted, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST, in particular the continuing corporate disclosure requirements under Chapter 7 of the listing rules.*

LETTER TO SHAREHOLDERS

Based on our analysis, and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the opinion that the financial terms of the Offer are, on balance, not fair but reasonable.

Accordingly, we advise the Independent Directors to recommend Shareholders to ACCEPT the Offer in respect of the Cash Consideration or sell their Shares in the open market if they can obtain a price higher than the Offer Consideration after deducting expenses. The Offer Consideration offers Shareholders an exit opportunity and there is no certainty that Shareholders will otherwise be able to obtain a better value for their Shares if the Offer lapses.

Notwithstanding that the Cash and Exchangeable Bonds Consideration is equivalent to the Cash Consideration in terms of nominal dollar value, as the Offeror is ascribing a value of S\$1.20 to each Exchange Share, we advise the Independent Directors to recommend Shareholders to REJECT the Offer in respect of the Cash and Exchangeable Bonds Consideration. Initially, they may end up holding the Exchangeable Bonds which will not bear any interest, which are not transferable and for which there is no existing market. The Exchangeable Bonds will be mandatorily exchanged into Exchange Shares at the Exchange Price at the expiry of the Exchange Period. In the event that the Offeror is entitled to exercise its right of compulsory acquisition pursuant to Section 215(1) of the Companies Act and the Offeror exercises such right of compulsory acquisition, these Exchange Shares may be delisted. Shares of an unlisted company are generally valued at a discount to the shares of comparable listed companies and Shareholders may face potential difficulties in selling their shares as there will be an absence of a ready public market. Being unlisted, there would be limited information available to Shareholders as the Company will no longer be required to comply with listing requirements of the SGX-ST, in particular the corporate disclosure requirements under Chapter 7 of the Listing Manual. Shareholders should consider the risks relating to holding the Exchangeable Bonds and Exchange Shares under Appendix 7 of the Offer Document.”

10. RECOMMENDATION OF THE INDEPENDENT DIRECTORS

The Independent Directors, having carefully considered the terms of the Offer and the advice given by the IFA to the Independent Directors in the IFA Letter, **CONCUR** with the advice of the IFA in respect of the Offer.

Accordingly, the Independent Directors recommend that Shareholders take the following action:

- (a) **ACCEPT** the Offer in respect of the Cash Consideration or sell their Shares in the open market if they can obtain a price higher than the Offer Consideration after deducting expenses. The Offer Consideration offers Shareholders an exit opportunity and there is no certainty that Shareholders will otherwise be able to obtain a better value for their Shares if the Offer lapses; and
- (b) notwithstanding that the Cash and Exchangeable Bonds Consideration is equivalent to the Cash Consideration in terms of nominal dollar value, as the Offeror is ascribing a value of S\$1.20 to each Exchange Share, **REJECT** the Offer

LETTER TO SHAREHOLDERS

in respect of the Cash and Exchangeable Bonds Consideration. Initially, Shareholders may end up holding the Exchangeable Bonds which will not bear any interest, which are not transferable and for which there is no existing market. The Exchangeable Bonds will be mandatorily exchanged into Exchange Shares at the Exchange Price at the expiry of the Exchange Period. In the event that the Offeror is entitled to exercise its right of compulsory acquisition pursuant to Section 215(1) of the Companies Act and the Offeror exercises such right of compulsory acquisition, these Exchange Shares may be delisted. Shares of an unlisted company are generally valued at a discount to the shares of comparable listed companies and Shareholders may face potential difficulties in selling their shares as there will be an absence of a ready public market. Being unlisted, there would be limited information available to Shareholders as the Company will no longer be required to comply with listing requirements of the SGX-ST, in particular the corporate disclosure requirements under Chapter 7 of the Listing Manual. Shareholders should consider the risks relating to holding the Exchangeable Bonds and Exchange Shares under Appendix 7 to the Offer Document.

Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully. Shareholders are also advised to read the IFA Letter set out in Appendix I to this Circular carefully and to consider the recommendations of the Independent Directors in their entirety before deciding whether to accept or reject the Offer. Shareholders should note that the advice of the IFA to the Independent Directors in respect of the Offer should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

Further, in rendering the above recommendation, the Independent Directors have not had regard to the general or specific investment objectives, financial situations, tax status or position, risk profiles or unique needs and constraints or other particular circumstances of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Independent Directors recommend that any individual Shareholder who may require advice in the context of his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser.

11. ACTION TO BE TAKEN BY SHAREHOLDERS

11.1 Shareholders who wish to accept the Offer. Shareholders who wish to accept the Offer in respect of all or any part of their holdings of Shares should refer to Appendix 2 to the Offer Document which sets out the procedures for acceptance of the Offer.

Shareholders who wish to accept the Offer must do so not later than 5.30 p.m. on 8 December 2016 or such later date(s) as may be announced from time to time by or on behalf of the Offeror.

11.2 Shareholders who do not wish to accept the Offer. Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document, the FAA and/or the FAT which have been sent to them.

LETTER TO SHAREHOLDERS

12. OVERSEAS SHAREHOLDERS

12.1 Overseas Shareholders. The availability of the Offer to Overseas Shareholders may be affected by the laws of the relevant jurisdictions in which they are located. Overseas Shareholders should refer to Section 16 of the Offer Document which has been extracted from the Offer Document and reproduced below.

“16. OVERSEAS SHAREHOLDERS

16.1 Overseas Jurisdictions. *This Offer Document does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document in any jurisdiction in contravention of applicable law.*

The release, publication or distribution of this Offer Document in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Offer Document is released, published or distributed should inform themselves about and observe such restrictions.

*Copies of this Offer Document are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer will violate the laws of that jurisdiction (“**Restricted Jurisdiction**”) and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.*

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

16.2 Overseas Shareholders. *The availability of the Offer to Shareholders whose addresses are outside Singapore as shown in the Register or in the Depository Register (as the case may be) (each, an “**Overseas Shareholder**”) may be affected by the laws of the relevant overseas jurisdictions in which they are located. Accordingly, Overseas Shareholders should inform themselves of, and observe, any applicable requirements in the relevant overseas jurisdictions.*

For the avoidance of doubt, the Offer will be open to all Shareholders, including those to whom the Offer Document and the relevant Acceptance Forms may not be sent.

It is the responsibility of Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant overseas jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or

LETTER TO SHAREHOLDERS

legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholders shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror, its related corporations, CIMB, CDP, the Registrar and any person acting on their behalf shall be fully indemnified and held harmless by such Overseas Shareholders for any such taxes, imposts, duties or other requisite payments as the Offeror, its related corporations, CIMB, CDP, the Registrar and/or any person acting on their behalf may be required to pay. In accepting the Offer, each Overseas Shareholder represents and warrants to the Offeror and CIMB that he is in full observance of the laws of the relevant jurisdiction in that connection and that he is in full compliance with all necessary formalities or legal requirements.

Any Overseas Shareholder who is in doubt about his position should consult his professional adviser in the relevant jurisdiction.

16.3 Copies of the Offer Document and the relevant Acceptance Forms. *Where there are potential restrictions on sending this Offer Document and the relevant Acceptance Forms to any overseas jurisdiction, the Offeror and CIMB each reserves the right not to send these documents to Overseas Shareholders in such overseas jurisdictions. Subject to compliance with applicable laws, any affected Overseas Shareholder may, nonetheless, attend in person and obtain a copy of this Offer Document, the relevant Acceptance Forms and any related documents during normal business hours and up to the Closing Date, from the office of the Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623. Alternatively, an Overseas Shareholder may, subject to compliance with applicable laws, write to the Offeror c/o the Registrar at the abovestated address to request for the Offer Document, the relevant Acceptance Forms and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five Market Days prior to the Closing Date.*

16.4 Notice. *The Offeror and CIMB each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published or circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement.”*

12.2 Copies of Circular. This Circular may not be sent to Overseas Shareholders due to potential restrictions on sending such documents to the relevant overseas jurisdictions. Any affected Overseas Shareholder may, nevertheless, obtain copies of this Circular during normal business hours up to the Closing Date, from the offices of the Share Registrar, being Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623, or make a request to the Share Registrar for this Circular to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.

In requesting for this Circular and any related documents, each of the Overseas Shareholders represents and warrants to the Company that each of them is in full observance of the laws of the relevant jurisdiction in that connection, and that each of them is in full compliance with all necessary formalities or legal requirements.

LETTER TO SHAREHOLDERS

13. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

CPFIS Investors and SRS Investors should refer to Section 17 of the Offer Document which has been extracted from the Offer Document and reproduced below.

“17. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

17.1 CPFIS Investors. *CPFIS Investors will receive further information on how to accept the Offer from their respective CPF Agent Banks directly. CPFIS Investors are advised to consult their respective CPF Agent Banks should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors should seek independent professional advice.*

CPFIS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks accordingly by the deadline stated in the letter from their respective CPF Agent Banks. Subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms, CPFIS Investors who accept the Offer will receive the Offer Consideration in respect of their Offer Shares, in their CPF investment accounts.

17.2 SRS Investors. *SRS Investors will receive further information on how to accept the Offer from their respective SRS Agent Banks directly. SRS Investors are advised to consult their respective SRS Agent Banks should they require further information, and if they are in any doubt as to the action they should take, SRS Investors should seek independent professional advice.*

SRS Investors who wish to accept the Offer are to reply to their respective SRS Agent Banks accordingly by the deadline stated in the letter from their respective SRS Agent Banks. Subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms, SRS Investors who accept the Offer will receive the Offer Consideration in respect of their Offer Shares, in their SRS investment accounts.”

14. DIRECTORS' RESPONSIBILITY STATEMENT

Save for (a) the recommendation of the Independent Directors to Shareholders set out in Section 10 of this Circular which is the sole responsibility of the Independent Directors, (b) the IFA Letter, (c) the review report from the Independent Auditors as set out in Appendix VI to this Circular, (d) the review letter from the IFA as set out in Appendix VII to this Circular, (e) the information extracted from the Pre-Conditional Offer Announcement, the Formal Offer Announcement, the 15 November Announcement and the Offer Document, and (f) the information relating to the Offeror, the Directors (including those who may have delegated detailed supervision of this Circular) confirm after making all reasonable enquiries that, to the best of their knowledge, the opinions expressed in this Circular have been arrived at after due and careful consideration and that no material facts have been omitted from this Circular which would make any statement in this Circular misleading, and the Directors jointly and severally accept full responsibility accordingly.

In respect of the IFA Letter, the sole responsibility of the Directors has been to ensure that the facts stated with respect to the Group are, after having made all reasonable enquiries and to the best of their knowledge and belief, fair and accurate in all material aspects.

LETTER TO SHAREHOLDERS

Where any information has been extracted or reproduced from published or otherwise publicly available sources (including, without limitation, the Pre-Conditional Offer Announcement, the Formal Offer Announcement, the 15 November Announcement and the Offer Document), the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information has been accurately extracted from such sources or, as the case may be, reflected or reproduced in this Circular in its proper form and context.

15. ADDITIONAL INFORMATION

The attention of the Shareholders is also drawn to the Appendices which form part of this Circular.

Yours faithfully

For and on behalf of the Board of Directors of
CHINA MINZHONG FOOD CORPORATION LIMITED

Lim Yeow Hua
Lead Independent Director

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

24 November 2016

China Minzhong Food Corporation Limited
229 Mountbatten Road
#02-05 Mountbatten Square
Singapore 398007

Attention: The Independent Directors

VOLUNTARY CONDITIONAL OFFER (THE “OFFER”) BY CIMB BANK BERHAD, SINGAPORE BRANCH (“CIMB”), FOR AND ON BEHALF OF MARVELLOUS GLORY HOLDINGS LIMITED (THE “OFFEROR”) TO ACQUIRE ALL THE ISSUED AND PAID-UP ORDINARY SHARES (THE “SHARES”) IN THE CAPITAL OF CHINA MINZHONG FOOD CORPORATION LIMITED (THE “COMPANY”) OTHER THAN THOSE ALREADY HELD BY THE OFFEROR

*Unless otherwise defined or the context otherwise requires, all terms used in this letter (“**IFA Letter**”) shall have the same meanings as defined in the circular to shareholders of the Company dated 24 November 2016 (the “**Circular**”).*

1. INTRODUCTION

On 6 September 2016, CIMB announced for and on behalf of the Offeror (the “**Pre-Conditional Offer Announcement**”), that subject to and contingent upon the satisfaction of the Pre-Conditions (the pre-conditions to the making of the Offer as set out in section 2.3 of the Pre-Conditional Offer Announcement), the Offeror intends to make the Offer to acquire all the issued and paid-up ordinary Shares in the capital of the Company other than those already held by the Offeror as at the date of the Offer in accordance with Rule 15 of The Singapore Code on Take-overs and Mergers (the “**Code**”).

The Offeror is a special purpose vehicle incorporated in the British Virgin Islands for purposes of the Offer. As at 3 November 2016 (being the latest practicable date prior to the printing of the Offer Document) (“**Offer Document LPD**”), the Offeror is owned by Prosperous Investment Holdings Limited (“**Prosperous Investment**”) and China Minzhong Holdings Limited (“**CMZ BVI**”) in the shareholding proportion set out in section 4 below. Further information on the Offeror is set out in section 4 below.

On 14 October 2015, the Company announced that CMZ BVI and PT Indofood Sukses Makmur Tbk (“**ISM**”) had entered into a binding memorandum of understanding (the “**MOU**”) in relation to the proposed acquisition by CMZ BVI of 347,000,000 Shares, representing approximately 52.94% of the total number of issued Shares, from ISM at S\$1.20 per Share (the “**Proposed Acquisition**”). The MOU sets out the terms upon which the parties would discuss and work towards the finalisation of the definitive sale and purchase agreement for the Proposed Acquisition (“**SPA**”).

At the time of the entry into the MOU, CMZ BVI was beneficially owned and controlled by Mr Lin Guo Rong, the Chief Executive Officer (“**CEO**”) of the Company.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

ISM, a company listed on the Indonesia Stock Exchange, is the single largest shareholder of the Company, holding in aggregate 543,252,517 Shares, representing approximately 82.88%¹ of the total number of issued Shares. The ultimate parent entity of ISM is First Pacific Company Limited (“FPC”), which is listed on the Stock Exchange of Hong Kong Limited. FPC holds a 50.07% shareholding interest in ISM (through an indirect subsidiary of FPC). Mr Anthoni Salim has an aggregate direct and indirect interest of approximately 45.00% in the issued share capital of FPC and a direct interest of approximately 0.02% in the issued share capital of ISM.

Under the MOU, it was then contemplated that ISM would retain the balance of 196,252,517 Shares or approximately 29.94% of the total number of issued Shares following the Proposed Acquisition.

Further to the MOU, the Offeror, ISM and CMZ BVI have, on the date of the Pre-Conditional Offer Announcement, entered into an implementation agreement (the “**Implementation Agreement**”) whereby the parties have agreed that, amongst others:

- (a) Prosperous Investment (a company which is indirectly wholly-owned by Mr Anthoni Salim), and CMZ BVI will announce and make the Offer through the Offeror on the terms and conditions set out in the Implementation Agreement;
- (b) accordingly, CMZ BVI and ISM will not enter into the SPA and CMZ BVI will not make the mandatory general offer for the remaining Shares consequent to the Proposed Acquisition as originally structured under the MOU; and
- (c) ISM and CMZ BVI will, and CMZ BVI will procure that certain key management executives of the Company, namely, Mr Lin Guo Rong (the CEO of the Company), Mr Siek Wei Ting (the Chief Financial Officer of the Company), Mr Wang Da Zhang (the Chief Operating Officer of the Company) and Mr Huang Bing Hui (the Chief Technology Officer of the Company) (collectively, the “**CMZ Management**”) will, give irrevocable undertakings (“**Irrevocable Undertakings**”) to the Offeror to accept the Offer in respect of all their Shares, amounting to an aggregate of 575,436,117 Shares (representing approximately 87.79% of the total number of issued Shares), as described in section 5 below.

As announced by CIMB for and on behalf of the Offeror on 19 October 2016, at a special general meeting of FPC held on 19 October 2016, the independent shareholders of FPC have approved, *inter alia*, the Implementation Agreement and the transactions contemplated thereunder, including the disposal by ISM of all of its 543,252,517 Shares (representing approximately 82.88% of the total number of issued Shares) by way of acceptance of the Offer pursuant to its Irrevocable Undertaking.

At an extraordinary general meeting of ISM held on 21 October 2016, the independent shareholders of ISM have approved, *inter alia*, the disposal by ISM of all of its 543,252,517 Shares (representing approximately 82.88% of the total number of issued Shares) by way of acceptance of the Offer pursuant to its Irrevocable Undertaking.

¹ Based on the total number of issued Shares of 655,439,000 as at the Offer Document LPD.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Accordingly on 21 October 2016, the Pre-Conditions have been satisfied and CIMB announced for and on behalf of the Offeror (the “**Formal Offer Announcement**”), the Offeror’s firm intention to make the Offer.

The offer document (“**Offer Document**”) in respect of the Offer has been despatched on 10 November 2016.

ZICO Capital Pte. Ltd. (“**ZICO Capital**”) has been appointed by the Company as the independent financial adviser (the “**IFA**”) to advise the directors who are considered independent in respect of the Offer (the “**Independent Directors**”), for the purposes of making their recommendation to Shareholders in respect of the Offer. This IFA letter is addressed to such Independent Directors, and sets out, *inter alia*, our evaluation and advice on the financial terms of the Offer, and our recommendation thereon (the “**IFA Letter**”). This IFA Letter forms part of the Circular to be despatched to Shareholders in relation to the Offer.

2. TERMS OF REFERENCE

We have confined our evaluation to the financial terms of the Offer.

Our terms of reference do not require us to evaluate or comment on the rationale, legal and commercial risks and/or merits (if any) of the Offer or on the future financial performance or prospects of the Company and its subsidiaries (collectively, the “**Group**”) and we have not made such evaluations or comments. Such evaluations or comments shall remain the sole responsibility of the directors (“**Directors**”) and the management of the Group (the “**Management**”) although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our recommendations as set out in this IFA Letter.

We were also not requested, instructed or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to any other proposals for transactions similar to or in lieu of the Offer. In this regard, we are not addressing the relative merits of the Offer as compared to any alternative transaction previously considered by the Company or which otherwise may have been available to the Company currently or in the future. Such comparison and consideration remain the responsibility of the Directors.

In the course of our evaluation of the financial terms of the Offer, we have held discussions with the Directors and the Management. We have also examined publicly available information collated by us as well as information, both written and verbal, provided to us by aforesaid parties. We have relied on, and assumed without independent verification, the accuracy and completeness of such information, whether written or verbal, and accordingly cannot and do not make any warranty or representation, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of, such information.

We have relied upon the assurances from the Directors and the Management (including those who may have delegated supervision of the Circular), who have accepted full responsibility for the accuracy and completeness of the information provided to us, that, to the best of their knowledge and belief, they have taken reasonable care to ensure that the

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

facts stated and opinions expressed by them or the Company in the Circular in respect of the Offer is fair and accurate in all material aspects. The Directors confirmed to us that, to the best of their knowledge and belief, there is no other information or fact, the omission of which would cause any statement in the Circular in respect of the Offer to be inaccurate, incomplete or misleading in any material respect. Whilst care has been exercised in reviewing the information upon which we have relied, we have not independently verified such information but nevertheless have made such enquiry and judgement as we have deemed necessary and have found no reason to doubt the accuracy or reliability of the information which we have relied upon.

For the purposes of assessing the financial terms of the Offer and reaching our conclusions thereon, we have not relied upon any financial projections or forecasts in respect of the Company or the Group. We will not be required to express, and we do not express, any view on the growth prospects and earnings potential of the Company or the Group in connection with our opinion in this IFA Letter.

We have not made any independent valuation or appraisal of assets and liabilities (including without limitation, property, plant and equipment) of the Company or the Group, and we have not been furnished with any such evaluation or appraisal.

Our recommendations are based upon market, economic, industry and other conditions prevailing, as well as information made available to us, as at 16 November 2016 (the “**Latest Practicable Date**”). Such conditions and information may change significantly over a short period of time. We assume no responsibility to update, revise or reaffirm our recommendations in light of any subsequent developments after the Latest Practicable Date that may affect our recommendations contained therein. Shareholders should further take note of any announcements relevant to their consideration of the Offer, which may be released after the Latest Practicable Date. Our opinion is limited to the fairness and reasonableness, from a financial point of view, of the Offer. We express no opinion as to the fairness and reasonableness of the Offer to, or any consideration received in connection therewith by, the holders of any class of securities, creditors or other constituencies of the Company or as to the underlying decision by the Company to engage in the Offer.

In rendering our advice and providing our recommendation, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Shareholder. We recommend that any Shareholder who may require specific advice in relation to his investment objective(s) or portfolio(s) should consult his legal, financial, tax or other professional advisers immediately. As such, our opinion should not be the sole basis for deciding on whether or not to accept the Offer.

The Company has been advised by its own legal advisers in the preparation of the Circular (other than this IFA Letter). We have had no role or involvement and have not provided any advice (financial or otherwise) whatsoever in the preparation, review and verification of the Circular (other than this IFA Letter) and our responsibility is as set out above in relation to this IFA Letter. Accordingly, we take no responsibility for, and express no views, whether expressed or implied, on the contents of the Circular (except for this IFA Letter).

We have prepared this IFA Letter for the use by the Independent Directors in connection with their consideration of the Offer and their advice and recommendation to the Shareholders in respect thereof. The recommendations made to the Shareholders in relation to the Offer remain the responsibility of the Independent Directors.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Other than for this intended purpose, this IFA Letter should not be used for any other purposes and/or by other persons, save for the use by the Independent Directors who are considered independent in respect of the Offer, in connection with their consideration of the Offer, without the prior consent of ZICO Capital. Therefore our recommendation in relation to the Offer should be considered in the context of the entirety of our advice as set out in this IFA Letter and the Circular.

3. THE OFFER

The Offer is made in accordance with Rule 15 of the Code and on terms and subject to conditions set out in the Offer Document, the Form of Acceptance and Authorisation for Offer Shares and the Form of Acceptance and Transfer for Offer Shares. The principal terms of the Offer, as extracted from section 3 of the Offer Document are set out below. **Shareholders are advised to read the terms and conditions of the Offer set out in the Offer Document carefully.**

A copy of the Offer Document is available on SGXNET at www.sgx.com.

3.1 Offer Shares

For the avoidance of doubt, the Offer will be extended, on the same terms and conditions, to all the Shares owned, controlled or agreed to be acquired by parties acting or presumed to be acting in concert with the Offeror in connection with the Offer (including, for the avoidance of doubt, ISM, CMZ BVI and the CMZ Management). For the purpose of the Offer, the expression “**Offer Shares**” shall include such Shares.

Shareholders may choose to accept the Offer in respect of all or part of their holdings of Offer Shares.

3.2 Offer Consideration

As stated in section 3 of the Offer Document, the consideration for each Offer Share is S\$1.20 (the “**Offer Consideration**”) to be satisfied as follows:

EITHER

(a) **S\$1.20 in cash** (the “**Cash Consideration**”);

OR

(b) **S\$0.7665 in cash and S\$0.4335 in principal amount of Zero Coupon Mandatorily Exchangeable Bonds to be issued by the Offeror** (the “**Exchangeable Bonds**”) (the “**Cash and Exchangeable Bonds Consideration**”).

The cash amount to be paid and the principal amount of Exchangeable Bonds to be issued to a Shareholder who elects to receive the Cash and Exchangeable Bonds Consideration will be rounded down to the nearest S\$0.01 in each case. For each acceptance of the Offer, Shareholders may accept the Offer on the basis of either (a) the Cash Consideration, or (b) the Cash and Exchangeable Bonds Consideration, but not a combination thereof. A Shareholder who fails to specify and elect the form of Offer Consideration in the manner described above shall be deemed to have elected to receive the Cash Consideration in respect of all of his Shares tendered in acceptance of the Offer.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

The Cash and Exchangeable Bonds Consideration comprises (i) approximately 63.9% of the Offer Consideration in the form of cash and (ii) approximately 36.1% of the Offer Consideration in the form of the Exchangeable Bonds.

The Exchangeable Bonds will be exchangeable into Shares (“**Exchange Shares**”) at S\$1.20 per Exchange Share (“**Exchange Price**”) (which is equivalent to the Offer Consideration) (rounded down to the nearest Exchange Share) during the Exchange Period (as defined herein) as specified in the terms and conditions of the Exchangeable Bonds. Further, the Exchangeable Bonds will be mandatorily exchanged into Exchange Shares at the Exchange Price at the expiry of the exchange period (being the period commencing from the date falling two (2) months from the close of the Offer (“**Commencement Date**”) and ending two (2) months after the Commencement Date (or such other later date as the Offeror may determine)) (“**Exchange Period**”). A summary of the principal terms and conditions of the Exchangeable Bonds is set out in section 4 of the Offer Document.

In the event that the Offeror becomes entitled to exercise its right of compulsory acquisition pursuant to Section 215(1) of the Companies Act, Chapter 50 of Singapore (the “Companies Act”), it is the intention of the Offeror to exercise such right and proceed to privatise and delist the Company from the SGX-ST. Accordingly, a Shareholder who accepts the Offer on the basis of the Cash and Exchangeable Bonds Consideration may, subject to the delisting of the Company from the SGX-ST and upon exchange of the Exchangeable Bonds into Exchange Shares (representing approximately 36.1% of the Offer Shares tendered by him in acceptance of the Offer), hold Shares which will no longer be listed on the SGX-ST.

Shareholders should note that there are risks involved in investing in Exchangeable Bonds and some of these risks are set out in Appendix 7 of the Offer Document.

3.3 Conditionality of the Offer

The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror holding such number of Shares carrying more than 50% of the voting rights attributable to the issued Shares (excluding any Shares held in treasury) as at the close of the Offer (the “**Minimum Acceptance Condition**”).

Save for the Minimum Acceptance Condition, the Offer will be unconditional in all other respects.

Upon receipt by the Offeror of the acceptance from ISM in respect of all its 543,252,517 Offer Shares pursuant to the terms of ISM’s Irrevocable Undertaking, the Minimum Acceptance Condition will be fulfilled and the Offer will then become unconditional in all respects.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

3.4 No Encumbrances

The Offer Shares will be acquired (i) fully-paid, (ii) free from all claims, charges, equities, mortgages, liens, pledges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever, and (iii) together with all rights, benefits and entitlements and advantages attached thereto as at the date of the Formal Offer Announcement, and hereafter attaching thereto, including but not limited to the right to receive and retain all dividends, rights and other distributions declared, paid or made by the Company in respect of Shares (collectively, the “**Distributions**”) (if any), the Distribution Record Date for which falls on or after the date of the Formal Offer Announcement. For the purpose of this IFA Letter, “**Distributions Record Date**” means, in relation to any Distributions, the date on which Shareholders must be registered with the Company or with The Central Depository (Pte) Limited, as the case may be, in order to participate in such Distributions.

The Offer Consideration has been determined on the basis of that the Offer Shares will be acquired with the right to receive any Distributions, the Distribution Record Date for which falls on or after the date of the Formal Offer Announcement. In the event of any such Distribution, the Offer Consideration payable to a Shareholder who validly accepts or has validly accepted the Offer shall be reduced by an amount which is equal to the amount of such Distribution (the “**Adjustment**”) as follows, depending on when the settlement date in respect of Offered Shares tendered in acceptance of the Offer (“**Offer Settlement Date**”) falls:

- (a) if the Offer Settlement Date falls on or before the Distribution Record Date, the Offeror will pay the relevant accepting Shareholders the unadjusted Offer Consideration of S\$1.20 for each Offer Share, as the Offeror will receive the Distribution in respect of such Offer Shares from the Company; and
- (b) if the Offer Settlement Date falls after the Distribution Record Date, the Offer Consideration payable for such Offer Shares tendered in acceptance shall be reduced by an amount which is equal to the Distribution in respect of such Offer Shares, as the Offeror will not receive such Distribution from the Company.

In effecting any such Adjustment, the Offeror shall endeavour, as far as practicable, to effect the Adjustment such that the ratio of cash to Exchangeable Bonds offered under the Cash and Exchangeable Bonds Consideration before the Adjustment is maintained.

3.5 Other Details of the Offer

Please refer to Appendices 1 and 2 of the Offer Document for details of the Offer on (i) the duration of the Offer; (ii) the settlement of the consideration for the Offer; (iii) the requirements relating to the announcement(s) of the level of acceptances of the Offer; (iv) the right of withdrawal of acceptances of the Offer; and (v) the procedures for acceptance of the Offer by a Shareholder.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

3.6 Aggregate shareholding of the Offeror

As at 14 November 2016, based on information available to the Offeror, (i) the Offeror owns, controls or has agreed to acquire (including by way of valid acceptances of the Offer)² 7,486,600 Shares, representing approximately 1.14% of the total number of issued Shares, while (ii) the Offeror and its concert parties collectively own, control or have agreed to acquire (including by way of valid acceptances of the Offer) an aggregate of 582,922,717 Shares, representing approximately 88.94% of the total number of issued Shares as at 14 November 2016.

4. INFORMATION ON THE OFFEROR

The Offeror is a special purpose vehicle incorporated in the British Virgin Islands on 26 July 2016 for the purpose of undertaking the Offer. Its principal activities are those of an investment holding company. The Offeror has not carried on any business since its incorporation, except for matters in connection with the making of the Offer.

As at the Offer Document LPD, the Offeror has an issued and paid-up share capital of US\$10,000 comprising 10,000 issued ordinary shares (“**Offeror Shares**”), of which 9,299 Offeror Shares are held by Prosperous Investment and 701 Offeror Shares are held by CMZ BVI, representing approximately 92.99% and 7.01% of the total number of issued Offeror Shares in the Offeror, respectively.

Prosperous Investment is a company which is ultimately wholly-owned by Mr Anthoni Salim, through Great Resources Holdings Limited (“**Great Resources**”) and Pure Gold Investment Holdings Limited (“**Pure Gold Investment**”). As at the Offer Document LPD, the entire issued share capital of CMZ BVI is held by Mr Siek Wei Ting on trust for Mr Lin Guo Rong. On or prior to the acceptance of the Offer by CMZ Management and CMZ BVI, CMZ BVI will be beneficially-owned by Mr Lin Guo Rong as to 57.44%³, Mr Siek Wei Ting as to 24.54%, Mr Wang Da Zhang as to 8.09%³ and Mr Huang Bing Hui as to 9.93%³.

The 7.01% shareholding interest of CMZ BVI in the Offeror has been arrived at based on an effective interest in the Company of 4.91% through the Offeror, on the assumption that the Offeror is able to acquire 100% of the Shares and none of the accepting Shareholders (other than ISM) elects to receive the Cash and Exchangeable Bonds Consideration. Depending on the level of acceptance of the Offer and the extent to which Shareholders (other than ISM) elect to receive the Cash and Exchangeable Bonds Consideration in respect of their Shares tendered in acceptance of the Offer or acquired under the compulsory acquisition (if any) of Shares pursuant to Section 215 of the Act, CMZ BVI's shareholding percentage in the Offeror shall be adjusted up to a shareholding percentage of between:

- (a) approximately 7.48%, in the event the Offeror is able to acquire 100% of the Shares and all accepting Shareholders (other than the CMZ Management and CMZ BVI) elect to receive the Cash and Exchangeable Bonds Consideration; and

² Excluding the Undertaking Shares which are subject of the Irrevocable Undertakings.

³ 75.46% of the shares in CMZ BVI will be held by Mr Siek Wei Ting on trust for Mr Lin Guo Rong, Mr Wang Da Zhang and Mr Huang Bing Hui.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

- (b) approximately 8.49% in the event the Offeror only acquires approximately 87.79% of the Shares from the Undertaking Shareholders (as defined herein) pursuant to the Irrevocable Undertakings and only ISM elects to receive the Cash and Exchangeable Bonds Consideration,

by way of issuance of Offeror Shares to CMZ BVI and, if necessary, Prosperous Investment, so as to ensure that CMZ BVI retains an effective interest in the Company of approximately 4.91% through the Offeror.

As at the Offer Document LPD, the directors of the Offeror are Mr Tan Hang Huat, Mr Teng Tien Eng Moses, Mr Lin Guo Rong and Mr Siek Wei Ting.

In connection with the Offer, the Offeror, Prosperous Investment and CMZ BVI have on 6 September 2016 entered into a preliminary agreement in relation to the establishment of the Offeror and the making and the funding of the Offer. The Offeror, Prosperous Investment and CMZ BVI will enter into a shareholders' agreement (the "**Shareholders' Agreement**") in relation to, *inter alia*, the regulation of the relationship of Prosperous Investment and CMZ BVI *inter se* as shareholders of the Offeror and the affairs of the Offeror and the Company.

The Securities Industry Council of Singapore has confirmed that the arrangements under the Irrevocable Undertakings, the Implementation Agreement and the Shareholders' Agreement do not constitute special deals for the purpose of Rule 10 of the Code.

Please refer to Appendix 3 of the Offer Document for additional information on the Offeror.

5. IRREVOCABLE UNDERTAKINGS AND EARNEST SUM

As at the Offer Document LPD, ISM, CMZ BVI and the CMZ Management (collectively, the "**Undertaking Shareholders**") have each given irrevocable undertakings to the Offeror (the "**Irrevocable Undertakings**"), whereby each of the Undertaking Shareholders has undertaken, *inter alia*:

- (a) to accept the Offer in respect of all the Shares owned by each of them respectively prior to and up to the close of the Offer; and
- (b) not to, directly or indirectly, (i) offer, (ii) sell, transfer, give or otherwise dispose of, (iii) grant any option, right or warrant to purchase in respect of, (iv) charge, mortgage, pledge or otherwise create an encumbrance over, or (v) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the legal, beneficial or economic consequences of ownership of, all or any of the Shares owned by them or any interest therein until the close of the Offer.

The Undertaking Shareholders have undertaken to accept the Offer in respect of an aggregate of 575,436,117 Shares (representing approximately 87.79% of the total number of issued Shares). Details of the Offer Shares held by the Undertaking Shareholders are set out in Appendix 5 to the Offer Document.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Pursuant to the Irrevocable Undertaking, ISM has agreed to, *inter alia*, elect for the Cash and Exchangeable Bonds Consideration in respect of all its 543,252,517 Offer Shares to be tendered by ISM in acceptance of the Offer (the “**ISM Acceptance**”). As such, ISM will, upon the Offer becoming unconditional, receive:

- (i) cash of S\$416,403,054.28⁴; and
- (ii) S\$235,499,966.11 in principal amount of Exchangeable Bonds. Such Exchangeable Bonds will be exchangeable at the Exchange Price into 196,249,971 Exchange Shares (representing approximately 29.94% of the total number of issued Shares) following the close of the Offer.

Pursuant to the Irrevocable Undertaking, CMZ BVI and the members of the CMZ Management have agreed that, *inter alia*, the consideration for the aggregate of 32,183,600 Offer Shares (representing approximately 4.91% of the total number of issued Shares) to be tendered by CMZ BVI and the members of the CMZ Management in acceptance of the Offer shall be satisfied in full by the issue of interest-free promissory notes by the Offeror to CMZ BVI (the “**CMZ Management Promissory Notes**”) with an aggregate principal amount of S\$38,620,320. The CMZ Management Promissory Notes will be regarded as a shareholder’s loan by CMZ BVI to the Offeror.

The CMZ Management Promissory Notes shall not be repayable by the Offeror until after the expiry of 18 months from the date of issue and provided that the Offeror has sufficient funds to repay the amount of principal outstanding under the CMZ Management Promissory Notes.

As none of the Undertaking Shareholders is a related corporation or nominee of the Offeror under the Companies Act, the 575,436,117 Offer Shares (representing approximately 87.79% of the total number of issued Shares) to be tendered by the Undertaking Shareholders in acceptance of the Offer will be included and count towards the 90% threshold for compulsory acquisition under Section 215(1) of the Companies Act.

The ISM Acceptance and its election for the Cash and Exchangeable Bonds Consideration would therefore enable ISM’s Shares to be counted towards the 90% threshold for compulsory acquisition under Section 215(1) of the Companies Act whilst enabling ISM to retain a 29.94% shareholding interest in the Company upon the exchange of its Exchangeable Bonds as per ISM’s original intention under the MOU.

The Irrevocable Undertakings shall lapse if the Offer lapses or is withdrawn, or fails to become or be declared unconditional by 31 March 2017 (or such later date as may be agreed in writing by the respective parties) for any reason other than a breach of the Undertaking Shareholders’ obligations under their respective Irrevocable Undertakings.

In consideration of ISM entering into the MOU, CMZ BVI paid an earnest sum of S\$40,000,000 (the “**Earnest Sum**”) to ISM on 30 December 2015, which sum is to be treated as part of the consideration payable to ISM for the Proposed Acquisition upon

⁴ The Earnest Sum shall be treated as part of the cash consideration payable by the Offeror to ISM for the ISM Acceptance.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

consummation of the Proposed Acquisition. The MOU provided that if the parties to the MOU fail to sign the SPA by 14 October 2016, the MOU shall be terminated and ISM shall be entitled to forfeit the Earnest Sum paid by CMZ BVI.

Pursuant to the Implementation Agreement, the Offeror, CMZ BVI and ISM have agreed that the Earnest Sum shall be applied as follows:

- (a) in the event the Offer becomes or is declared unconditional as to acceptances in accordance with its terms:
 - (i) CMZ BVI shall transfer absolutely to the Offeror all of CMZ BVI's rights, title, interest, benefits in and to the Earnest Sum (including the Accrued Interest (as defined below)), and in consideration of such transfer, the Offeror shall (on the date of settlement of the ISM Acceptance) issue to CMZ BVI an interest-free promissory note with a principal amount of S\$40,000,000 (the "**Earnest Sum Promissory Note**"). The Earnest Sum Promissory Note shall not be repayable by the Offeror until after the expiry of 18 months from the date of issue and provided that the Offeror has sufficient funds to repay the amount of principal outstanding under the Earnest Sum Promissory Note; and
 - (ii) pursuant to the foregoing, the Earnest Sum, including the interest accrued on the Earnest Sum from 30 December 2015 to the date of settlement of the ISM Acceptance (the "**Accrued Interest**"), shall be treated as part of the cash consideration payable by the Offeror to ISM for the ISM Acceptance, and the Offeror shall be entitled to deduct such amount from the cash consideration due to ISM for the ISM Acceptance; and
- (b) in the event the Offer lapses or is withdrawn or fails to become or be declared unconditional as to acceptances by 31 March 2017 or such later date as may be agreed in writing by the parties (other than by reason of ISM breaching its obligations under its Irrevocable Undertaking), ISM shall be entitled to forfeit the Earnest Sum, including the Accrued Interest, and CMZ BVI shall have no right or claim against ISM or the Offeror for the Earnest Sum, including the Accrued Interest, or any costs, expenses, damages, losses or otherwise.

Please refer to section 7 of the Offer Document for additional information on the Irrevocable Undertakings.

6. INFORMATION ON THE COMPANY

The Company is a company incorporated in Singapore on 9 March 2004 and has been listed on the Mainboard of the SGX-ST since 15 April 2010.

The Company is engaged in the cultivation, production and sale of processed vegetables, fruit and vegetable beverages. The Company has an extensive processing platform that encompasses processing methods such as air-drying, freeze-drying, fresh-packing and brining, which allows the Group to offer various types of processed vegetables to its customers in the People's Republic of China and globally. As part of its integrated operations, the Group's cultivation capabilities allow it to manage its supply of fresh vegetables and supply raw materials for its processing operation.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

As at the Latest Practicable Date, the Company has an issued and paid-up share capital of approximately S\$296.1 million comprising 655,439,000 issued Shares, and the Company does not hold any Shares in treasury.

As at the Latest Practicable Date, the directors of the Company are Mr Lin Guo Rong (Executive Chairman and CEO), Mr Siek Wei Ting (Executive Director and Chief Financial Officer), Mr Hendra Widjaja (Non-Executive Director), Mr Kasim Rusmin (alternate director to Mr Hendra Widjaja), Mr Goh Kian Chee (Independent Director), Mr Lim Yeow Hua (Independent Director) and Mr Lim Gee Kiat (Independent Director).

Please refer to Appendix II of the Circular for further information on the Company.

7. RATIONALE FOR THE OFFER

The rationale for the Offer as set out in section 10 of the Offer Document has been extracted from the Offer Document and reproduced below.

The Offeror is making the Offer with a view to delisting and privatising the Company. The Offeror is of the view that the delisting and privatisation of the Company will provide the Offeror and the Company with greater control and management flexibility in the implementation of any strategic initiatives and/or operational changes of the Group as well as dispense with compliance costs associated with maintenance of a listed status.

The Offer Consideration represents a premium of approximately 23.1% and 25.9% over the volume-weighted average price (“VWAP”)⁵ per Share for the three (3)-month and six (6)-month periods up to and including 30 August 2016, being the last full day of trading of the Shares on the SGX-ST prior to the date of the Pre-Conditional Offer Announcement (the “Unaffected Date”). The Offer Consideration also represents a premium of 25.0% over the last transacted price per Share on the Unaffected Date.

The Offer Consideration represents (i) a premium of approximately 3.7% over the VWAP per Share for the period between the Unaffected Date and the Offer Document LPD and (ii) a premium of approximately 0.8% over the closing price of the Shares on the Offer Document LPD.

The trading volume of the Shares has been low, with an average daily trading volume⁶ of approximately 54,202 Shares, 125,536 Shares and 92,143 Shares respectively during the three (3)-month period, six (6)-month period and 12-month period up to and including the Unaffected Date. These represent only 0.008%, 0.019% and 0.014% of the total number of issued Shares for the aforementioned relevant periods, respectively.

The Offer therefore provides Shareholders with an opportunity to realise their entire investment in the Shares at a premium over the prevailing market prices which may not otherwise be readily available to Shareholders given the low trading liquidity of the Shares.

⁵ Calculation of VWAP does not include married trade transactions within the relevant periods.

⁶ Calculated by using the total volume of Shares traded divided by the number of market days with respect to the three (3)-month period, six (6)-month period and twelve (12)-month period up to and including the Unaffected Date. Calculation of average daily trading volume does not include married trade transactions within the relevant periods.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

8. THE OFFEROR'S INTENTIONS RELATING TO THE COMPANY

The Offeror intends to undertake a review of the business of the Group following the close of the Offer with a view to identifying areas in which the strategic direction and operations of the Group can be enhanced, including exploring opportunities to create synergies between the Group and ISM. In addition, the Offeror retains the flexibility at any time to consider any options or opportunities in relation to the Group which may present themselves and which it may regard to be in the interests of the Company. Given ISM's retained equity interest of approximately 29.94% in the Company, it is expected that ISM will have at least one board seat in the Company following the close of the Offer. Save as disclosed above, the Offeror presently has no intentions to (a) introduce any major changes to the existing business of the Group, (b) re-deploy the fixed assets of the Group, or (c) discontinue the employment of existing employees of the Group, in each case, other than in the ordinary course of business.

9. COMPULSORY ACQUISITION AND LISTING STATUS

Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**") at a price equal to the Offer Consideration.

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from SGX-ST. In the event the Offeror exercises such right, Dissenting Shareholders shall be entitled to elect to receive either the Cash Consideration or the Cash and Exchangeable Bonds Consideration in respect of their Shares to be acquired by the Offeror. A Dissenting Shareholder who fails to specify and elect the form of Offer Consideration shall be deemed to have elected to receive the Cash Consideration in respect of all of his Shares to be acquired by the Offeror.

As none of the Undertaking Shareholders is a related corporation or nominee of the Offeror under the Companies Act, the 575,436,117 Offer Shares (representing approximately 87.79% of the total number of issued Shares) to be tendered by the Undertaking Shareholders in acceptance of the Offer pursuant to their Irrevocable Undertakings will be included and count towards the 90% threshold for compulsory acquisition under Section 215(1) of the Companies Act.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Consideration in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares. Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Pursuant to Rule 1105 of the Listing Manual of the SGX-ST (the “**Listing Manual**”), upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and its concert parties to above 90% of the total number of issued Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST until it is satisfied that at least 10% of the total number of Shares (excluding any Shares held in treasury) are held by at least 500 Shareholders who are members of the public. Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total number of Shares held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

The Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted.

Please refer to section 12 of the Offer Document for further information on the intentions of the Offeror relating to compulsory acquisition and the listing status of the Company.

10. ASSESSMENT OF THE FINANCIAL TERMS OF THE OFFER

In assessing the financial terms of the Offer, we have taken into account the following factors which we consider to have a significant bearing on our assessment:

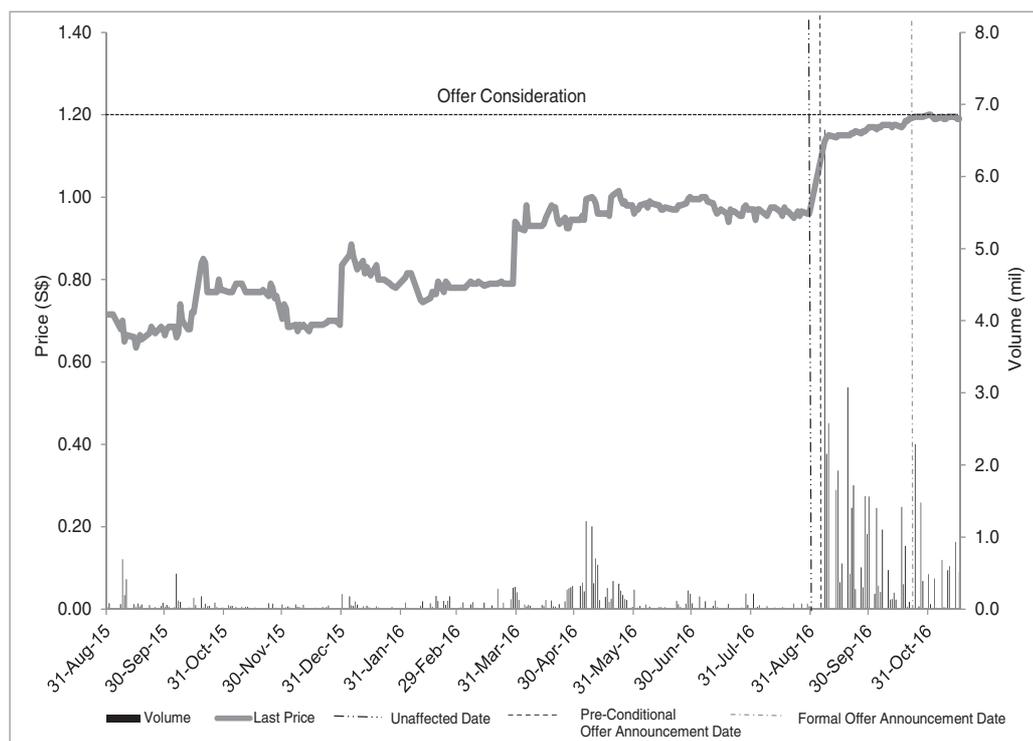
- (a) market quotation, trading liquidity of the Shares and the Company’s historical share price performance relative to the FTSE Straits Times Index (“**FSSTI**”);
- (b) financial performance and financial position of the Group;
- (c) asset-based valuation of the Group;
- (d) comparison with the valuation statistics of selected listed companies broadly comparable to the Group;
- (e) comparison with precedent successful privatisation and delisting transactions on the SGX-ST;
- (f) dividend record of the Group; and
- (g) other considerations.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

10.1 Market quotation and trading liquidity of the Shares

Share performance and trading liquidity

We set out below a chart showing the Offer Consideration relative to the daily closing prices and volume traded for the Shares for the 12-month period up to the Unaffected Date, and for the period after the Pre-Conditional Offer Announcement Date up to the Latest Practicable Date.



Source: Bloomberg L.P.

A summary of the salient announcements made by the Company during the aforesaid period is set out below:

Date	Event
14 Oct 2015	The Company announced that it has been informed by CMZ BVI that while CMZ BVI has made progress in its discussion with potential financiers on the funding arrangement for the Proposed Acquisition and the mandatory general offer for all the shares in the capital of the Company (other than those held by CMZ BVI and parties acting in concert with it), it has yet to finalise the terms of the funding arrangements. In connection therewith, CMZ BVI and ISM have entered into the MOU which sets out the terms upon which CMZ BVI and ISM will continue to discuss and work towards the finalisation of a definitive sale and purchase agreement for the Proposed Acquisition.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Date	Event
30 Oct 2015	The Company announced its unaudited consolidated financial results for the 3-month period ended 30 September 2015. The Company reported the Group's revenue of RMB467.70 million and profit for the period of RMB15.45 million.
30 Dec 2015	The Company announced that the Board has been informed by CMZ BVI that pursuant to the terms of the MOU, CMZ BVI has paid the earnest sum of S\$40,000,000 to ISM.
5 Feb 2016	The Company announced its unaudited consolidated financial results for half-year ended 31 December 2015. The Company reported the Group's revenue of RMB991.23 million and profit for the period of RMB44.59 million.
25 Apr 2016	The Company announced its unaudited consolidated financial results for the 9-month period ended 31 March 2016. The Company reported the Group's revenue of RMB1,442.60 million and profit for the period of RMB93.68 million.
11 Aug 2016	The Company announced its unaudited consolidated financial results for the financial year ended 30 June 2016. The Company reported the Group's revenue of RMB1,822.52 million and profit for the year of RMB132.81 million.
2 Sep 2016	The Company announced that it has been informed that there have been developments in relation to the proposed transaction contemplated under the MOU and the relevant parties are currently finalising such arrangements.
6 Sep 2016	CIMB made the Pre-Conditional Offer Announcement for and on behalf of the Offeror (" Pre-Conditional Offer Announcement Date ").
19 Oct 2016	The Company announced that the independent shareholders of FPC have approved, <i>inter alia</i> , the Implementation Agreement and the transactions contemplated, including the disposal of ISM of all its 543,252,517 Shares. Hence, one of the Pre-Conditions set out in the Pre-Conditional Offer Announcement has been fulfilled.
21 Oct 2016	The Company announced that the independent shareholders of ISM have approved, <i>inter alia</i> , the disposal of ISM of all its 543,252,517 Shares. Accordingly, all the Pre-Conditions have been satisfied and CIMB announced, for and on behalf of the Offeror, the Offeror's firm intention to make the Offer. (" Formal Offer Announcement Date ")
10 Nov 2016	CIMB announced the despatch of the Offer Document for and on behalf of the Offeror.

Source: Company announcements from the SGXNET

Since the Pre-Conditional Offer Announcement Date, the Shares have traded at levels close to the Offer Consideration. We note that the Offer may be supporting the current market price of the Shares and as such, there is no assurance that the market price of the Shares will be maintained at the prevailing level after the close of the Offer.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

The trading statistics of the Shares for the period from 31 August 2015 (being the start date of the 12-month period prior and up to the Unaffected Date) and up to the Latest Practicable Date are set out below:

Reference period	Highest traded price ⁽¹⁾ (S\$)	Lowest traded price ⁽¹⁾ (S\$)	VWAP ⁽²⁾ (S\$)	Premium of Offer Consideration over VWAP (%)	Number of traded days ⁽³⁾	Average daily traded volume ⁽⁴⁾	Average daily traded volume as a percentage of free float ⁽⁵⁾ (%)
Prior to the Pre-Conditional Offer Announcement							
Last 12 months	1.015	0.635	0.887	35.4	228	83,700	0.098
Last 6 months	1.015	0.780	0.953	25.9	115	113,674	0.132
Last 3 months	1.000	0.940	0.975	23.1	58	49,120	0.057
Last 1 month	0.975	0.950	0.961	24.8	18	36,243	0.042
As at 30 August 2016, being the last traded day prior to the Pre-Conditional Offer Announcement Date	0.960	0.960	0.960	25.0	1	37,300	0.043
After the Pre-Conditional Offer Announcement and up to the Formal Offer Announcement							
After the Pre-Conditional Offer Announcement Date and up to 21 October 2016, being the last traded day prior to the Formal Offer Announcement	1.190	1.135	1.151	4.2	32	1,097,972	1.280
After the Formal Offer Announcement							
After the Formal Offer Announcement Date and up to the Latest Practicable Date	1.200	1.190	1.194	0.5	18	474,828	0.553
As at the Latest Practicable Date	1.190	1.190	1.190	0.8	1	516,900	0.602

Source: Bloomberg L.P.

Notes:

- (1) The highest and lowest trade prices for the periods (a) prior to the Pre-Conditional Offer Announcement; (b) after the Pre-Conditional Offer Announcement and up to the Formal Offer Announcement; and (c) after the Formal Offer Announcement and up to the Latest Practicable Date, are based on daily closing prices. The highest and lowest trade prices as at the Latest Practicable Date are based on intra-day prices.
- (2) The VWAP is calculated based on the aggregate daily VWAP turnover divided by aggregate daily VWAP volume for the respective periods as extracted from Bloomberg L.P. Off market transactions are excluded from the calculation.
- (3) Traded days refer to the number of days on which the Shares were traded on the SGX-ST during the period.
- (4) The average daily trading volume of the Shares is computed based on the total volume of Shares traded on the SGX-ST (excluding off market transactions) during the relevant periods, divided by the number of days when the SGX-ST was open for trading (excluding days with full day trading halts on the Shares) during that period.
- (5) Free float refers to the Shares other than those held by the Directors, chief executive officer, controlling Shareholders, or substantial Shareholders of the Company and their associates which amounted to 85,803,889 Shares, representing 13.09% of the issued and paid-up share capital of the Company as at the Latest Practicable Date.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Based on the above, we note the following:

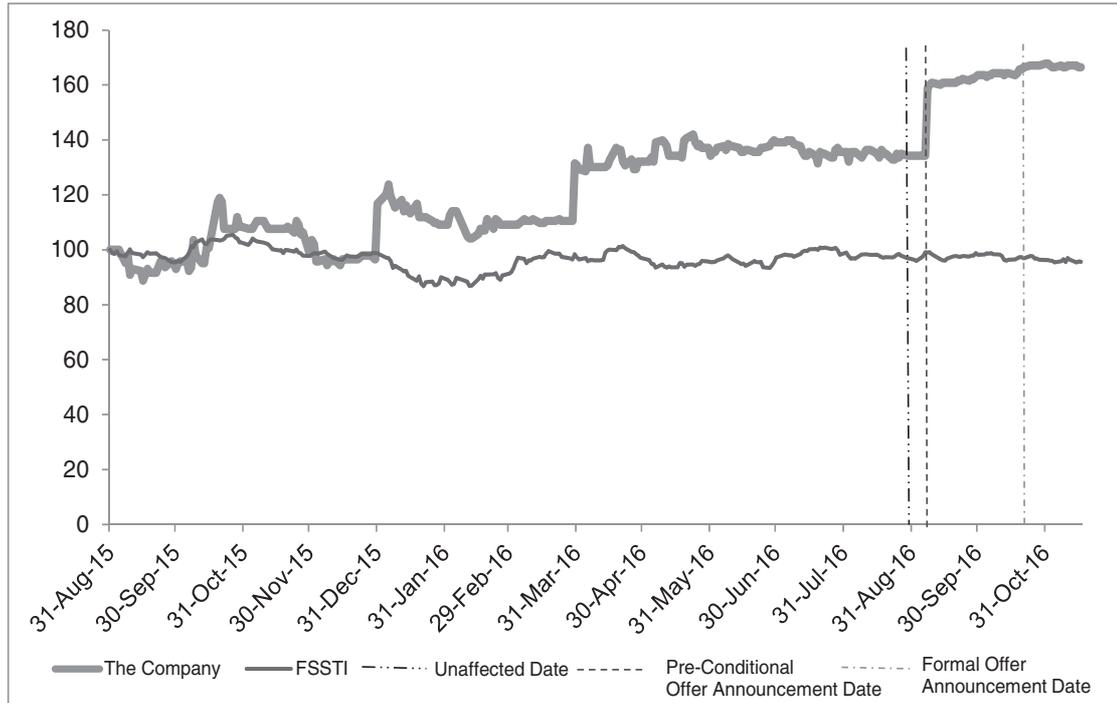
- (a) Over the 12-month period and up to the Unaffected Date, the Shares had traded between a low of S\$0.635 and a high of S\$1.015;
- (b) The Offer Consideration represents a premium of 35.4%, 25.9%, 23.1% and 24.8% to the VWAP of the Shares for the 12-month, 6-month, 3-month and 1-month periods up to the Unaffected Date respectively;
- (c) The Offer Consideration represents a premium of 25.0% to the VWAP of the Shares of S\$0.960 on the Unaffected Date;
- (d) The Offer Consideration represents a premium of 4.2% to the VWAP of the Shares of S\$1.151 for the period after the Pre-Conditional Offer Announcement Date and up to the last traded day prior to the Formal Offer Announcement;
- (e) The Offer Consideration represents a premium of 0.5% to the VWAP of the Shares of S\$1.194 for the period after the Formal Offer Announcement Date and up to the Latest Practicable Date;
- (f) The Offer Consideration also represents a premium of 0.8% to the VWAP of the Shares of S\$1.190 as at the Latest Practicable Date;
- (g) During the 12-month period up to the Unaffected Date, the Shares had traded on 228 days out of 251 Market Days (or 90.8% of the total number of Market Days). The average daily traded volume was 92,143 Shares representing 0.107% of the Company's free float;
- (h) For the period after the Pre-Conditional Offer Announcement Date and up to the last traded day prior to the Formal Offer Announcement, the Shares had traded on 32 days out of 32 Market Days (or 100.0% of the total number of Market Days). The average daily traded volume was 1,097,972 Shares representing 1.28% of the Company's free float; and
- (i) For the period after the date of the Formal Offer Announcement and up to the Latest Practicable Date, the Shares had traded on 18 days out of 18 Market Days (or 100.0% of the total number of Market Days). The average daily traded volume was 474,828 million Shares, representing 0.553% of the Company's free float.

Shareholders should note that the past trading performance of the Shares is no assurance of its future trading performance.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Relative performance of the Shares versus the market index

In addition, to assess the market price performance of the Shares vis-a-vis the general price performance of the Singapore equity market, we have compared the movement of the prices of the Shares against the FSSTI for the 12-month period prior to the Unaffected Date and up to the Latest Practicable Date, as illustrated below:



Source: Bloomberg L.P.

We note that the closing price of Share had gone up to S\$0.835 on 31 December 2015 after the Company announced on 30 December 2015 that CMZ BVI had paid the earnest sum of S\$40,000,000 to ISM pursuant to the terms of the MOU. Whilst at the MOU stage, the Earnest Sum paid signaled greater certainty for the Proposed Acquisition. We note that the Shares have outperformed the FSSTI since January 2016. In addition, the closing prices of the Shares appear to have been supported by the Offer subsequent to the Pre-Conditional Announcement Date and up to the Latest Practicable Date.

Shareholders should note that the past trading performance of the Shares should not, in any way, be relied upon as an indication or promise of its future trading performance.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

10.2 Financial performance and financial position of the Group

A summary of the financial results of the Group for the financial years ended 30 June (“FY”) FY2013, FY2014 and FY2015, and for the 15-month period ended 30 September 2015 (“15MFY2015”) and 30 September 2016 (“15MFY2016”) is set out below:

Review of Operating Results

RMB'000	← Audited →			← Unaudited →	
	FY2013	FY2014	FY2015	15MFY2015 (Restated)	15MFY2016
Revenue	3,247,773	2,896,635	1,971,145	2,438,840	2,234,915
Gross profit	1,115,658	952,140	611,360	729,495	608,011
Profit before income tax	801,923	621,656	402,393	451,957	222,329
Profit for the year/period	755,065	509,457	320,477	351,681	177,909

Source: Company's annual reports for FY2014, FY2015 and financial results announcement for 15MFY2016.

We note that on 7 October 2016, the Company announced the change of the Company's financial year end from 30 June to 31 December.

The Group derives its revenue from three business segments. They are (1) processed business segment; (2) cultivation business segment; and (3) branded business segment.

Based on information set out in the Company's annual reports and results announcements, we noted the following:

FY2014 vs FY2013

Revenue decreased by approximately RMB351 million, from RMB3,248 million in FY2013 to RMB2,897 million in FY2014, and was due to a decrease in sales from the processed business segment and the cultivation business segment, partly offset by an increase in sales from the branded business segment.

Revenue from the processed business segment decreased by approximately 20.4%, mainly due to a decrease in fresh-packed product sales of approximately RMB613 million. As a result of domestic food inflation and rising labour costs, the prices of fresh-packed products in the People's Republic of China has become less competitive as compared to other countries in Southeast Asia. The decrease in fresh-packed product sales was partly offset by an increase in air-dried product sales of RMB165 million and higher brined product sales of RMB74 million, mainly due to an increase in average selling price as a result of better product mix.

Revenue from the cultivation business segment decreased by approximately 5.8%, mainly due to a decrease in sales of fresh vegetables produce which was partly offset by an increase in revenue from mushroom spores. Sales of fresh vegetables produce decreased by approximately 10.7% mainly as a result of decrease in average selling price of 10.9%. Revenue from mushroom spores increased by approximately 51.2%, on the back of a 33.4% increase in trading volume and 13.3% increase in average selling price.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Revenue for the branded business segment increased by approximately 30.2%, mainly due to an increase in revenue from beverage business. Revenue from beverage business increased by approximately RMB140 million mainly as a result of higher sales volume by 64.3% coming from the growth of domestic distribution channels for branded products and also the result of the Group's brand building efforts.

Gross profit decreased by approximately RMB164 million, from RMB1,116 million in FY2013 to RMB952 million in FY2014, mainly due to a decrease in overall gross profit margin (by 1.5 percentage point) on lower revenue. The lower gross profit margin was due mainly to higher raw material costs in the processed business segment and rising labour costs in the cultivation business segment, and was partly offset by higher gross profit margin for the beverage business (under branded business segment). The higher gross profit margin was primarily due to lower unit fixed costs as production volume increased.

The Group recorded a lower profit for the year of approximately RMB509 million in FY2014, as compared to RMB755 million in FY2013, mainly as a result of lower revenue, lower gross profit margin, higher administrative expenses of RMB41 million, higher selling and distribution expenses of RMB40 million, higher other expenses of RMB33 million and higher financial costs of RMB17 million, partly offset by higher other income of RMB87 million and a gain on fair value of biological assets less estimated point-of-sales cost of RMB9 million⁷. Income tax was higher at RMB112 million in FY2014, as compared to RMB47 million in FY2013.

FY2015 vs FY2014

Revenue decreased by approximately RMB926 million, from RMB2,897 million in FY2014 to RMB1,971 million in FY2015, and was mainly due to decreased sales from all business segments, particularly the processed business segment and cultivation business segment. Revenue from the processed business segment decreased by 37.0% due to lower sales volume as a result of weakened demand for processed vegetables. Revenue from the cultivation business segment decreased by 32.2% mainly due to reduced sales volume of fresh vegetables and mushroom spores as a result of scarcity of rural labour for cultivation activities, partly offset by higher average selling price.

Gross profit decreased by approximately RMB341 million, from RMB952 million in FY2014 to RMB611 million in FY2015, mainly due to a decrease in overall gross profit margin (by 1.9 percentage point) on lower revenue. The lower gross profit margin was due mainly to higher raw material costs in the processed business segment and rising labour costs in the cultivation business segment, partly offset by higher gross profit margin for the branded business segment.

The Group recorded a lower profit for the year of approximately RMB320 million in FY2015 as compared to RMB509 million in FY2014, mainly as a result of lower revenue, lower gross profit margin, and higher finance costs by RMB36 million, partly offset by lower selling and

⁷ The Group adopted amendments to FRS 16 and FRS 41 from 1 January 2016 and biological assets that meet definition of bearer plants will be measured under FRS16 at accumulated cost (before maturity) using cost model (after maturity) instead of fair value less cost to sell under FRS41, and the amendments have been applied retrospectively.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

distribution expenses of RMB78 million, higher other income by RMB73 million, lower other expenses of RMB25 million and lower administrative expenses of RMB7 million. Income tax was lower at RMB82 million in FY2015, as compared to RMB112 million in FY2014.

15MFY2016 (from 1 July 2016 to 30 September 2016) vs 15MFY2015 (from 1 July 2015 to 30 September 2015)

Revenue decreased by approximately RMB204 million, from RMB2,439 million in 15MFY2015 to RMB2,235 million in 15MFY2016, mainly due to decrease in sales from the cultivation and branded business segments, partly offset by an increase in sales from the processed business segment. Revenue from the processed business segment increased by 4.9% primarily due to increase in average selling price by 7.3%, partly offset by decrease in sales volume by 2.3%. Revenue from the cultivation business segment decreased by 7.6% mainly due to decline in sales volume by 16.2%, partly offset by increase in average selling price by 10.2%. Revenue from beverage business (under the branded business segment) decreased by approximately RMB194 million primarily due to the slowdown in economy and re-focusing of corporate strategy to the core business of processed and cultivation businesses.

Gross profit decreased by approximately RMB122 million, from RMB730 million in 15MFY2015 to RMB608 million in 15MFY2016, due to lower gross profit margin by 2.7 percentage point on lower revenue.

The Group recorded a lower profit for the period of approximately RMB178 million in 15MFY2016, as compared to RMB352 million in 15MFY2015 due to lower revenue, lower gross profit margin, lower other income of RMB9 million, higher other expenses of RMB98 million, higher finance cost of RMB40 million and higher administrative expenses of RMB7 million, partly offset by lower selling and distribution expenses of RMB46 million. Income tax was lower at RMB44 million in 15MFY2016, as compared to RMB100 million in 15MFY2015.

Review of Financial Position

RMB million	Unaudited As at 30 September 2016
Current assets	4,952
Non-current assets	2,660
Current liabilities	1,624
Non-current liabilities	648
Equity	5,339

Assets as at 30 September 2016 comprised mainly cash and bank balances of approximately RMB4,558 million (59.9%), property, plant and equipment of approximately RMB2,176 million (28.6%), operating lease prepayments of approximately RMB179 million (2.4%), trade receivables of approximately RMB163 million (2.1%), land use rights of approximately RMB131 million (1.7%), land improvement costs of approximately RMB108 million (1.4%), as well as other receivables and prepayments of approximately RMB105 million (1.4%). Property, plant and equipment comprised mainly leasehold buildings, and plant and machinery.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Liabilities comprised mainly short-term and long-term bank loans of approximately RMB1,549 million (68.2%), other payables and accruals of approximately RMB517 million (22.7%), and trade payables of approximately RMB132 million (5.8%).

10.3 Asset-based valuation of the Group

Based on the Group's unaudited financial statements as at 30 September 2016, the net asset value ("**NAV**") of the Group is approximately RMB5,339 million (equivalent to approximately S\$1,090 million) and its NAV per Share is RMB8.15 (equivalent to approximately S\$1.66) based on an exchange rate of RMB1:S\$0.2042 as at 30 September 2016. NAV mainly consists of property, plant and equipment of approximately RMB2,176 million (40.8%) and net cash of approximately RMB3,009 million (56.4%).

The Offer Consideration represents a discount of 27.7% to the NAV per Share, or a Price-to-NAV ("**P/NAV**") ratio of 0.72 time as at 30 September 2016.

We note that the Group has no intangible assets as at 30 September 2016 and accordingly, the Group's NAV is the same as its net tangible asset ("**NTA**").

The Management has informed us that the Company has not conducted any valuation on its leasehold buildings and land use rights. The leasehold buildings relate to factories for the processing of vegetables, and reside on the land with the land use rights. As of the Latest Practicable Date, the Group has no intention to dispose of its leasehold buildings and land use rights as they are used to support the Group's business operations. The Offeror has also indicated that it has no intention to redeploy the fixed assets of the Group as set out in section 11 of the Offer Document.

The Directors and the Management have confirmed to us that as at the latest Practicable Date, to the best of their knowledge and belief:

- (a) there are no material differences between the realisable value of the Group's assets and their respective book values as at 30 September 2016, which would result in a material impact on the NAV or NTA of the Group;
- (b) other than that already provided for or disclosed in the Group's financial results as at 30 September 2016, there are no other contingent liabilities, bad or doubtful debts or material events which are likely to have a material impact on the NAV or NTA of the Group;
- (c) there are no litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or any fact likely to give rise to any proceedings which might materially and adversely affect the financial position of the Group;

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

- (d) there are no intangible assets which ought to be disclosed in the unaudited financial statements as at 30 September 2016 in accordance with Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible asset would have had a material impact on the overall financial position of the Group; and
- (e) there are no material acquisitions and disposals of assets by the Group since 1 October 2016 and up to the Latest Practicable Date, and the Group does not have any plans for any impending material acquisitions or disposals of assets, conversion of the use of its material assets or material change in the nature of the Group's business.

10.4 Comparison with the valuation statistics of selected listed companies broadly comparable to the Group

For purpose of assessing the financial terms of the Offer, we have referred to the current valuation statistics of selected companies listed in Singapore whose businesses are comparable to the Company ("**Comparable Companies**"). We have had discussions with the Management about the suitability and reasonableness of the Comparable Companies acting as a basis for comparison with the Company. The Comparable Companies are broad proxies to the Company's business and any comparison therewith is intended to serve only as an illustrative guide.

Relevant information has been extracted from Bloomberg L.P., publicly available annual reports and/or public announcements of the Comparable Companies. We make no representations or warranties, expressed or implied, as to the accuracy or completeness of such information.

For the purpose of our evaluation and for illustration, we have used the following valuation measures in our analysis:

Valuation measure	Description
Price-to-Earnings ratio (" PER ")	<p>This ratio is computed by dividing the market capitalisation of a company by the trailing 12-month consolidated net profits attributable to owners of a company.</p> <p>The PER is affected by, <i>inter alia</i>, the capital structure of a company, its tax position as well as its accounting policies relating to among others, depreciation and amortisation.</p>
P/NAV	<p>This ratio illustrates the market price of a company's shares relative to the NAV per share as recorded in its financial statements.</p> <p>The NAV is defined as total assets less total liabilities, and excludes, where applicable, minority or non-controlling interests.</p>

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Valuation measure	Description
	<p>The NAV figure provides an estimate of the value of a company assuming the hypothetical sale of all its assets at its book value and repayment of its liabilities and obligations, with the balance available for distribution to its shareholders. It is an asset-based valuation methodology and this approach is meaningful to the extent that it measures the value of each share that is attached to the net assets of the company.</p> <p>Comparisons of companies using NAV are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation policies.</p>
Enterprise Value-to-Earnings before Interests, Taxes, Depreciation and Amortisation (“EV/EBITDA”)	<p>EV refers to enterprise value which is the sum of a company’s market capitalisation, preferred equity, minority interests, short and long term debts (inclusive of finance lease liabilities) less the cash and cash equivalents.</p> <p>EBITDA is the earnings before interest, tax, depreciation and amortisation.</p> <p>The EV/EBITDA ratio illustrates the ratio of the market value of a company’s business relative to its trailing 12-month pre-tax consolidated operating cashflow performance, without regard to its capital structure as well as its interest, taxation, depreciation and amortisation charges.</p>

We set out in the table below the Comparable Companies, together with a brief description of their business activities:

Comparable Companies	Business activities
Sino Grandness Food Industry (“Sino Grandness”)	Sino Grandness is mainly involved in the production and sales of fruit juices as well as various canned products.
SunMoon Food Company Limited (“SunMoon”)	SunMoon distributes and markets fruits, vegetables and other products.
Del Monte Pacific Ltd (“Del Monte Pacific”)	Del Monte Pacific produces and markets packaged vegetables, fruits, beverages and culinary products.
Yamada Green Resources Limited (“Yamada”)	Yamada grows, manufactures and supplies fresh and processed agricultural products.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Comparable Companies	Business activities
China Green (Holdings) Limited (“China Green”)	China Green, through its subsidiaries, produces and supplies fresh produce and processed food to both domestic and international markets.
Chaoda Modern Agriculture (Holdings) Limited (“Chaoda”)	Chaoda, through its subsidiaries, grows fruits and vegetables and is involved in the production chain from seeding to processing and marketing.

Source: Bloomberg L.P. and/or annual report of the respective companies

Shareholders should note that the Comparable Companies may not be directly comparable to the Group in terms of market capitalisation, composition of business activities, scale of operations, asset base, clientele base, risk profile, geographical spread of activities, track record, future prospects and other relevant criteria. Comparisons may also be affected, *inter alia*, by differences in their accounting policies. Our analysis has not adjusted for such differences. As such, any comparison made with respect to the Comparable Companies merely serves as an illustration guide and the conclusions drawn from the comparisons may not necessarily reflect the perceived market valuation of the Company as at the Latest Practicable Date.

The valuation measures of the Comparable Companies set out below are based on their respective last transacted share prices as at the Latest Practicable Date.

Comparable Companies	Market cap as at the Latest Practicable			
	Date (S\$ million)	PER ⁽¹⁾ (times)	P/NAV (times)	EV/EBITDA ⁽¹⁾ (times)
Sino Grandness	232.3	1.9	0.5	1.7
SunMoon	33.5	n.m. ⁽²⁾	4.9	n.m. ⁽²⁾
Del Monte Pacific	651.0	8.8	1.7	11.4
Yamada	66.3	9.1	0.3	1.9
China Green	302.5	n.m. ⁽²⁾	0.5	n.m. ⁽²⁾
Chaoda	135.0	n.m. ⁽²⁾	0.2	n.m. ⁽²⁾
Mean		6.6	1.3	5.0
Median		8.8	0.5	1.9
Max		9.1	4.9	11.4
Min		1.9	0.2	1.7
The Company ^{(3), (4)} (as implied by the Offer Consideration)				
		22.9	0.7	1.2

Source: Bloomberg L.P., annual reports and/or announcements of the respective companies.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Notes:

"n.m." – Not meaningful

- (1) Based on the trailing 12-month profit attributable to owners of the company and the trailing 12-month EBITDA, as the case may be.
- (2) This multiple is not meaningful as it reflects negative trailing 12-month profit attributable to owners of the company and/or the trailing 12-month EBITDA, as the case may be.
- (3) Based on the trailing 12-month profit for the year attributable to owners of the Company and trailing 12-month EBITDA of the Group as at 30 September 2016 which have been translated to Singapore dollars at the average exchange rate during the period from 1 October 2015 to 30 September 2016.
- (4) Based on the Group's NAV which have been translated to Singapore dollars at the exchange rate prevailing as at 30 September 2016, as computed in Section 10.3 above.

Comparison of PER

We note that the PER of the Company of 22.9 times, as implied by the Offer Consideration, is higher than the range of the PERs of the Comparable Companies as well as the mean and median PERs of the Comparable Companies.

Comparison of P/NAV ratios

We note that the P/NAV ratio of the Company of 0.7 time, as implied by the Offer Consideration is within the range of the P/NAV ratios of the Comparable Companies. It is higher than the median P/NAV ratios but lower than the mean P/NAV ratios of the Comparable Companies.

Comparison of EV/EBITDA ratios

We note that the EV/EBITDA ratio of the Company of 1.2 times, implied by the Offer Consideration, is lower than the range of the EV/EBITDA ratios of the Comparable Companies as well as the mean and median EV/EBITDA ratios of the Comparable Companies.

10.5 Comparison with precedent successful privatisation and delisting transactions on the SGX-ST

We note that it is the intention of the Offeror to privatise and delist the Company from the Official List of the SGX-ST. Accordingly, the Offeror intends to exercise its rights of compulsory acquisition under Section 215(1) of the Companies Act and does not intend to take any steps for any trading suspension of the Shares by the SGX-ST to be lifted in the event that, *inter alia*, less than 10% of the Shares (excluding treasury Shares) are held in public hands.

For the purpose of our evaluation of the financial terms of the Offer, we have compared the valuation statistics implied by the Offer Consideration vis-a-vis those in respect of successful privatisations and delistings of companies listed on the SGX-ST which were announced in the 24-month period prior to the Pre-Conditional Offer Announcement where the offeror's intentions to privatise and delist the target companies (collectively, the "**Selected Comparable Transactions**") were indicated.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

We wish to highlight that the list of target companies set out under the Selected Comparable Transactions may not be directly comparable with the Company in terms of market capitalisation, size of operations, business activities, accounting policies, financial performance, future prospects and other relevant criteria. Each transaction must be judged on its own commercial and financial merits.

We also wish to highlight that the list of Selected Comparable Transactions is by no means exhaustive and has been compiled based on publicly available information as at the Latest Practicable Date.

The premium (if any) that an offeror would pay in respect of any particular takeover depends on various factors, *inter alia*, the offeror's intention with regard to the target company, the potential synergy that the offeror can derive from acquiring the target company, the presence of competing bids for the target company, prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets as well as existing and desired level of control in the target company. Therefore, the comparison of the Offer with the Selected Comparable Transactions set out below is for illustrative purposes only. Conclusions drawn from the comparisons made may not reflect the perceived market valuation of the Company.

Companies	Date of announcement	Premium/(Discount) of Offer Consideration over			Price-to-NAV (times)
		Last transacted market price prior to announcement (%)	VWAP for the 1-month period prior to announcement (%)	VWAP for the 3-month period prior to announcement (%)	
Sim Lian Group Limited	8-Aug-16	14.9	16.6	19.5	0.9
Eu Yan Sang International Ltd	16-May-16	2.6	8.5	16.5	1.7
China Merchants Holdings (Pacific) Limited	9-May-16	22.9	21.8	25.3	1.1
Indiabulls Properties Investment Trust	27-Apr-16	25.0	26.9	26.3	0.2 ⁽¹⁾
Xyec Holdings Co., Ltd	29-Mar-16	50.0	49.3	49.3	1.3
Select Group Limited	23-Mar-16	23.5	37.9	43.4	3.0
Osim International Ltd	7-Mar-16	27.0	40.9	42.5	2.6
XinRen Aluminum Holdings Limited	25-Feb-16	31.3	49.6	50.0	1.8
China Yongsheng Limited	24-Feb-16	52.4	67.4	62.4	0.7
China Dairy Group Ltd	30-Dec-15	77.3	97.0	82.2	1.1
Interplex Holdings Ltd	23-Dec-15	15.5	11.1	13.1	1.7
Sinotel Technologies Ltd	30-Nov-15	33.3	30.6	45.5	0.8 ⁽¹⁾
Tiger Airways Holdings Limited	6-Nov-15 ⁽²⁾	45.2	48.5	56.3	5.4
Zagro Asia Limited	3-Nov-15	15.4	19.1	20.0	1.0 ⁽¹⁾
Eastern Holdings Ltd	22-Sep-15	53.8	67.3	34.1	1.2 ⁽¹⁾
Chosen Holdings Limited	1-Sep-15	21.2	26.3	27.0	1.0
Lizhong Wheel Group Ltd	17-Aug-15	96.1	87.3	79.2	0.6 ⁽¹⁾
Neptune Orient Lines Limited ("NOL")	19 Jul 15 ⁽³⁾	48.6	51.0	32.9	1.0
Yong Xin International Holdings Ltd	30-Apr-15	(27.3)	(33.3)	(38.5)	0.2 ⁽¹⁾
Junma Tyre Cord Company Limited	10-Mar-15	222.6	164.4	174.8	1.0 ⁽¹⁾
Action Asia Limited	27-Feb-15	69.6	68.1	66.7	0.8
Keppel Land Limited	23-Jan-15	20.0	25.0	28.8	0.9
Popular Holdings Limited	14-Jan-15	39.1	39.7	37.3	1.2
Eunetworks Group Limited	17-Nov-14	32.6	58.4	69.2	1.7
ECS Holdings Limited	14-Nov-14	11.5	9.0	11.5	0.6
Forterra Trust	4-Nov-14	32.4	51.1	49.7	0.6
UE E&C Ltd	3-Oct-14 ⁽⁴⁾	(2.3)	2.7	5.0	1.3

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Companies	Date of announcement	Premium/(Discount) of Offer Consideration over			Price-to-NAV (times)
		Last transacted market price prior to announcement (%)	VWAP for the 1-month period prior to announcement (%)	VWAP for the 3-month period prior to announcement (%)	
Lee Kim Tah Holdings Limited	25-Sep-14	6.4	11.8	12.3	1.0
Mean		37.9	41.2	40.8	1.3
Median		29.2	38.8	35.7	1.0
Max		222.6	164.4	174.8	5.4
Min		(27.3)	(33.3)	(38.5)	0.2
The Company⁽⁵⁾ (as implied by the Offer Consideration)		25.0	24.8	23.1	0.7 ⁽⁶⁾

Sources: Circulars to shareholders in relation to the respective transactions

Notes:

- (1) Based on NTA as disclosed in the circulars of the respective companies.
- (2) Based on the final offer consideration made in the offer revision announcement as disclosed in the circular of the company.
- (3) Based on the last trading day prior to the announcement by NOL on 19 July 2015 in relation to media reports regarding a potential sale of NOL, as disclosed in the composite document of the company.
- (4) Based on the last trading day prior to the possible offer announcement date (3 October 2014) as disclosed in the circular of the company.
- (5) The premiums implied by the Offer Consideration were benchmarked against the historical prices of the Shares prior to the Pre-Conditional Offer Announcement Date.
- (6) Based on the Group's NAV as at 30 September 2016 as computed in section 10.3 above.

Based on the above, we note the following:

- (a) The premium of 25.0% implied by the Offer Consideration against the last transacted price of the Shares prior to the Pre-Conditional Offer Announcement Date is (i) within the range; but is (ii) lower than the mean and median of the corresponding premia of the Selected Comparable Transactions;
- (b) The premium of 24.8% implied by the Offer Consideration against the 1-month VWAP of the Shares prior to the Pre-Conditional Offer Announcement Date is (i) within the range; but is (ii) lower than the mean and median of the corresponding premia of the Selected Comparable Transactions;
- (c) The premium of 23.1% implied by the Offer Consideration against the 3-month VWAP of the Shares prior to the Pre-Conditional Offer Announcement Date is (i) within the range; but is (ii) lower than the mean and median of the corresponding premia of the Selected Comparable Transactions; and
- (d) The P/NAV ratio of 0.7 time, as implied by the Offer Consideration, is (i) within the range; but is (ii) lower than the mean and median P/NAV ratios of the Selected Comparable Transactions.

10.6 Dividend record of the Group

We set out below information on the dividend payment record of the Company in respect of FY2014, FY2015 and 15MFY2016.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Dividends declared	1 Jul 13 – 30 Jun 14 (FY2014)	1 Jul 14 – 30 Jun 15 (FY2015)	1 Jul 15 – 30 Sep 16 ⁽¹⁾ (15MFY2016)
Dividends per Share (S\$)	0.0419	0.0643	n.a. ⁽²⁾
Average Share price (S\$) ⁽³⁾	0.97	0.91	n.a.
Dividend yield (%) ⁽⁴⁾	4.3	7.0	n.a.
Dividend yield (%) (implied by the Offer Consideration)	3.5	5.4	n.a.

Notes:

- (1) On 7 October 2016, the Company announced the change of the Company's financial year end from 30 June to 31 December.
- (2) No dividend has been declared/recommended from 1 July 2015 to 30 September 2016.
- (3) Average daily closing price of the Shares for each respective financial years.
- (4) Computed based on dividends per Share divided by the average Share price.

Based on the above, we note that over the last three financial years, the Company had declared dividends per Share of S\$0.0419 in respect of FY2014 and S\$0.0643 in respect of FY2015, representing dividend yields of 4.3% and 7.0% per annum respectively. The Company did not declare any dividend in respect of 15MFY2016 in view of general market uncertainties and tightening of the credit market.

We wish to highlight that the above dividend analysis of the Company serves only as an illustrative guide and is not an indication of the Company's future dividend policy. We understand from the Company that they do not have a formal dividend policy. There is no assurance that the Company will continue to pay dividends in future or maintain the level of dividends paid in previous years. The quantum of dividends paid by the Company in any year would depend upon various factors including but not limited to the financial performance of the Group, the working capital of the Group and the capital expenditure needs of the Group, as well as other considerations.

11. OTHER CONSIDERATIONS

11.1 Irrevocable Undertakings

We note that as at the Pre-Conditional Offer Announcement Date, the Undertaking Shareholders have provided Irrevocable Undertakings to the Offeror to, *inter alia*, accept the Offer in respect of an aggregate of 575,436,117 Offer Shares (representing approximately 87.79% of the total number of issued Shares). Details of the Shares held by the Undertaking Shareholders are set out in Appendix 5 to the Offer Document.

11.2 Listing status of the Company and compulsory acquisition

Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and its concert parties to above 90% of the total number of issued Shares (excluding any Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

SGX-ST until it is satisfied that at least 10% of the total number of Shares (excluding any Shares held in treasury) are held by at least 500 Shareholders who are members of the public. Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of Shares (excluding any Shares held in treasury), thus causing the percentage of the total number of Shares (excluding any Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

In addition, under Rule 724(1) of the Listing Manual, if the percentage of the total number of Shares held in public hands falls below 10%, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

The Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted.

Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer at a price equal to the Offer Consideration.

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from SGX-ST.

As none of the Undertaking Shareholders is a related corporation or nominee of the Offeror under the Companies Act, the 575,436,117 Offer Shares (representing approximately 87.79% of the total number of issued Shares) to be tendered by the Undertaking Shareholders in acceptance of the Offer will be included and count towards the 90% threshold for compulsory acquisition under Section 215(1) of the Companies Act.

As at the Latest Practicable Date, the total number of (a) Shares owned, controlled or agreed to be acquired by the Offeror and parties acting in concert with it; and (b) Shares in respect of which the Offeror has received irrevocable undertakings to accept the Offer, already amounted to an aggregate of 582,922,717 Shares, representing 88.94% of the total number of issued Shares. As such, the Offeror would require valid acceptances of the Offer in respect of only 1.06% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury) before it would be entitled to exercise its right of compulsory acquisition pursuant to section 215(1) of the Companies Act.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Consideration in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares. Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

11.3 No alternative offer from third parties

The Directors have confirmed that, as at the Latest Practicable Date, apart from the Offer being made by the Offeror, no alternative offer from any third party has been received. We also note that there is no publicly available evidence of any alternative offer for the Shares from any third party.

The likelihood of a competing offer from any third party is also remote given that the Offer will become unconditional in all respects upon receipt by the Offeror of the acceptance from ISM in respect of all its Offer Shares pursuant to the terms of its Irrevocable Undertaking, and the Offeror and parties acting in concert with it collectively own, control or have agreed to acquire (including by way of valid acceptances of the Offer) in aggregate of 582,922,717 Shares, representing approximately 88.94% of the total number of issued Shares as at 14 November 2016.

11.4 Outlook of the Group

We note the following commentary set out in the announcement of the Group's financial results for the 3-month period from 1 July 2016 to 30 September 2016 and the 15-month period from 1 July 2015 to 30 September 2016:

“On the back of rising urbanization and declining rural labour, 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. However 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.”

12. CASH AND EXCHANGEABLE BONDS CONSIDERATION

Pursuant to the Offer, Shareholders could accept the Offer on the basis of (i) Cash Consideration or (ii) Cash and Exchangeable Bonds Consideration.

The Cash and Exchangeable Bonds Consideration comprises \$0.7665 in cash and \$0.4335 in principal value of Exchangeable Bonds. The Exchangeable Bonds will be exchangeable into Exchange Shares at the Exchange Price of S\$1.20 per Exchange Share during the Exchange Period. Further, the Exchangeable Bonds will be mandatorily exchange into Exchange Shares at the Exchange Price at the expiry of the Exchange Period. In addition, the Exchangeable Bonds will not bear any interest, are not transferable and there is no existing market for them. **We also wish to draw Shareholders' attention to Appendix 7 of the Offer Document, under the section "Risk Relating to the Exchangeable Bonds", on the risks of electing to receive the Exchangeable Bonds.**

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

A summary of the principal terms and conditions of the Exchangeable Bonds is set out in Appendix 8 of the Offer Document.

By fixing the Exchange Price at S\$1.20 per Exchange Share, the Offeror is ascribing a value of S\$1.20 to each Exchange Share. Accordingly, the Cash and Exchangeable Bonds Consideration is equivalent to the Cash Consideration in terms of dollar value.

The Offeror is making the Offer with a view of delisting and privatising the Company. In the event that the Offeror becomes entitled to exercise its right of compulsory acquisition pursuant to section 215(1) of the Companies Act, it is the intention of the Offeror to exercise such right and proceed to privatise and delist the Company from the SGX-ST. Accordingly, a Shareholder who accepts the Offer on the basis of the Cash and Exchangeable Bonds Consideration may, subject to the delisting of the Company from the SGX-ST and upon exchange of the Exchangeable Bonds into Exchange Shares, hold Shares which may not be listed on the SGX-ST.

Shareholders should take note of the following:

- (i) The Shares of the Company pursuant to a delisting from the SGX-ST are generally valued at a discount to the shares of comparable listed companies as a result of the lack of marketability. It is likely to be difficult for Shareholders to sell their unlisted Shares in the absence of a public market. Further, any transfer of the Shares which are represented by share certificates may be subject to stamp duty;
- (ii) As a delisted company, the Company will no longer be obliged to comply with listing requirements of the SGX-ST, in particular the continuing corporate disclosure requirements under Chapter 7 of the Listing Manual; and
- (iii) Shareholders should note that there is no assurance that the Company will be able to declare dividends or there will be any indication of the levels of dividends that Shareholders can expect from the Exchange Shares, as the Company's ability to declare dividends is subject to many factors, including its future financial performance, financial condition, results of its investments, capital needs, distributable reserves, investment plans and restrictive covenants for any debt financing.

Shareholders should pay particular attention to the section under "Risks Relating to the Exchange Shares" in Appendix 7 of the Offer Document regarding the risks of holding the Exchange Shares.

13. OUR RECOMMENDATIONS

In arriving at our recommendations in respect of the Offer, we have taken into consideration, *inter alia*, the following factors summarised below. The factors set out herein should be considered in the context of the entirety of this IFA Letter and the Circular:

- (a) market quotation, trading liquidity of the Shares and the Company's historical share price performance relative to FSSTI;
- (b) financial performance and financial position of the Group;

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

- (c) asset-based valuation of the Group;
- (d) comparison with the valuation statistics of selected listed companies broadly comparable to the Group;
- (e) comparison with precedent successful privatisation and delisting transactions on the SGX-ST;
- (f) dividend record of the Group; and
- (g) other considerations.

We set out below a summary of the factors we have taken into our consideration:

- (a) The Shares are trading at levels close to the Offer Consideration only after the Pre-Conditional Offer Announcement Date. The Offer may be supporting the current market price of the Shares and there is no assurance that the market price of the Shares will be maintained at the prevailing level after the close of the Offer;
- (b) The Offer Consideration represents a premium of 35.4%, 25.9%, 23.1% and 24.8% to the VWAP of the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Pre-Conditional Offer Announcement Date respectively;
- (c) The Offer Consideration represents a premium of 25.0% to the VWAP of the Shares of S\$0.960 on the Unaffected Date;
- (d) The Offer Consideration represents a premium of 4.2% to the VWAP of the Shares of S\$1.151 for the period after the Pre-Conditional Offer Announcement Date and up to the Formal Offer Announcement Date;
- (e) The Offer Consideration represents a premium of 0.5% to the VWAP of the Shares of S\$1.194 for the period after the Formal Offer Announcement Date and up to the Latest Practicable Date. The Offer Consideration also represents a premium of 0.8% to the VWAP of the Shares of S\$1.190 as at the Latest Practicable Date;
- (f) The Shares were generally very thinly traded. The average daily traded volume for the 12-month period prior to the Pre-Conditional Offer Announcement Date and up to the Latest Practicable Date represented only between 0.043% to 1.280% of the Company's free float;
- (g) Revenue and profit before tax of the Group has been decreasing from FY2013 to 15MFY2016. Please refer to the explanations in section 10.2 for reasons of the decrease in revenue and profit before tax. On the back of rising urbanisation and declining rural labour, 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. However, 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;

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

- (h) The Offer Consideration represents a discount of 27.7% to the NAV per Share as at 30 September 2016;
- (i) The PER of the Company, as implied by the Offer Consideration is higher than the range of PER of the Comparable Companies as well as the mean and median PERs of the Comparable Companies;
- (j) The P/NAV ratio of the Company, as implied by the Offer Consideration is within the range of P/NAV ratios of the Comparable Companies. It is higher than the median P/NAV ratios but lower than the mean P/NAV ratios of the Comparable Companies;
- (k) The EV/EBITDA ratio of the Company, as implied by the Offer Consideration is lower than the range of EV/EBITDA ratios of the Comparable Companies as well as the mean and median EV/EBITDA ratios of the Comparable Companies;
- (l) The premia implied by the Offer Consideration against the 3-month VWAP, 1-month VWAP and the last-transacted price of the Shares prior to the Pre-Conditional Offer Announcement Date are within the ranges but are lower than the mean and median of the corresponding premia of the Selected Comparable Transactions;
- (m) The Company did not declare any dividend in respect of 15MFY2016 in view of general market uncertainties and tightening credit market. We understand from the Company that it does not have a formal dividend policy. The Group has recorded decreasing profitability from FY2013 to 15MFY2016. As such, there is no assurance that the Company will continue to pay dividends in the future or maintain the level of dividends paid in the previous periods;
- (n) The Undertaking Shareholders have provided Irrevocable Undertakings to the Offeror to, *inter alia*, accept the Offer in respect of an aggregate of 575,436,117 Offer Shares (representing approximately 87.79% of the total number of issued Shares);
- (o) The Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer in the event that the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or their respective nominees as at the date of the Offer and excluding any Shares held in treasury). The Offeror will then proceed to delist the Company from SGX-ST.

Following from the Irrevocable Undertakings and the valid acceptances in respect of 7,486,600 Offer Shares as at 14 November 2016, the Offeror and its concert parties will only need to acquire and/or receive valid acceptances in respect of more than 6,972,383 Shares, representing approximately 1.06% of the total number of issued Shares, for the SGX-ST to suspend the trading of the Shares at the close of the Offer, and for the Offeror to be entitled to its right for compulsory acquisition;

- (p) In the event that the Shares are suspended and/or delisted, Shareholders may face potential difficulties in selling their Shares as there will be an absence of a ready public market. Less marketability of the Shares may also result in the Shares being valued at a discount to the shares of comparable listed companies; and

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

- (q) In the event the Company is delisted, the Company will no longer be obliged to comply with the listing requirements of the SGX-ST, in particular the continuing corporate disclosure requirements under Chapter 7 of the listing rules.

Based on our analysis, and after having considered carefully the information available to us as at the Latest Practicable Date, we are of the opinion that the financial terms of the Offer are, on balance, not fair but reasonable.

Accordingly, we advise the Independent Directors to recommend Shareholders to ACCEPT the Offer in respect of the Cash Consideration or sell their Shares in the open market if they can obtain a price higher than the Offer Consideration after deducting expenses. The Offer Consideration offers Shareholders an exit opportunity and there is no certainty that Shareholders will otherwise be able to obtain a better value for their Shares if the Offer lapses.

Notwithstanding that the Cash and Exchangeable Bonds Consideration is equivalent to the Cash Consideration in terms of nominal dollar value, as the Offeror is ascribing a value of S\$1.20 to each Exchange Share, we advise the Independent Directors to recommend Shareholders to REJECT the Offer in respect of the Cash and Exchangeable Bonds Consideration. Initially they may end up holding the Exchangeable Bonds which will not bear any interest, which are not transferable and for which there is no existing market. The Exchangeable Bonds will be mandatorily exchanged into Exchange Shares at the Exchange Price at the expiry of the Exchange Period. In the event that the Offeror is entitled to exercise its right of compulsory acquisition pursuant to Section 215(1) of the Companies Act and the Offeror exercises such right of compulsory acquisition, these Exchange Shares may be delisted. Shares of an unlisted company are generally valued at a discount to the shares of comparable listed companies and Shareholders may face potential difficulties in selling their shares as there will be an absence of a ready public market. Being unlisted, there would be limited information available to Shareholders as the Company will no longer be required to comply with listing requirements of the SGX-ST, in particular the corporate disclosure requirements under Chapter 7 of the Listing Manual. Shareholders should consider the risks relating to holding the Exchangeable Bonds and Exchange Shares under Appendix 7 of the Offer Document.

Shareholders should note that the trading of the Shares are subject to, *inter alia*, the performance and prospects of the Group, prevailing economic conditions, economic outlook and stock market conditions and sentiments. Accordingly, the advice by ZICO Capital on the Offer does not and cannot take into account future trading activities or patterns or price levels that may be established for the Shares after the Latest Practicable Date since these are governed by factors beyond the ambit of ZICO Capital's review and also, such advice, if given, would not fall within ZICO Capital's term of reference in connection with the Offer.

In rendering the above advice, ZICO Capital has not had regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any Shareholder. As each Shareholder would have different investment objectives and profiles, we would advise that any Shareholder who may require specific advice in relation to his investment objective(s) or portfolio(s) should consult his legal, financial, tax or other professional advisers immediately.

APPENDIX I: LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS IN RESPECT OF THE OFFER

We have prepared this IFA Letter for the use by the Independent Directors in connection with their consideration of the Offer, but any recommendations made by the Independent Directors in respect of the Offer shall remain their sole responsibility. Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any purposes (other than for the consideration of the Offer) at any time and in any manner without the prior written consent of ZICO Capital.

This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully
For and on behalf of
ZICO Capital Pte. Ltd.

Alex Tan
Chief Executive Officer

Leong Huey Miin
Director

This page has been intentionally left blank.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

1. DIRECTORS

The names, addresses and descriptions of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Designation
Mr. Lin Guo Rong	Fujian Province, Putian City, Licheng District, Zhenhai Street, Dong Shan, No. 11, People's Republic of China	Executive Chairman and Chief Executive Officer
Mr. Siek Wei Ting	63H Lorong M Telok Kurau, Palacio, Singapore 423394	Executive Director and Chief Financial Officer
Mr. Hendra Widjaja	Sudirman Plaza Indofood Tower 25th Tower, Jl. Jend. Sudirman Kav 76-78, Jakarta 12910 Indonesia	Non-Executive Director
Mr. Kasim Rusmin	Taman Ratu Indah, Blok BB 1 No. 18, Jakarta Barat, Indonesia	Alternate Director to Mr. Hendra Widjaja
Mr. Goh Kian Chee	9 Tham Soong Avenue, Airview Park, Singapore 597026	Independent Director
Mr. Lim Yeow Hua	64 Waterloo Street, #08-02, Waterloo Apartments, Singapore 187959	Independent Director
Mr. Lim Gee Kiat	21 Chiku Road, #05-02, Singapore 429433	Independent Director

2. BACKGROUND INFORMATION

The Company was incorporated in Singapore under the Companies Act on 9 March 2004 under the name "China Minzhong Organic Food Corporation Pte. Ltd." as a private company limited by shares. At an extraordinary general meeting held on 12 February 2010, the Company's name was changed to "China Minzhong Food Corporation Pte. Ltd.". On 1 April 2010, the Company converted to a public company limited by shares and changed its name to "China Minzhong Food Corporation Limited". The Company's registered office is at 9 Battery Road, #15-01 Straits Trading Building, Singapore 049910. The Company has been listed on the Mainboard of the SGX-ST since 15 April 2010.

The Company is engaged in the cultivation, production and sale of processed vegetables, fruit and vegetable beverages. The Company has an extensive processing platform that encompasses processing methods such as air-drying, freeze-drying, fresh-packing and brining, which allows the Group to offer various types of processed vegetables to its customers in the PRC and globally. As part of its integrated operations, the Group's cultivation capabilities allow it to manage its supply of fresh vegetables and supply raw materials for its processing operation.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

3. SHARE CAPITAL

- 3.1 Issued share capital of the Company.** As at the Latest Practicable Date, the Company has an issued and paid-up share capital of approximately S\$296.1 million comprising 655,439,000 issued Shares, and the Company does not hold any Shares in treasury. The issued Shares are listed and quoted on the SGX-ST.
- 3.2 Rights of Shareholders in respect of capital, dividends and voting.** The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution, which is available for inspection at the Company's registered office at 9 Battery Road, #15-01 Straits Trading Building, Singapore 049910. The relevant articles in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been extracted from the Constitution and reproduced in Appendix III to this Circular. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Constitution.
- 3.3 Number of Shares issued since 30 June 2015.** As at the Latest Practicable Date, there has been no issue of new Shares by the Company since 30 June 2015, being the end of the last financial year of the Company.
- 3.4 Convertible instruments.** As at the Latest Practicable Date, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities being offered for or which carry voting rights affecting Shares.

Please refer to the Company's circular dated 15 September 2016 for further information on the Company's change in financial year end.

4. DISCLOSURE OF INTERESTS

- 4.1 Interests of the Company in Offeror Securities.** As at the Latest Practicable Date, the Company does not have any direct or deemed interests in any Offeror Securities.
- 4.2 Dealings in Offeror Securities by the Company.** During the Reference Period, the Company has not dealt for value in any Offeror Securities.
- 4.3 Interests of the Directors in Offeror Securities.** Save as disclosed in this Circular and below, as at the Latest Practicable Date, none of the Directors has any direct or deemed interests in any Offeror Securities.

CMZ BVI holds 701 Offeror Shares, representing approximately 7.01% of the total number of issued Offeror Shares. As at the Latest Practicable Date, the shares representing the entire issued and paid-up share capital of CMZ BVI are held by Mr. Siek Wei Ting on trust for Mr. Lin Guo Rong. Mr. Lin Guo Rong is deemed to have an interest in the Offeror Shares held by CMZ BVI as he is entitled to exercise or control the exercise of not less than 20.0% of the votes attached to the voting shares in CMZ BVI.

- 4.4 Dealings in Offeror Securities by the Directors.** CMZ BVI holds 701 Offeror Shares, representing approximately 7.01% of the total number of issued Offeror Shares. Save as disclosed in this Circular and save for the issuance of the abovementioned Offeror Shares to CMZ BVI on 26 August 2016, none of the Directors has dealt in any Offeror Securities during the Reference Period.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

4.5 Interests of the Directors in Company Securities. Save as disclosed below, as at the Latest Practicable Date, none of the Directors has any direct or deemed interests in any Company Securities:

Directors	Direct Interest in Shares		Deemed Interest in Shares	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Mr. Lin Guo Rong ⁽²⁾	13,083,000	2.00	5,403,891	0.82
Mr. Siek Wei Ting ⁽²⁾	7,895,703	1.20	5,403,891	0.82

Notes:

- (1) Based on the Existing Share Capital of 655,439,000 Shares.
- (2) CMZ BVI owns 5,403,891 Shares, representing 0.82% of the Existing Share Capital. As at the Latest Practicable Date, the shares representing the entire issued and paid-up share capital of CMZ BVI are held by Mr. Siek Wei Ting on trust for Mr. Lin Guo Rong. By virtue of Section 4 of the SFA, Mr. Lin Guo Rong is deemed to be interested in the Shares held by CMZ BVI. On or prior to the acceptance of the Offer by the CMZ Management and CMZ BVI, CMZ BVI will be beneficially-owned by Mr. Lin Guo Rong as to 57.44%, Mr. Siek Wei Ting as to 24.54%, Mr. Wang Da Zhang as to 8.09% and Mr. Huang Bing Hui as to 9.93%.

4.6 Dealings in Company Securities by the Directors. During the Reference Period, none of the Directors has dealt in any Company Securities.

4.7 Interests of the IFA in Company Securities. As at the Latest Practicable Date, none of the IFA or funds whose investments are managed by the IFA on a discretionary basis owns or controls any Company Securities.

4.8 Dealings in Company Securities by the IFA. During the Reference Period, none of the IFA or funds whose investments are managed by the IFA on a discretionary basis has dealt for value in any Company Securities.

4.9 Intentions of the Directors in relation to the Offer. The following Directors who have direct and deemed interests in the Shares have informed the Company of their intentions in respect of the Offer, as follows:

- (a) Mr. Lin Guo Rong has given an Irrevocable Undertaking and, accordingly, will be accepting the Offer in respect of all the Shares owned by him; and
- (b) Mr. Siek Wei Ting has given an Irrevocable Undertaking and, accordingly, will be accepting the Offer in respect of all the Shares owned by him.

Please refer to Section 4.2 of this Circular and Section 7.1 of the Offer Document for further information.

5. OTHER DISCLOSURES

5.1 Directors' service contracts. As at the Latest Practicable Date, there are no service contracts between any Director or proposed director with the Company or any of its subsidiaries which have more than 12 months to run and which cannot be terminated by the employing company within the next 12 months without paying any compensation. In addition, there are no service contracts entered into or amended between any Director or proposed director with the Company or any of its subsidiaries during the period commencing six (6) months prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

- 5.2 No payment or benefit to the Directors.** As at the Latest Practicable Date, it is not proposed, in connection with the Offer, that any payment or other benefit be made or given to any Director or to any director of any related corporation of the Company as compensation for loss of office or otherwise in connection with the Offer.
- 5.3 No agreement or arrangement conditional upon outcome of the Offer.** As at the Latest Practicable Date, save for the Irrevocable Undertakings and the understanding amongst the members of the CMZ Management that on or prior to the acceptance of the Offer by the CMZ Management and CMZ BVI, CMZ BVI will be beneficially-owned by Mr. Lin Guo Rong as to 57.44%, Mr. Siek Wei Ting as to 24.54%, Mr. Wang Da Zhang as to 8.09% and Mr. Huang Bing Hui as to 9.93%, there are no agreements or arrangements made between any Director and any other person in connection with or conditional upon the outcome of the Offer.
- 5.4 Material Contracts entered into by Offeror.** As at the Latest Practicable Date, save for the Shareholders' Agreement, the Irrevocable Undertakings and the Implementation Agreement, there are no material contracts entered into by the Offeror in which any Director has a material personal interest, whether direct or indirect.

6. FINANCIAL INFORMATION ON THE GROUP

On 15 September 2016, the Company announced the proposed change of the Company's financial year end from 30 June to 31 December. Shareholders' approval for the change of the Company's financial year end to 31 December of each year was obtained at an extraordinary general meeting of the Shareholders held on 7 October 2016. The next set of audited financial statements of the Company will cover a period of 18 months from 1 July 2015 to 31 December 2016.

Set out below is certain financial information extracted from the Company's annual reports for FY2013, FY2014 and FY2015 and from the 15M2016 Results. The audited consolidated financial statements for the Group for FY2015 together with the Independent Auditors' report and the 15M2016 Results are also set out in Appendices IV and V to this Circular respectively. The summary set out below should be read together with the audited consolidated financial statements and the unaudited consolidated financial statements for the relevant financial periods and related notes thereto, as set out in the Company's annual reports for FY2013, FY2014 and FY2015 and the Company's announcement on the 15M2016 Results.

6.1 Consolidated income statements of the Group

	Audited			Unaudited	
	FY2013 RMB'million	FY2014 RMB'million	FY2015 RMB'million	15M2015 Restated RMB'million	15M2016 RMB'million
Revenue	3,247.8	2,896.6	1,971.1	2,438.8	2,234.9
Profit before tax	801.9	621.7	402.4	452.0	222.3
Profit after tax	755.1	509.5	320.5	351.7	177.9
Profit attributable to equity holders of the Company	755.1	509.5	320.5	351.7	177.9

APPENDIX II – ADDITIONAL GENERAL INFORMATION

	Audited			Unaudited	
	FY2013 RMB'million	FY2014 RMB'million	FY2015 RMB'million	15M2015 Restated RMB'million	15M2016 RMB'million
Net earnings per Share					
– Basic (RMB)	1.28	0.78	0.49	0.54	0.27
– Diluted (RMB)	1.28	0.78	0.49	0.54	0.27
Net dividend per Share (S\$)	0.01	0.0419	0.0643	–	–

Source: the Company's annual reports for FY2014 and FY2015 and the announcement on the 15M2016 Results.

The unaudited consolidated income statements of the Group for 15M2016 were presented due to the change in the Company's financial year end from 30 June to 31 December, which was approved by Shareholders on 7 October 2016. The next set of audited financial statements of the Company will cover a period of 18 months from 1 July 2015 to 31 December 2016.

6.2 Consolidated statement of financial position of the Group

	Audited As at 30 June 2015 RMB'000	Restated ⁽¹⁾ As at 30 June 2015 RMB'000	Unaudited As at 30 September 2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	2,019,844	2,045,884	2,176,137
Land use rights	131,487	131,487	127,604
Biological assets	142,150	–	–
Land improvement costs	88,139	88,139	108,166
Operating lease prepayments	241,598	241,598	179,403
Deferred tax assets	6,000	6,000	23,000
Derivative financial instruments	–	–	45,544
	2,629,218	2,513,108	2,659,854
Current assets			
Land use rights	3,125	3,125	3,125
Biological assets	23,109	23,109	29,014
Inventories	61,507	61,507	37,857
Trade receivables	421,095	421,095	163,089
Operating lease prepayments	56,518	56,518	55,390
Other receivables and prepayments	136,058	136,058	105,168
Cash and bank balances	4,261,919	4,261,919	4,557,932
	4,963,331	4,963,331	4,951,575
Total assets	7,592,549	7,476,439	7,611,429

APPENDIX II – ADDITIONAL GENERAL INFORMATION

	Audited As at 30 June 2015 RMB'000	Restated ⁽¹⁾ As at 30 June 2015 RMB'000	Unaudited As at 30 September 2016 RMB'000
Current liabilities			
Trade payables	212,589	212,589	132,105
Other payables and accruals	320,805	320,805	516,697
Bank term loans	944,404	944,404	958,001
Income tax liabilities	7,098	7,098	14,834
Government grants	2,628	2,628	2,800
	1,487,524	1,487,524	1,624,437
Non-current liabilities			
Bank term loans	810,816	810,816	591,241
Government grants	15,914	15,914	12,090
Deferred tax liabilities	45,000	45,000	45,000
Derivative financial instruments	286	286	–
	872,016	872,016	648,331
Total liabilities	2,359,540	2,359,540	2,272,768
NET ASSETS	5,233,009	5,116,899	5,338,661
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	1,503,789	1,503,789	1,503,789
Statutory reserve fund	130,507	130,507	135,618
Employees' share option reserve	2,889	2,889	–
Translation (deficit)/surplus	(8,490)	(8,490)	(7,317)
Hedging reserve/(deficit)	(286)	(286)	42,394
Retained earnings/(Accumulated losses)	3,604,600	3,488,490	3,664,177
TOTAL EQUITY	5,233,009	5,116,899	5,338,661

Source: the Company's annual report for FY2015 and announcement on the 15M2016 Results.

Note:

- (1) The Company restated the statement of financial position of the Group as at 30 June 2015 in the Company's announcement on the 15M2016 Results. Please refer to paragraph 9.2 of this Appendix II for further information.

7. MATERIAL CHANGES IN FINANCIAL POSITION

As at Latest Practicable Date, save as disclosed in this Circular and in publicly available information on the Group (including but not limited to the Company's annual report for FY2015 and the announcement on the 15M2016 Results), there have been no material changes in the financial position of the Company since 30 June 2015, being the date of the Company's last published audited financial statements.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

8. MATERIAL CHANGES IN INFORMATION

Save as disclosed in this Circular and save for publicly available information relating to the Company and the Offer, there have been no material changes in any information previously published by or on behalf of the Company during the period commencing from the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

9. SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

9.1 Significant accounting policies

The Company prepares its financial statements in accordance with the provisions of the Companies Act and the Singapore Financial Reporting Standards. A summary of the significant accounting policies of the Group is set out in Note 2 to the audited consolidated financial statements of the Group for FY2015, which is set out in Appendix IV to this Circular.

Save as disclosed in this Circular and publicly available information on the Group, there are no significant accounting policies or any matter from the notes to the financial statements of the Group which are of any major relevance for the interpretation of the financial statements of the Group.

9.2 Changes in accounting policies

The Group adopted the amendments to FRS 16 and FRS 41 with effect from 1 January 2016. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of FRS 41. Instead, bearer plants will be measured under FRS 16 at accumulated cost (before maturity) using the cost model (after maturity). However, the agricultural produce growing on bearer plants will remain within the scope of FRS 41 to be measured at fair value less costs to sell. The Group has applied these amendments retrospectively. Based on its initial adoption on 1 January 2016, the Group's total assets decreased by approximately RMB116.8 million with a corresponding decrease of RMB116.8 million in total equity.

In line with the aforesaid, the Company restated the financial position of the Group as at 30 June 2015 in the Company's announcement on the 15M2016 Results. Please refer to paragraph 6.2 of this Appendix II for the audited and restated consolidated statement of financial position of the Group as at 30 June 2015.

Save as disclosed above and publicly available information on the Group, there are no changes in the accounting policies of the Group which will cause the financial information disclosed in this Circular to not be comparable to a material extent.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

10. MATERIAL CONTRACTS WITH INTERESTED PERSONS

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries have entered into any material contracts with interested persons⁷ (other than those entered into in the ordinary course of business) during the period commencing three (3) years prior to the Pre-Conditional Offer Announcement Date and ending on the Latest Practicable Date.

11. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings, as plaintiff or defendant, which might materially and adversely affect the financial position of the Company and its subsidiaries, taken as a whole. As at the Latest Practicable Date, the Directors are not aware of any litigation, claim or proceedings pending or threatened against the Company or any of its subsidiaries or of any fact likely to give rise to any litigation, claims or proceedings which might materially and adversely affect the financial position of the Company and its subsidiaries, taken as a whole.

12. GENERAL

12.1 Costs and expenses. All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

12.2 Consent of the Independent Auditors. Crowe Horwath First Trust LLP has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of (a) its name, (ii) the Independent Auditors' report in relation to the audited consolidated financial statements of the Group for FY2015 (as set out in Appendix IV to this Circular), and (iii) the review report on the condensed consolidated interim financial information for the three-month period ended 30 September 2016 and fifteen-month period ended 30 September 2016 (as set out in Appendix VI to this Circular), and all references thereto in the form and context in which they appear in this Circular.

⁷ An "interested person" is defined in the Note on Rule 24.6 read with the Note on Rule 23.12 of the Code, as:

- (a) a director, chief executive officer, or substantial shareholder of the Company;
- (b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the Company;
- (c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;
- (d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30.0% or more;
- (e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or
- (f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30.0% or more.

APPENDIX II – ADDITIONAL GENERAL INFORMATION

12.3 Consent of the IFA. ZICO Capital has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of (a) its name, (b) the IFA Letter, and (c) the letter from the IFA on the unaudited condensed consolidated interim financial information of the Group for the 15-month period ended 30 September 2016 (as set out in Appendix VII to this Circular), and all references thereto in the form and context in which they appear in this Circular.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company Ltd at 9 Battery Road, #15-01 Straits Trading Building, Singapore 049910 during normal business hours for the period during which the Offer remains open for acceptance:

- (a) the Constitution;
- (b) the Company's annual reports for FY2013, FY2014 and FY2015;
- (c) the 15M2016 Results;
- (d) the IFA Letter; and
- (e) the letters of consent referred to in paragraphs 12.2 and 12.3 of this Appendix II.

This page has been intentionally left blank.

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

The provisions in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been reproduced below:

A. RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL

“SHARES

8. *Subject to the Statutes and this Constitution, no shares may be issued by the Directors without the prior approval of the Company in general meeting but subject thereto and to regulation 68, the Directors may allot and issue shares or grant options over or otherwise deal with or dispose of the same to such persons on such terms and conditions and for such consideration (if any) and at such time and subject or not to the payment of any part of the amount (if any) thereof in cash as the Directors may think fit. Preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors Provided always that:* *Issue of shares*
- (a) *(subject to any direction to the contrary that may be given by the Company in general meeting) any issue of shares for cash to Members holding shares of any class shall be offered to such Members in proportion as nearly as may be to the number of shares of such class then held by them and the provisions of the second sentence of regulation 67(1) with such adaptations as are necessary shall apply; and*
- (b) *any other issue of shares, the aggregate of which would exceed the limits referred to in regulation 67(2), shall be subject to the approval of the Company in general meeting.*
9. *Notwithstanding anything in this Constitution, a treasury share shall be subject to such rights and restrictions as may be prescribed in the Act and may be dealt with by the Company in such manner as may be permitted by, and in accordance with, the Act. For the avoidance of doubt, save as expressly permitted by the Act, the Company shall not be entitled to any rights of a Member under this Constitution.* *Treasury shares*
10. (1) *Preference shares may be issued subject to such limitation thereof as may be prescribed by law or by the listing rules of the Stock Exchange. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports, balance sheets and financial statements and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six (6) months in arrears. In the event of preference shares being issued, the total number of issued preference shares shall not at any time exceed the total number of issued ordinary shares.* *Rights attached to preference shares*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

- (2) *The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares from time to time already issued or about to be issued.* *Issue of further preference shares*
11. *If at any time the share capital is divided into different classes, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Act, whether or not the Company is being wound up, be varied or abrogated either with the consent in writing of the holders of three-quarters of the issued shares of the class or with the sanction of a Special Resolution passed at a separate general meeting of the holders of shares of the class and to every such Special Resolution the provisions of Section 184 of the Act shall with such adaptations as are necessary apply. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply,* *Variation of rights of shares*
- Provided always that:*
- (a) *the necessary quorum shall be two persons at least holding or representing by proxy or by attorney one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy or by attorney may demand a poll, but where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two months of the meeting shall be as valid and effectual as a Special Resolution carried at the meeting; and*
- (b) *where all the issued shares of the class are held by one person, the necessary quorum shall be one person and such holder of shares of the class present in person or by proxy or by attorney may demand a poll.*
12. *The repayment of preference capital other than redeemable preference capital or any other alteration of preference shareholders’ rights, may only be made pursuant to a Special Resolution of the preference shareholders concerned. Provided always that where the necessary majority for such a Special Resolution is not obtained at a meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two (2) months of the meeting, shall be as valid and effectual as a Special Resolution carried at the meeting.* *Variation of rights of preference shareholders*
13. *The rights conferred upon the holders of the shares of any class issued with preferred rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class or by this Constitution, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects pari passu therewith but in no respect in priority thereto.* *Issue of further shares affecting preferred rights*
14. *If by the conditions of allotment of any shares the whole or any part of the amount of the issue price thereof shall be payable by instalments every such instalment shall, when due, be paid to the Company by the person who for* *Payment of Instalments*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

the time being shall be the registered holder of the share or his personal representatives, but this provision shall not affect the liability of any allottee who may have agreed to pay the same.

15. *The Company may pay any expenses (including brokerage or commission) incurred in any issue of shares or purchase or acquisition of shares at such rate or amount and in such manner as the Directors deem fit. Such expenses may be paid in whole or in part in cash or fully or partly paid shares of the Company. The Company may, in addition to, or in lieu of, such commission, in consideration of any person subscribing or agreeing to subscribe, or of his procuring or agreeing to procure subscriptions, for any shares in the Company, confer on any such person an option call within a specified time for a specified number of shares in the Company at a specified price or on such other terms and conditions as the Directors may deem fit.* *Payment of expenses (including brokerage and commission)*
16. *Save to the extent permitted by the Act or the listing rules of the Stock Exchange, no part of the funds of the Company shall, directly or indirectly, be employed in the purchase of or subscription for or making of loans upon the security of any shares (or its holding company, if any). The Company shall not, except as authorised by the Act, give any financial assistance for the purpose of or in connection with any purchase of shares in the Company (or its holding company, if any).* *Company's shares as security*
17. *Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period (except treasury shares), and, subject to the conditions and restrictions mentioned in the Section 78 of the Act, may charge the same to capital as part of the cost of the construction of the works or building or the provision of the plant.* *Power to charge interest on capital*
18. *Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by this Constitution or by law otherwise provided) any other rights in respect of any share, except an absolute right to the entirety thereof in the person (other than the Depository or its nominee, as the case may be) entered in the Register of Members as the registered holder thereof or (where the person entered in the Register of Members as the registered holder of a share is the Depository) the person whose name is entered in the Depository Register in respect of that share.* *Company need not recognise trust*

SHARE CERTIFICATE

19. *Shares must be allotted and certificates despatched within ten (10) Market Days of the final closing date for an issue of shares unless the Stock Exchange shall agree to an extension of time in respect of that particular issue. Persons entered in the Register of Members as registered holders of shares shall be entitled to certificates within ten (10) Market Days (or such* *Entitlement to share certificate*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

other period as may be approved by the Stock Exchange) after the date of lodgement of any registrable transfer. Every registered shareholder shall be entitled to receive share certificates in reasonable denominations for his holding and where a charge is made for certificates, such charge shall not exceed S\$2/-(or such other sum as may be approved by the Stock Exchange from time to time). Where a registered shareholder transfers part only of the shares comprised in a certificate or where a registered shareholder requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and the registered shareholder shall pay a fee not exceeding S\$2/-(or such other sum as may be approved by the Stock Exchange from time to time) for each such new certificate as the Directors may determine. Where the Member is a Depositor the delivery by the Company to the Depository of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement.

20. *The retention by the Directors of any unclaimed share certificates (or stock certificates as the case may be) shall not constitute the Company a trustee in respect thereof. Any share certificate (or stock certificate as the case may be) unclaimed after a period of six (6) years from the date of issue of such share certificate (or stock certificate as the case may be) may be forfeited and if so shall be dealt with in accordance with this Constitution mutatis mutandis.* Retention of Certificate
22. (1) *Subject to the provisions of the Act, if any share certificates shall be defaced, worn-out, destroyed, lost or stolen, or shall be required to be renewed or replaced for any other reason, it may be renewed or replaced on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Stock Exchange or on behalf of its/their client(s) as the Directors shall require, and in the case of defacement or wearing out, on delivery of the old certificate and in any case on payment of such sum not exceeding S\$2/- as the Directors may from time to time require. In the case of destruction, loss or theft, the Member or person entitled to whom such renewed or replaced certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction, loss or theft.* Issue of replacement certificates
- (2) *When any shares under the powers in this Constitution herein contained are transferred and the certificate thereof has not been delivered up to the Company by the former holder of the said shares, the Directors may issue a new certificate for such shares distinguishing it in such manner as they may think fit from the certificate not so delivered up.* New certificate in place of one not surrendered

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

JOINT HOLDERS OF SHARES

23. *Where two (2) or more persons are registered as the holders of any share, they shall be deemed to hold the same as joint tenants with benefit of survivorship subject to the following provisions:*
- Joint holders deemed holding as joint tenants*
- (a) *the Company shall not be bound to register more than three persons as the holders of any share, except in the case of executors, trustees or administrators of the estate of a deceased Member;*
- Limited to 3 joint holders*
- (b) *the joint holders of a share shall be liable severally as well as jointly in respect of all payments which ought to be made in respect of such share;*
- Jointly and severally liable*
- (c) *on the death of any one of such joint holders the survivor or survivors shall be the only person or persons recognised by the Company as having any title to such share but the Directors may require such evidence of death as they may deem fit;*
- Survivorship*
- (d) *any one of such joint holders may give effectual receipts for any dividend or other moneys payable or property distributable to such joint holders on or in respect of the share; and*
- Receipts*
- (e) *only the person whose name stands first in the Register of Members as one of the joint holders of any share shall be entitled to delivery of the certificate relating to such share or to receive notices from the Company and any notice given to such person shall be deemed notice to all the joint holders.*
- Entitlement to delivery of share certificates and notice*

CONVERSION OF SHARES INTO STOCK

63. *The Company may from time to time by Ordinary Resolution convert any paid up shares into stock and may from time to time by like resolution reconvert such stock into paid up shares.*
- Conversion from share to stock and back to share*
64. *When any shares have been converted into stock, the several holders of such stock may transfer their respective interests therein or any part of such interests in such manner as the Company in general meeting shall direct, but in the absence of such direction, the respective interests may be transferred in the same manner and subject to the same regulations as the shares from which the stock arose would have been transferred prior to conversion or as near thereto as circumstances will admit. But the Directors may if they think fit from time to time fix the minimum number of stock units transferable.*
- Transfer of stock*
65. *The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as if they held the shares from which the stock arose, but no privilege or advantage be conferred by the number of stock units which would not, if existing in shares, have conferred that privilege or advantage, and no such conversion shall affect or prejudice any privileges attached to the shares so converted.*
- Rights of stock-holders*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

66. *All such provisions of this Constitution as are applicable to paid up shares shall apply to stock and in all such provisions the words ‘share’ and ‘shareholder’ shall include ‘stock’ and ‘stockholder’.* Interpretation

ALTERATIONS OF CAPITAL

67. (1) *Subject to any direction to the contrary that may be given by the Company in general meeting or except as permitted under the listing rules of the Stock Exchange, all new shares shall before issue be offered to such Members who as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled or hold. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined. After the expiration of that time or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares), in the opinion of the Directors, cannot be conveniently offered under this regulation.* Offer of new shares to members
- (2) *Notwithstanding regulation 67(1) but subject to regulation 7, the Company may by Ordinary Resolution in general meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the Ordinary Resolution, to:–* General authority for Directors to issue new shares and make or grant Instruments
- (a) (i) *issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or*
- (ii) *make or grant offers, agreements or options (collectively, ‘Instruments’) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares; and*
- (b) *(notwithstanding that the authority conferred by the Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the Ordinary Resolution was in force,*

provided that:–

- (1) *the aggregate number of shares to be issued pursuant to the Ordinary Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the Ordinary Resolution) shall be subject to such limits and manner of calculation as may be prescribed by the Stock Exchange;*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

- (2) *in exercising the authority conferred by the Ordinary Resolution, the Company shall comply with the provisions of the listing rules of the Stock Exchange for the time being in force (unless such compliance is waived by the Stock Exchange) and this Constitution; and*
- (3) *(unless revoked or varied by the Company in general meeting) the authority conferred by the Ordinary Resolution shall not continue in force beyond the conclusion of the Annual General Meeting of the Company next following the passing of the Ordinary Resolution, or the date by which such Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).*
68. *Notwithstanding regulation 67 above but subject to the Act, the Directors shall not be required to offer any new shares or make or grant any Instruments to Members to whom by reason of foreign securities laws such offer of shares or making or granting of Instruments may not be made without registration of the shares or Instruments or a prospectus or other document, but may, at their absolute discretion and on such terms and conditions as the Directors deem fit, sell the entitlements to the new shares on behalf of such Members in such manner as they think most beneficial to the Company.*
69. *Subject to any directions that may be given in accordance with the powers contained in this Constitution, any capital raised by the creation of new shares shall be considered as part of the original capital as consisting of ordinary shares and shall be subject to the same provisions with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as if it had been part of the original capital.* *Capital raised deemed original capital*
70. (1) *The Company may by Ordinary Resolution:* *Power to consolidate, cancel and subdivide shares*
- (a) *consolidate and divide all or any of its shares;*
- (b) *subdivide its shares or any of them (subject nevertheless to the provisions of the Statutes and this Constitution) such that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;*
- (c) *cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person or which have been forfeited and diminish the amount of its capital by the number of the shares so cancelled; or*
- (d) *subject to the provisions of the Statutes, convert its share capital or any class of shares from one currency to another currency.*
- (2) *The Company may by Special Resolution and subject to and in accordance with the Statutes, convert one class of shares into another class of shares.* *Power to convert shares.*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

71. (1) *The Company may reduce its share capital or any undistributable reserve in any manner, subject to any requirements and consents required by law.* *Reduction of share capital*
- (2) *Subject to and in accordance with the provisions of the Act, the listing rules of the Stock Exchange and any applicable legislation or regulation, the Company may authorise the Directors in general meeting to purchase or otherwise acquire ordinary shares, stocks, preference shares, options, debentures, debenture stocks, bonds, obligations, securities, and all other equity, derivative, debt and financial instruments issued by it on such terms as the Company may think fit and in the manner prescribed by the Act. The Company may deal with any such share which is so purchased or acquired by the Company in such manner as may be permitted by, and in accordance with, the Act (including without limitation, to hold such share as a treasury share). Without prejudice to the foregoing, upon cancellation of shares purchased or otherwise acquired by the Company pursuant to this Constitution and the Act, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and where any such cancelled shares were purchased or acquired out of the capital of the Company, the amount of the share capital of the Company shall be reduced accordingly.*

BONUS ISSUES AND CAPITALISATION OF PROFITS AND RESERVES

171. *The Company may, upon the recommendation of the Directors, with the sanction of an Ordinary Resolution (including any Ordinary Resolution passed pursuant to regulation 67(2)) but subject to regulation 7(3):* *Power to capitalise profits*
- (a) *issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:*
- (i) *the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or*
- (ii) *(in the case of an Ordinary Resolution passed pursuant to regulation 67(2)) such other date as may be determined by the Directors,*
- in proportion to their then holdings of shares; and/or*
- (b) *capitalise any part of the amount for the time being standing to the credit of the Company’s reserve funds, accounts or other undistributable reserve or any sum standing to the credit of the profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on*
- (i) *the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

- (ii) (in the case of an Ordinary Resolution passed pursuant to regulation 67(2)) such other date as may be determined by the Directors),

in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full new shares for allotment and distribution credited as fully paid up and amongst them as bonus shares in the proportion aforesaid.

172. *The Directors may do all acts and things necessary or expedient to give effect to any such bonus issue and/or capitalisation under regulation 171, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the Members concerned). The Directors may authorise any person to enter on behalf of all the Members entitled thereto into an agreement with the Company providing for any such bonus issue and/or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all such Members.* *Directors to give effect to bonus issues and/or capitalisation*
173. *In addition and without prejudice to the powers provided for by regulations 171 and 172 above, the Directors shall have power to issue shares for which no consideration is payable and/or to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full new shares, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in general meeting and on such terms as the Directors shall think fit. The Directors may do all such acts and things considered necessary or expedient to give effect to any of the foregoing.”* *Power to issue free shares and/or to capitalise reserves for employee share-based incentive plans and Directors’ remuneration*

B. RIGHTS OF SHAREHOLDERS IN RESPECT OF DIVIDENDS

“TRANSMISSION ON SHARES

38. *Save as otherwise provided by or in accordance with this Constitution, a person entitled to a share by transmission (upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share), as a consequence of the death or bankruptcy of any Member, shall have the right to receive and give a discharge for any dividends or other moneys payable in respect of the share, but he shall have no right to receive notice of or to attend or vote at meetings of the Company, or (save as aforesaid) to any of the rights or privileges of a Member in respect of the share, unless and until he shall be registered as the holder thereof; Provided always that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within sixty (60) days the Directors may* *Rights of unregistered executors and trustees*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

thereafter withhold payment of all dividends or other moneys payable in respect of the share until the requirements of the notice have been complied with.

FORFEITURE OF SHARES

49. *A forfeiture of shares shall include all dividends in respect of the shares not actually paid before the forfeiture notwithstanding that they shall have been declared.* Forfeiture to include all dividends

LIEN ON SHARES

58. (1) *The Company shall have a first and paramount lien and charge on all the shares not fully paid up in the name of a Member (whether solely or jointly with others) and all dividends from time to time declared in respect of such shares. Such lien shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this regulation.* Company’s lien
- (2) *No Member shall be entitled to receive any dividend or to exercise any privileges as a Member until he shall have paid all calls for the time being due and payable on every share held by him, whether along or jointly with any other person, together with interest and expenses (if any).*

DIVIDENDS AND RESERVES

158. *Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted by the Act, (a) all dividends shall be declared and paid in proportion to the number of shares held by a Member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and (b) all dividends shall be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly. For the purposes of this regulation, no amount paid or credited as paid on a share in advance of a call shall be treated as paid on the share.* Apportionment of dividends
159. *The Directors may, from time to time, set aside out of the profits of the Company and carry to reserve, such sum or sums as they think proper which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may properly be applied and pending such application, may either be employed in the business of the Company or be invested. The Directors may divide the reserve fund into such special funds or any parts of any special funds into which the reserve may have been* Power to set aside profits as reserve

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

divided. The Directors may also, without placing the same to reserve, carry forward any profits. In carrying sums to reserve and in applying the same the Directors shall comply with the provisions (if any) of the Statutes.

160. *The Directors may, with the sanction of an Ordinary Resolution at a general meeting, from time to time declare dividends, but no such dividend shall (except as by the Statutes expressly authorised) be payable otherwise than out of the profits of the Company. No higher dividend shall be paid than is recommended by the Directors and a declaration by the Directors as to the amount of the profits at any time available for dividends shall be conclusive. The Directors may, if they think fit, and if in their opinion the profits of the Company justifies such payment, without any such sanction as aforesaid, from time to time declare and pay fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on a fixed date on the half-yearly or other dates (if any) prescribed for the payment thereof by the terms of issue of the shares, and may also from time to time pay to the holders of any class of shares interim dividends of such amounts and on such dates and in respect of such periods as they may think fit.*
- Declaration and payment of dividends*
Interim dividends
161. *The Company may upon the recommendation of the Directors by Ordinary Resolution, direct payment of a dividend in whole or in part in specie by the distribution of specific assets (including paid-up shares or debentures or debenture stock of any other company or any combination of any specific assets) and the Directors shall give effect to such resolution. Where difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular, may issue fractional certificates and fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any Members in terms of the value so fixed, in order to adjust the rights of all parties. The Directors may vest any such specific assets in trustees as may seem expedient to the Directors and no valuation, adjustment or arrangement so made shall be questioned by any Member.*
- Payment of dividends in specie*
162. (1) *Whenever the Directors or the Company in general meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on shares of a particular class in the capital of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of shares of that class credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:*
- Scrip Dividends*
- (a) *the basis of any such allotment shall be determined by the Directors;*
- (b) *the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of shares of the relevant class credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid. The Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

Members (whether in respect of a particular dividend(s) or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this regulation;

- (c) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded, provided that the Directors may determine, either generally or in specific cases, that such right shall be exercisable in respect of the whole or any part of that portion; and*
- (d) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on the shares of the relevant class in respect of which the share election has been duly exercised (the “elected shares”) and in lieu of cash and in satisfaction thereof shares of the relevant class shall be allotted and credited as fully paid to the holders of the elected shares on the basis of allotment determined as aforesaid. For such purpose, and notwithstanding the provisions of regulation 171, the Directors shall (i) capitalise and apply out of the amount standing to the credit of any of the Company’s reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution as the Directors may determine, such sums as may be required to pay up in full the appropriate number of shares of the relevant class for allotment and distribution to and among the holders of the elected shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of the elected shares towards payment of the appropriate number of shares of the relevant class for allotment and distribution to and among the holders of the elected shares on such basis.*

- (2) (a) The shares of the relevant class allotted pursuant to the provisions of paragraph (1) of this regulation shall rank *pari passu* in all respects with the shares of that class then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.*
- (b) The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (1) of this regulation, with full power to make such provisions as they may think fit in the case of shares of the relevant class becoming distributable in fractions*

*Ranking of
shares and other
actions*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

(including, notwithstanding any provision to the contrary in this Constitution, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than the Members).

- (3) *The Directors may, on any occasion when they resolve as provided in paragraph (1) of this regulation, determine that the rights of election under that paragraph shall not be made available to the persons who are registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit and, in such event, the provisions of this regulation shall be read and construed subject to such determination.* Record date
- (4) *The Directors may, on any occasion when they resolve as provided in paragraph (1) of this regulation, further determine that:–* Cash in lieu of Shares
- (i) *no allotment of shares or rights of election for shares under that paragraph shall be made available or made to Members whose registered addresses entered in the Register of Members (or as the case may be) the Depository Register are outside Singapore and if they have not supplied the Company or the Depository (as the case may be) an address in Singapore for the service of notices or documents or to such other Members or class of Members as the Directors may in their sole discretion decide and, in such event, the only entitlements of the Members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared; and*
- (ii) *no allotment of shares or rights of election for shares under paragraph (1) of this regulation shall be made available or made to a person, or any persons, if such allotment or rights of election would in the opinion of the Directors cause such person, or such persons, to hold or control voting shares in excess of any shareholding or other limits which may from time to time be prescribed in any Statute, without the approval of the applicable regulatory or other authority as may be necessary.*
- (5) *Notwithstanding the foregoing provisions of this regulation, if at any time after the Directors’ resolution to apply the provisions of paragraph (1) of this regulation in relation to any dividend but prior to the allotment of shares pursuant thereto, the Directors shall consider that, by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever, it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and as they deem fit in the interests of the Company, cancel the proposed application of paragraph (1) of this regulation.* Cancellation

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

163. *No shareholder shall be entitled to receive any dividend or to be present or vote at any meeting or upon a poll, or to exercise any privilege as a Member until he shall have paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any).* No right to dividends where calls outstanding
164. *The Directors may deduct from any dividend or other moneys payable to a Member in respect of any share held by such Member, either alone or jointly with any other Member, any or all sums of money as may be due and payable by him, either alone or jointly with any other person in respect of any debts, liabilities or engagements to the Company on account of calls or otherwise towards satisfaction (in whole or in part) of such debts, liabilities or engagements, or any other account which the Company is required by law to deduct.* Deduction from debts due to Company
165. *A transfer of a share shall not pass the right to any dividend declared in respect thereof before the transfer has been registered.* Effect of transfer of shares
166. (1) *The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.* Retention of dividends on shares subject to lien
- (2) *The Directors may retain the dividends payable on shares in respect of which any person is under this Constitution, as to the transmission of shares, entitled to become a Member, or which any person under this Constitution is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same.* Retention of dividends on shares pending transmission
167. *The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the Member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.* Waiver of dividends
168. (1) *Any dividend or other moneys payable in cash in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the Member or person entitled thereto (or, if several persons are registered as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person and such address as such persons may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque if purporting to be endorsed or the receipt of any such person shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.* Dividend paid by cheque or warrant

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

- (2) *Notwithstanding the provisions of paragraphs (1) and (3) of this regulation, the payment by the Company to the Depository of any dividend payable to a Depositor shall, to the extent of the payment made to the Depository, discharge the Company from any liability to the Depositor in respect of that payment. The Company may deduct, from any payment of dividends or other moneys payable in cash on or in respect of a share, all costs and expenses incurred by the Company and/or by the Depository in connection with the making of such payment.* *Payment to Depository good Discharge*
- (3) *Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in general meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.* *Resolution declaring dividends*
169. *The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends and other moneys payable on or in respect of a share that are unclaimed after first becoming payable may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend or any such moneys unclaimed after a period of six (6) years from the date they are first payable may be forfeited and if so shall revert to the Company. However, the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividends or moneys so forfeited to the person entitled thereto prior to the forfeiture. If the Depository returns any such dividend or moneys to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or moneys against the Company if a period of six (6) years has elapsed from the date such dividend or other moneys are first payable. For the avoidance of doubt no Member shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends or moneys, howsoever and whatsoever.* *Unclaimed dividends or other moneys*
170. *No dividend or other monies payable on or in respect of a share shall bear interest as against the Company.”* *No interest on dividends*

C. RIGHTS OF SHAREHOLDERS IN RESPECT OF VOTING

“GENERAL MEETINGS

72. *Subject to the provisions of the Act, the Company shall in each calendar year hold a general meeting as its annual general meeting in addition to any other meetings in that year and shall specify the meeting as such in the notices calling it. Not more than fifteen (15) months shall elapse between the date of one annual general meeting and that of the next, unless allowed for by the provisions of the Act. The annual general meeting shall be held at such time and place as the Directors shall determine.* *Annual general meetings*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

73. *All general meetings other than annual general meetings shall be called extraordinary general meetings.* Extraordinary general meetings
74. *The Directors may whenever they think fit convene an extraordinary general meeting and an extraordinary general meeting shall also be convened on such requisition by Members in accordance with the Act or in default may be convened by such requisitionist as provided for under the Act.* Calling for extraordinary general meetings
75. *The time and place of any meeting shall be determined by the convenors of the meeting.* Time and place of meeting

NOTICE OF GENERAL MEETINGS

76. *Any general meeting at which it is proposed to pass Special Resolutions or (save as provided by the Statutes) a resolution of which special notice has been given to the Company pursuant to the Act, shall be called by at least twenty-one (21) clear days’ notice in writing. An annual general meeting or any other general meeting shall be called by at least fourteen (14) clear days’ notice in writing. The notice must specify the place, the day and the hour of the meeting. Such notice shall be given in the manner hereinafter mentioned to all Members other than those who are not under the provisions of this Constitution and the Act entitled to receive such notices from the Company. The period of notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given. So long as the shares of the Company are listed on the Stock Exchange, at least fourteen (14) days’ notice of every general meeting shall be given by advertisement in the daily press and in writing to the Stock Exchange and to each Stock Exchange upon which the Company is listed.* Notice of general meeting

Subject to the provisions of the Act, notwithstanding that it has been called by a shorter notice than that specified above, a general meeting shall be deemed to have been duly called if it is agreed: Shorter notice

- (a) *in the case of an annual general meeting by all the Members entitled to attend and vote thereat; and*
- (b) *in the case of an extraordinary general meeting by a majority in number of the Members having a right to attend and vote thereat, being a majority together holding not less than ninety-five per cent (95%) of the total voting rights of all the Members having a right to vote at that meeting.*

Provided also that the accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at the meeting. Accidental omission

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

77. *Notice of every general meeting shall be given in any manner authorised by this Constitution to:* *Persons to whom notice of meeting is to be given*
- (a) every Member holding shares conferring the right to attend and vote at the meeting who at the time of the convening of the meeting shall have paid all calls or other sums presently payable by him in respect of shares;*
 - (b) every person entitled to a share in consequence of the death or bankruptcy or otherwise of a Member who but for the same would be entitled to receive notice of the meeting;*
 - (c) every Director;*
 - (d) the Auditors, without prejudice to regulation 181; and*
 - (e) the Stock Exchange.*

No other person shall be entitled to receive notices of general meetings; Provided always that if the meeting is called for the alteration of the objects of the Company, the notice shall comply with the provisions of Section 33 of the Act regarding notices to debenture holders.

78. *There shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and to vote instead of him and that such proxy need not be a Member.* *Contents of notice for general meeting*

79. *Routine business shall mean and include only business transacted at an annual general meeting of the following classes, that is to say:* *Routine and special business*
- (a) receiving and adopting the financial statements, the Directors’ statement, the Auditor’s report and other documents required to be attached or annexed to the financial statements;*
 - (b) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;*
 - (c) fixing of the fees of Directors proposed to be under regulation 105(1);*
 - (d) the declaration of dividends; and*
 - (e) appointing or re-appointing Auditors and fixing the remuneration of the Auditors or determining the manner in which such remuneration is to be fixed.*

Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

80. *In the case of any general meeting at which business other than routine business is to be transacted (special business), the notice shall specify the general nature of the special business, and if any resolution is to be proposed as a Special Resolution or as requiring special notice, the notice shall contain a statement to that effect.* Notice to specify nature of special business

PROCEEDINGS AT GENERAL MEETINGS

81. *No business other than the appointment of a chairman shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Except as herein otherwise provided, two (2) Members present in person shall form a quorum. For the purposes of this regulation, ‘Member’ includes a person attending as a proxy and a corporation being a Member shall be deemed to be personally present if represented in accordance with the provisions of Section 179(3) of the Act and such corporation’s representative is not otherwise entitled to be present at the meeting as a Member or proxy or as a corporate representative of another Member. Provided that (i) a proxy representing more than one Member shall only count as one Member for the purpose of determining the quorum; and (ii) where a Member is represented by more than one proxy such proxies shall count as only one Member for the purpose of determining the quorum.* Quorum
82. *If within half an hour from the time appointed for the holding of a general meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting if convened on the requisition of Members shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week (or if that day is a public holiday then the next business day following that public holiday) at the same time and place or to such other day and at such other time and place as the Directors may by not less than ten days’ notice appoint. At the adjourned meeting any one or more Members present in person or by proxy or attorney or in the case of a corporation by a representative shall be a quorum.* Adjournment if quorum not present
83. *The Chairman of the Board or, in his absence, the Deputy Chairman (if any) shall preside as Chairman at every general meeting, but if there be no such Chairman or Deputy Chairman, or if at any meeting he shall not be present within fifteen (15) minutes after the time appointed for holding the same, or shall be unwilling to act as Chairman, the Members present shall choose some Director, or if no Director be present, or if all the Directors present decline to take the chair, one of themselves to be Chairman of the meeting.* Chairman
84. *The Chairman of the meeting may, with the consent of any meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn the meeting from time to time (or sine die) and from place to place, but no business shall be transacted at any adjourned meeting except business which might lawfully be transacted at the meeting from which the adjournment took place. Where a meeting is adjourned sine die, the time and place for the adjourned meeting shall be fixed by the Directors. When a meeting is adjourned for thirty (30) days or more or sine die, not less than seven days’ notice of the adjourned meeting shall be given as in the case of* Adjournment by chairman

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

an original meeting. Save as aforesaid it shall not be necessary to give notice of an adjournment or of the business to be transacted at an adjourned meeting.

85. (1) *If the Company is listed on a Stock Exchange and if required by the listing rules of the Stock Exchange, all resolutions at general meetings shall be voted on by poll (unless such requirement is waived by the Stock Exchange).* *Method of voting*
- (2) *Subject always to regulation 85(1), at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded either before or on the declaration of the result by the show of hands:*
- (a) *by the Chairman of the meeting; or*
 - (b) *by at least two Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that Member) or attorney or in the case of a corporation by a representative, and entitled to vote thereat; or*
 - (c) *by any Member or Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing not less than five per cent (5%) of the total voting rights of all the Members having the right to vote at the meeting; or*
 - (d) *by any Member or Members present in person or by proxy (where a Member has appointed more than one proxy, any one of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing shares conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up equal to not less than five per cent (5%) of the total sum paid up on all the shares conferring that right.*

Unless a poll is so demanded (and the demand is not withdrawn), a declaration by the Chairman that a resolution has been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. A demand for a poll made pursuant to regulation 85(2) may be withdrawn only with the approval of the Chairman of the meeting, and any such demand shall not prevent the continuance of the meeting for the transaction of any business other than the question on which the poll has been demanded.

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

86. *In the case of an equality of votes whether on a show of hands or on a poll as aforesaid, the Chairman shall be entitled to a second or casting vote in addition to the vote or votes to which he may be entitled to as a Member or as a proxy of a Member.* Equality of votes
87. *Subject to regulation 89, if a poll is taken as aforesaid, it shall be taken in such manner (including the use of ballot or voting papers or tickets) and at such time and place as the Chairman of the meeting directs and either at once or after an interval or adjournment or otherwise and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was taken. In case of any dispute as to the admission or rejection of a vote, the Chairman shall determine the same and such determination made in good faith shall be final and conclusive. The Chairman of the meeting may (and, if required by the listing rules of the Stock Exchange or if so directed by the meeting shall) appoint scrutineer(s) and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.* How a poll is to be taken
88. *The demand for a poll made pursuant to regulation 85(2) shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.* Continuance of business
89. *A poll on the election of a Chairman of a meeting or on a question of adjournment shall be taken immediately. A poll on any other question shall be taken either immediately or at such subsequent time (not being more than 30 days from the date of the meeting) and place as the Chairman of the meeting directs. No notice need be given of a poll not taken at once.* Time for taking a poll
90. *If at any general meeting any votes shall be counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the vote unless it is pointed out at the same meeting, and is in the opinion of the Chairman of sufficient magnitude to vitiate the result of the voting.* Error in counting votes
91. *The Members may, if the Directors at their absolute discretion deem fit, participate at a general meeting by telephone or video conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear and, if applicable, see each other and such participation shall constitute presence in person at such meeting and Members (or their proxy or, in the case of a corporation, their respective corporate representatives) so participating shall be counted in the quorum for the meeting. Such a meeting shall be deemed to take place where the largest group of Members (or their proxy, or in the case of a corporation, their respective corporate representatives) present for purposes of the meeting is assembled or, if there is no such group, where the Chairman of the meeting is present.* Meetings via electronic means

VOTES OF MEMBERS

92. (1) *Each Member entitled to vote may vote in person or by proxy or attorney, and (in the case of a corporation) by a representative. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.* Voting rights of Members

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

- (2) *Save as otherwise provided in the Act, any other applicable laws or regulations, where a member is required by the listing rules of the Stock Exchange or a Court order to abstain from voting on a resolution at a general meeting, such member shall not be entitled to vote on the relevant resolution and shall be required to abstain from voting his shares (including by proxy or attorney) in respect of such resolution, and if the member casts any votes in contravention of this Regulation, or if the listing rules of the Stock Exchange require the company to do so, the Company shall be entitled to disregard such votes.*
- (3) *On a show of hands every Member who is present in person or by proxy or attorney, or in the case of a corporation by a representative, shall have one vote and on a poll, every Member who is present in person or by proxy, or in the case of a corporation by a representative, shall have one vote for every share which he holds or represents, Provided always that:–*
- (a) *each proxy appointed pursuant to regulation 97(2) by a Member who is a relevant intermediary shall have one vote on a show of hands; and*
- (b) *where a Member who is not a relevant intermediary is represented by two proxies, only one of the two proxies as determined by that member, or failing such determination, by the Chairman of the meeting (or by a person authorised by him) in his sole discretion shall be entitled to vote on a show of hands.*
- (4) *Notwithstanding anything contained in this Constitution, a Depositor shall not be entitled to attend any general meeting and to speak and vote thereat unless his name is certified by the Depository to the Company as appearing on the Depository Register as at seventy-two (72) hours before that general meeting (the ‘cut-off time’) as a Depositor on whose behalf the Depository holds shares. For the purpose of determining the number of votes which a Depositor or his proxy may cast on a poll, the Depositor or his proxy shall be deemed to hold or represent that number of shares entered in the Depositor’s Securities Account at the cut-off time as certified by the Depository to the Company, or where a Depositor has apportioned the balance standing to his Securities Account as at the cut-off time between two or more proxies, to apportion the said number of shares between the proxies in the same proportion as specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the number of shares standing to the credit of that Depositor’s Securities Account as at the cut-off time, and the true balance standing to the Securities Account of a Depositor as at the time of the relevant general meeting, if the instrument is dealt with in such manner as aforesaid.*
- (5) *Subject to this Constitution and the Statutes, the Board may, at its sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

allow Members who are unable to vote in person at any general meeting the option to vote in abstentia, including but not limited to voting by mail, electronic mail or facsimile.

93. *A Member who is mentally disordered or whose person or estate is liable to be dealt with in any way under the law relating to mental capacity may vote, whether on a show of hands or on a poll, by his committee, curator bonis or such other person as properly has the management of his estate and any such committee, curator bonis or other person may vote by proxy or attorney, but no person claiming to vote pursuant to this regulation shall do so unless such evidence as the Directors may require of his authority shall have been deposited at the Office not less than seventy-two (72) hours before the time for holding the meeting at which he wishes to vote.* *Voting rights of Members who are mentally disordered*
94. *If two (2) or more persons are jointly entitled to a share then in voting upon any question, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other registered holders of the share and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or the Depository Register (as the case may be). Several executors, trustees or administrators of a deceased Member in whose name any share stands shall for the purpose of this regulation be deemed joint holders thereof.* *Voting rights of joint holders*
95. *Save as expressly provided herein or in the Act, no person other than a Member duly registered, and only in respect of shares upon which all calls due to the Company have been paid, shall be entitled to be present or to vote on any question, either personally or by proxy, attorney or representative at any general meeting.* *Right to vote*
96. (1) *Any instrument appointing a proxy shall be in writing in the common form or in any other form which the Directors may approve and:* *Instrument of proxy*
- (a) *in the case of an individual, shall be:*
- (i) *signed by the appointor or his attorney if the instrument is delivered personally or sent by post; or*
- (ii) *authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication; and*
- (b) *in the case of a corporation, shall be:*
- (i) *Either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation if the instrument is delivered personally or sent by post; or*
- (ii) *Authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication.*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

The Directors may, for the purposes of regulation 96(1)(a)(ii) and 96(1)(b)(ii), designate procedures for authenticating any such instrument, and any such instrument not so authenticated by use of such procedures shall be deemed not to have been received by the Company.

(2) The signature on, or authorisation of, such instrument need not be witnessed. Where an instrument appointing a proxy is signed or authorised on behalf of the appointer by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to regulation 99, failing which the instrument may be treated as invalid.

(3) The Directors may, in their absolute discretion:

(a) approve the method and manner for an instrument appointing a proxy to be authorised; and

(b) designate the procedure for authenticating an instrument appointing a proxy,

as contemplated in regulations 96(1)(a)(ii) and 96(1)(b)(ii) for application to such members or class of members as they may determine. Where the Directors do not so approve and designate in relation to a member (whether of a class or otherwise), regulation 97(1)(a)(ii) and/or (as the case may be) regulation 97(1)(b)(ii) shall apply.

97. (1) *Save as otherwise provided in the Act:*

*Appointment of
proxies*

(a) a Member who is not a relevant intermediary may appoint not more than two proxies to attend, speak and vote at the same general meeting. Where such Member’s form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any subsequent named proxy as an alternate to the earlier named; and

(b) a Member who is a relevant intermediary may appoint more than two proxies to attend, speak and vote at the same general meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such Member. Where such Member’s form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

- (2) *If the Member is a Depositor, the Company shall be entitled:*
- (a) *to reject any instrument of proxy lodged by that Depositor if he is not shown to have any shares entered in his Securities Account as at the cut-off time (as defined in regulation 92(4) as certified by the Depository to the Company; and*
 - (b) *to accept as validly cast by the proxy or proxies appointed by the Depositor on a poll that number of votes which corresponds to or is less than the aggregate number of shares entered in the Securities Account of that Depositor as at the cut-off time as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.*
- (3) *A proxy or attorney need not be a Member.*
- (4) *Voting right(s) attached to any shares in respect of which a Member has not appointed a proxy may only be exercised at the relevant general meeting by the Member personally or by his attorney, or in the case of a corporation by its representative.*
- (5) *Where a Member appoints a proxy in respect of more shares than the shares standing to his name in the Register of Members, or in the case of a Depositor, standing to the credit of his Securities Account, such proxy may not exercise any of the votes or rights of shares not registered to the name of that Member in the Register of Members or standing to the credit of that Depositor’s Securities Account as the case may be, as at the cut-off time.*
98. *An instrument appointing a proxy shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates and need not be witnessed.* *Instrument appointing proxy valid at adjourned meeting*
99. (1) *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority shall be deposited at the Office or at such other place within Singapore as is specified for that purpose in the notice convening the meeting at least seventy-two (72) hours before the time appointed for holding the meeting or adjourned meeting as the case may be; otherwise the person so named shall not be entitled to vote in respect thereof unless the Directors otherwise determine.* *Deposit of instrument of proxy*
- (2) *The Directors may, in their absolute discretion, and in relation to such members or class of members as they may determine, specify the means through which instruments appointing a proxy may be submitted by electronic communications, as contemplated in regulation 96(1)(a)(ii) and regulation 96(1)(b)(ii). Where the Directors do not so specify in relation to a member (whether of a class or otherwise), regulation 96(1)(a)(i) and regulation 96(1)(b)(i) shall apply.* *Directors may specify means for electronic communications*

APPENDIX III – RELEVANT EXTRACTS FROM THE COMPANY’S CONSTITUTION

100. *Unless otherwise directed by the Chairman of the meeting, a vote given in accordance with the terms of an instrument of proxy shall be treated as valid notwithstanding the previous death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed; Provided always that no intimation in writing of such death, mental disorder or revocation as aforesaid shall have been received by the Company at the Office at least one hour before the commencement of the meeting or adjourned meeting at which the proxy is used.* *Intervening death or mental disorder of Member*
101. *Any corporation which is a Member may by resolution of its Directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members and the persons so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Member. The Company shall be entitled to treat a certificate under the seal of the corporation as conclusive evidence of the appointment or revocation of appointment of a representative under this regulation.* *Corporations acting via representative*
102. *No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision as to its validity shall be final and conclusive.”* *Objections*

This page has been intentionally left blank.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2015**

The audited consolidated financial statements of the Group for FY2015 which are set out below have been reproduced from the annual report of the Company for FY2015, and were not specifically prepared for inclusion in this Circular.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

39

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF CHINA MINZHONG FOOD CORPORATION LIMITED



Crowe Horwath First Trust LLP
Chartered Accountants of Singapore
Member Crowe Horwath International

8 Shenton Way
#05-01 AXA Tower
Singapore 068811
+65 6221 0338
+65 6221 1080 Fax
www.crowehorwath.com.sg

Report on the Financial Statements

We have audited the accompanying financial statements of China Minzhong Food Corporation Limited (the "Company") and subsidiaries (collectively, the "Group") set out on pages 41 to 108, which comprise the consolidated statement of financial position and the statement of financial position of the Company as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Crowe Horwath First Trust LLP (UEN: T08LL1312H) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A).

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

40 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF CHINA MINZHONG FOOD CORPORATION LIMITED

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2015, and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

30 September 2015

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

41

STATEMENTS OF **FINANCIAL POSITION**

AS AT 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

	Note	Group		Company	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	3	1,503,789	1,503,789	1,503,789	1,503,789
Statutory reserve fund	4	130,507	114,349	-	-
Employees' share option reserve	27	2,889	4,629	2,889	4,629
Translation (deficit)/reserve	30	(8,490)	806	(116,720)	(1,207)
Hedging deficit	30	(286)	(29,173)	(286)	(29,173)
Retained earnings/ (accumulated losses)	30	3,604,600	3,625,355	(86,873)	46,509
TOTAL EQUITY		5,233,009	5,219,755	1,302,799	1,524,547
ASSETS					
Non-current assets					
Property, plant and equipment	5	2,019,844	2,130,446	1,158	1,408
Land use rights	6	131,487	134,741	-	-
Biological assets	7	142,150	158,800	-	-
Land improvement costs	8	88,139	175,249	-	-
Subsidiaries	9	-	-	1,194,617	1,300,835
Operating lease prepayments	10	241,598	328,775	-	-
Deferred tax assets	18	6,000	6,000	-	-
Loan to a subsidiary	14	-	-	774,853	860,948
		2,629,218	2,934,011	1,970,628	2,163,191
Current assets					
Land use rights	6	3,125	2,977	-	-
Biological assets	7	23,109	20,948	-	-
Inventories	11	61,507	106,614	-	-
Trade receivables	33 (iii)	421,095	476,607	-	-
Loan to a subsidiary	14	-	-	86,095	-
Due from a subsidiary (non-trade)	14	-	-	519,452	283,989
Operating lease prepayments	10	56,518	63,418	-	-
Tax recoverable		16,048	5,794	3	15
Other receivables and prepayments	12	120,010	144,101	270	205
Cash and bank balances	13	4,261,919	3,267,417	6,569	56,073
		4,963,331	4,087,876	612,389	340,282
TOTAL ASSETS		7,592,549	7,021,887	2,583,017	2,503,473

The accompanying notes are an integral part of the financial statements.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

42

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

STATEMENTS OF **FINANCIAL POSITION**

AS AT 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

	Note	Group		Company	
		2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
LIABILITIES					
Current liabilities					
Trade payables		212,589	103,453	-	-
Other payables and accruals	15	320,805	124,640	213,793	20,338
Bank term loans	16	944,404	593,680	203,225	-
Income tax liabilities		7,098	820	7,098	820
Government grants	17	2,628	3,265	-	-
		1,487,524	825,858	424,116	21,158
Non-current liabilities					
Bank term loans	16	810,816	903,595	810,816	903,595
Government grants	17	15,914	18,506	-	-
Deferred tax liabilities	18	45,000	25,000	45,000	25,000
Derivative financial instruments	31	286	29,173	286	29,173
		872,016	976,274	856,102	957,768
TOTAL LIABILITIES		2,359,540	1,802,132	1,280,218	978,926
NET ASSETS		5,233,009	5,219,755	1,302,799	1,524,547

The accompanying notes are an integral part of the financial statements.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2015**

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

43

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

	Note	2015 RMB'000	2014 RMB'000
Revenue	19	1,971,145	2,896,635
Cost of sales		(1,359,785)	(1,944,495)
Gross profit		611,360	952,140
(Loss)/Gain on fair value of biological assets less estimated point-of-sales cost	7	(16,650)	8,800
Other income	20	208,990	136,403
Selling and distribution expenses		(83,512)	(161,593)
Administrative expenses		(158,058)	(165,039)
Other expenses	21	(58,959)	(83,966)
Finance cost	22	(100,778)	(65,089)
Profit before tax	23	402,393	621,656
Income tax	25	(81,916)	(112,199)
Profit for the year		320,477	509,457
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
- Currency translation difference arising from consolidation		(9,296)	1,483
- Fair value loss arising from cash flow hedge		(286)	(38,152)
- Reclassification to profit or loss from equity from cash flow hedge		29,173	8,979
		19,591	(27,690)
Total comprehensive income for the year		340,068	481,767
Earnings per share (RMB)			
Basic	26(i)	0.49	0.78
Diluted	26(ii)	0.49	0.78

The accompanying notes are an integral part of the financial statements.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

44

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

	Attributable to equity holders of the Company						Total equity RMB'000
	Share capital RMB'000	Statutory reserve fund RMB'000	Employees' share option reserve RMB'000	Translation reserve/ (deficit) RMB'000	Hedging reserve/ (deficit) RMB'000	Retained earnings 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 year	-	-	-	-	-	320,477	320,477
Other comprehensive income/ (loss), net of tax	-	-	-	(9,296)	28,887	-	19,591
Total comprehensive income for the year	-	-	-	(9,296)	28,887	320,477	340,068
Contributions by and distributions to owners							
Appropriation to statutory reserve fund	-	16,158	-	-	-	(16,158)	-
Dividend declared (Note 30)	-	-	-	-	-	(326,814)	(326,814)
Expiry of employee's share option	-	-	(1,740)	-	-	1,740	-
Total contributions by and distributions to owners	-	16,158	(1,740)	-	-	(341,232)	(326,814)
Balance at 30.6.2015	1,503,789	130,507	2,889	(8,490)	(286)	3,604,600	5,233,009

The accompanying notes are an integral part of the financial statements.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2015**

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

45

**CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

	Attributable to equity holders of the Company						Total equity RMB'000
	Share capital RMB'000	Statutory reserve fund RMB'000	Employees' share option reserve RMB'000	Translation (deficit)/ reserve RMB'000	Hedging deficit RMB'000	Retained earnings RMB'000	
Balance at 1.7.2013	1,503,789	93,995	4,629	(677)	-	3,168,278	4,770,014
Profit for the year	-	-	-	-	-	509,457	509,457
Other comprehensive income/ (loss), net of tax	-	-	-	1,483	(29,173)	-	(27,690)
Total comprehensive income for the year	-	-	-	1,483	(29,173)	509,457	481,767
Contributions by and distributions to owners							
Appropriation to statutory reserve fund	-	20,354	-	-	-	(20,354)	-
Dividend declared (Note 30)	-	-	-	-	-	(32,026)	(32,026)
Total contributions by and distributions to owners	-	20,354	-	-	-	(52,380)	(32,026)
Balance at 30.6.2014	<u>1,503,789</u>	<u>114,349</u>	<u>4,629</u>	<u>806</u>	<u>(29,173)</u>	<u>3,625,355</u>	<u>5,219,755</u>

The accompanying notes are an integral part of the financial statements.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

46 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

	2015 RMB'000	2014 RMB'000
Cash flows from operating activities		
Profit before tax	402,393	621,656
Adjustments for:		
Translation difference	(25,958)	-
Depreciation of property, plant and equipment	118,857	97,979
Property, plant and equipment written off	199	455
Gain on disposal of operating lease prepayments and land improvement costs	(1,013)	-
Amortisation of land use rights	3,106	2,888
Amortisation of land improvement costs	78,774	84,472
Amortisation of operating lease prepayments	59,426	63,680
Impairment allowance for trade receivables	19,330	19,287
Reversal of allowance for trade receivables	(8,475)	(10,481)
Loss/(Gain) on fair value of biological assets less estimated point-of-sales cost	16,650	(8,800)
Amortisation of government grants	(10,475)	(30,534)
Interest income	(106,614)	(46,023)
Interest expense on bank term loans	105,304	69,015
Operating profit before working capital changes	651,504	863,594
Inventories	45,107	(37,217)
Biological assets	(2,161)	12,693
Trade receivables	44,657	612,555
Other receivables and prepayments	(16,793)	113,565
Trade payables	109,136	(200,245)
Other payables and accruals	(775)	24,902
Cash generated from operations	830,675	1,389,847
Income tax paid	(65,620)	(37,718)
Interest received	101,709	35,982
Net cash from operating activities	866,764	1,388,111

The accompanying notes are an integral part of the financial statements.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2015**

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

47

CONSOLIDATED STATEMENT OF
CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

	2015	2014
	RMB'000	RMB'000
Cash flows from investing activities		
Purchase of property, plant and equipment (Note A)	(22,584)	(98,682)
Purchase of land use rights	-	(13,600)
Addition to operating lease prepayment	-	(20,304)
Refund from plant and equipment returned/construction deposits (Note A)	11,051	348,000
Proceeds from disposal of operating lease prepayments and land improvement costs	44,000	-
Refund of deposit for land use rights	43,840	48,160
Net cash from investing activities	76,307	263,574
Cash flows from financing activities		
Proceeds from bank term loans	1,066,248	1,663,156
Advance from other payable	189,987	-
Repayment of bank term loans	(795,449)	(805,837)
Government grants received	7,246	27,216
Dividend paid	(326,814)	(32,026)
Interest paid	(88,908)	(65,020)
Release of pledged bank balances	-	41,195
Net cash from financing activities	52,310	828,684
Net increase in cash and cash equivalents	995,381	2,480,369
Cash and cash equivalents at beginning of year	3,267,417	785,236
Effects of exchange rate changes in cash and cash equivalents	(879)	1,812
Cash and cash equivalents at end of year (Note 13)	4,261,919	3,267,417

The accompanying notes are an integral part of the financial statements.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

48 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

Note A

	2015	2014
	RMB'000	RMB'000
Total additions to property, plant and equipment (Note 5)	19,617	160,360
Refund from plant and equipment returned	(11,051)	-
Add/(Less): Decrease/(Increase) in outstanding amount included in other payables (Note 15)	4,917	(1,967)
Less: Decrease in amounts prepaid included in prepayments (Note 12)	(1,950)	(407,711)
Purchase of property, plant and equipment per consolidated statement of cash flows	11,533	(249,318)
Representing:		
- Cash paid to purchase property, plant and equipment	22,584	98,682
- Refund from plant and equipment returned	(11,051)	-
- Refund of construction deposit	-	(348,000)
	11,533	(249,318)

The accompanying notes are an integral part of the financial statements.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

China Minzhong Food Corporation Limited (the "Company") is a limited company domiciled and incorporated in Singapore. The Company was admitted to the official list on the mainboard of the SGX-ST on 15 April 2010. The address of the Company's registered office is located at 9 Battery Road, #15-01 Straits Trading Building, Singapore 049910. The principal place of business of the Company is Sanshan Village, Xitianwei Town, Licheng District, Putian City, Fujian Province, People's Republic of China ("PRC") 351131.

The Company's immediate and ultimate holding company are PT Indofood Sukses Makmur Tbk and First Pacific Company Limited, incorporated in Indonesia and Hong Kong respectively.

The principal activities of the Company are those of investment holding. The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements.

The financial statements for the financial year ended 30 June 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 30 September 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the Singapore Financial Reporting Standards ("FRS"). The financial statements are presented in Chinese Renminbi and all values are rounded to the nearest thousand ("RMB'000") as indicated.

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgment or complexity, are disclosed in this Note.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

50 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised standards

On 1 July 2014, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
FRS 114 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to FRS 27: <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRS 16 and FRS 38: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to FRS 16 and FRS 41: <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to FRS 111: <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to FRS 110 and FRS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
Improvements to FRSs (November 2014)	
Amendment to FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 January 2016
Amendment to FRS 107 <i>Financial Instruments: Disclosures</i>	1 January 2016
Amendment to FRS 19 <i>Employee Benefits</i>	1 January 2016
Amendment to FRS 34 <i>Interim Financial Reporting</i>	1 January 2016
Amendments to FRS 1: <i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2017
FRS 109 <i>Financial Instruments</i>	1 January 2018

Except for amendments to FRS 16 and FRS 38, amendments to FRS 16 and FRS 41, improvement to FRS (November 2014): Amendment to FRS 107, FRS 115 and FRS 109, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of amendments to FRS 16 and FRS 38, amendments to FRS 16 and FRS 41, improvement to FRS (November 2014): Amendment to FRS 107, FRS 115 and FRS 109 are described below.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised standards (Continued)

Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The requirements of FRS 16 are amended to clarify that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. This is because such methods reflect a pattern of generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits.

The requirements of FRS 38 are amended to introduce a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate for the same reasons as in FRS 16. However, there are limited circumstances when the presumption can be overcome, i.e. the intangible asset is expressed as a measure of revenue (the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold); and it can be demonstrated that revenue and the consumption of economic benefits of the intangible asset are highly correlated (the consumption of the intangible asset is directly linked to the revenue generated from using the asset).

Guidance is introduced into both standards to explain that expected future reductions in selling prices could be indicative of a higher rate of consumption of the future economic benefits embodied in an asset.

The Group currently adopts a straight line basis for its property, plant and equipment and intangible assets. This amendment is not expected to have an impact to the financial statements.

Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants

This amendment enables entities to measure bearer plants at cost subsequent to initial recognition or at revaluation in accordance with FRS 16. A bearer plant is defined as "a living plant that":

- a. is used in the production or supply of agricultural produce;
- b. is expected to bear produce for more than one period; and
- c. has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales.

The scope sections of both standards are then amended to clarify that biological asset except for bearer plants are accounted for under FRS 41 while bearer plants are accounted for under FRS 16.

The amendments also clarify that produce growing on bearer plants continues to be accounted for under FRS 41 and that government grants related to bearer plants no longer fall into the scope of FRS 41 but need to be accounted for under FRS 20 Accounting for Government Grants and Disclosure of Government Assistance.

The Group currently measures its bamboo trees at fair value and will review the related accounting policy in order to comply with the amendments in 2016.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

52

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of new and revised standards (Continued)

Improvements to FRSs (November 2014): Amendment to FRS 107 *Financial Instruments: Disclosures*

The amendment adds additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of determining the disclosures required in relation to transferred assets. The amendments apply retrospectively, except that an entity is not required to apply the amendments to any period beginning before the annual period in which the amendments are first applied.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the current revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and the related Interpretations when it becomes effective in 2017.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers.

The application of FRS 115 may have a material impact on the amounts reported and disclosures in the Group's consolidated financial statements. The Group is in the process of assessing the impact of the new standard for the future periods.

FRS 109 *Financial Instruments*

FRS 109 replaces FRS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. FRS 109 also introduces a new expected loss impairment model, and adds detailed guidance on impairment-related presentation and disclosures. FRS 109 also contains new requirements on hedge accounting, which adopts a more principle-based approach, and allows entities to choose between applying hedge accounting requirements of FRS 109 or continue to apply the existing hedge accounting requirements in FRS 39 for all hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. The Group is in the process of assessing the impact of the new standard for the future periods.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group accounting

Subsidiaries

(a) Basis of consolidation

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(b) Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

54 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Group accounting (Continued)

Subsidiaries (Continued)

(c) Disposals of subsidiaries or businesses

The assets and liabilities of the subsidiary, including any goodwill, are derecognised when a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard. Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

Currency translation

(i) Functional and presentation currency

The individual financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The Company's functional currency is Singapore dollars. The consolidated financial statements are presented in Chinese Renminbi ("RMB") which is the Group's and the Company's presentation currency as operations denominated in Chinese Renminbi represented a significant portion of the business.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under currency translation reserve in equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

55

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Currency translation (Continued)

(iii) Translation of the Group's financial statements

The assets and liabilities of foreign operations are translated into Chinese Renminbi at the rate of exchange ruling at the reporting date and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss.

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment is required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Construction in progress includes all cost of construction and other direct costs. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Construction in progress is reclassified to the appropriate category of property, plant and equipment when complete and ready to use.

Construction in progress is not depreciated. All other items of property, plant and equipment are depreciated using the straight-line method to write-off the cost of the assets less estimated residual value over their estimated useful lives as follows:

	Useful lives (Years)	Estimated residual value as a percentage of cost (%)
Leasehold buildings	10 to 30	5 to 10%
Plant and machinery	10 to 20	5 to 10%
Motor vehicles	10	5 to 10%
Office equipment	5	5 to 10%

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

56 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

The residual value, estimated useful life and depreciation method are reviewed, and adjusted as appropriate, at each date of statement of financial position to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss on retirement or disposal is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in profit or loss within "Other expenses".

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised on a straight-line basis over the lease term of 50 years.

Biological assets

Biological assets are the growing crops of the Group on the cultivation bases and bamboo shoots and trees in a bamboo plantation base.

Vegetables are measured at cost less any accumulated impairment losses.

Growing crops on our cultivation bases that are to be harvested within the next 3 to 6 months (i.e. current assets) are stated at cost less any accumulated impairment losses. Cost of the growing crops comprise purchase cost of raw materials accounted for on a weighted average basis, direct labour and an attributable proportion of cultivation overheads based on the volume of crops harvested.

Bamboo shoots and trees under cultivation in the bamboo plantation base (i.e. non-current assets) are measured at fair value less estimated point-of-sale cost on initial recognition and at each reporting date. The fair value of biological assets is determined based on the market price with reference to the species, growing condition, cost incurred and expected yield of the crops.

The gain or loss arising on initial recognition of bamboo shoots and trees and fair value less estimated point-of-sale cost and from a change in fair value less estimated point-of-sale cost of bamboo shoots and trees are included in the profit or loss for the period it arises.

Land improvement costs

Land improvement costs pertain to improvement to agricultural land used by the Group. It is stated at cost less any accumulated impairment losses and is amortised on straight-line basis over 5 years over which the Group derives benefits.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating lease prepayments

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecasts calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit and loss.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

58

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

(i) Initial recognition and measurement

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

(ii) Subsequent measurement

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and for held-to-maturity investments, re-evaluates this designation at every reporting date. As at the reporting date, the Group has no financial assets in the category of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the reporting date which are classified as non-current assets. Loans and receivables comprise cash and bank balances, trade and other receivables, including loan to a subsidiary and amounts due from a subsidiary.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(iii) Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace concerned.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

The Group assesses at each date whether there is any objective evidence that a financial asset or group of financial assets is impaired and recognised the impairment loss when such evidence exists.

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials comprise purchase costs accounted for on a weighted average basis. Work-in-progress and finished goods comprise cost of direct materials, direct labour and an attributable proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to be incurred for selling and distribution.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in "other expenses" in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

60 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative financial instruments and hedging activities

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates each hedge as either: (a) fair value hedge; (b) cash flow hedge; or (c) net investment hedge.

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, on whether the derivatives designated as hedging instruments are highly effective in offsetting changes in fair value or cash flows of the hedged items.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

The carrying amount of derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedge item is less than 12 months.

Cash flow hedge

(a) *Interest rate swaps*

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedging reserve and reclassified to profit or loss when the hedged interest expense on the borrowings is realised. The fair value changes on the ineffective portion of interest rate swaps are recognised immediately in profit or loss.

(b) *Currency forwards*

The Group enters into currency forwards that qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies. The fair value changes on the effective portion of the currency forwards designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedging reserve and transferred to either the cost of a hedged non-monetary asset upon acquisition or profit or loss when the hedged forecast transactions are recognised.

The fair value changes on the ineffective portion of currency forward are recognised immediately in profit or loss.

When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in other comprehensive income are transferred to profit or loss immediately.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

61

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

(ii) Subsequent measurement

Subsequent to initial recognition, financial liabilities except for financial liabilities at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and through the amortisation process.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in an active markets (such as derivatives) are based on quoted market prices at the reporting date. The quoted market prices used for financial assets and the financial liabilities are the current bid prices and the current asking prices respectively.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each reporting date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair value of the financial instruments.

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

62 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

(i) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in this Note. Contingent rents are recognised as revenue in the period in which they are earned.

(ii) As lessee

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Borrowings

Bank term loans are initially recorded at fair value, net of transaction costs incurred and subsequently accounted for at amortised costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Bank term loans which are due to be settled within twelve months after the reporting date are included in current borrowings in the statement of financial position even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue. Other bank term loans due to be settled more than twelve months after the reporting date are included in non-current bank term loans in the statement of financial position.

Borrowing costs

Borrowing costs incurred to finance the development of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. Other borrowing costs are recognised on a time-proportion basis in the profit or loss using the effective interest method.

The amount of borrowing cost capitalised on that asset is the actual borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share capital

Proceeds from issuance of ordinary shares are classified as share capital in equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue from sale of fresh vegetable produce, processed products and mushroom spores is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(ii) Interest income

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(iii) Rental income

Rental income from sub-leasing is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. The aggregate costs of incentives provide to lessee are recognised as a reduction of rental income over the lease term on a straight-line basis.

Employees' benefits

(i) Retirement benefits

The Group participates in the national schemes as defined by the laws of the countries in which it has operations.

Singapore

The Company makes contribution to the Central Provident Fund (CPF) Scheme in Singapore, a defined contribution pension schemes.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

64 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employees' benefits (Continued)

(i) Retirement benefits (Continued)

People's Republic of China ("PRC")

The subsidiaries, incorporated and operating in the PRC, is required to provide certain retirement plan contribution to their employees under the existing PRC regulations. Contributions are provided at rates stipulated by the PRC regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiary's employees.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the reporting date.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions, on the date of grant. Non-market vesting conditions are included in the estimation of the number of options under options that are expected to become exercisable on vesting date. At each reporting date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date. It recognises the impact of the revision of the original estimates, if any, in the profit or loss, and a corresponding adjustment to the share option reserve over the remaining vesting period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as a result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The share option reserve is transferred to retained earnings upon expiry of the share options.

When the options are exercised, the proceeds received (net of any directly attributable transaction costs) and the related balance previously recognised in the share option reserve are credited to the share capital account, when new ordinary shares are issued.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

65

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantively enacted by the reporting date in the countries where the Group operates and generates taxable income. Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Current income tax comprised corporate income tax and PRC withholding tax on the interest income from subsidiaries of the Group.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

66

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Value-added-tax (“VAT”)

The Group's sales of processed goods in the PRC are subject to VAT at the applicable tax rate of 17% for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “Other receivables” or “Other payables” in the statement of financial position. The Group's sales of fresh vegetables, mushroom spores and export sales are not subject to VAT.

Government grants

The Group receives government grants in the form of subsidies and low interest loans for expansion of their production capacity and construction of new factory, purchase of property, plant and equipment used for research and development purposes in developing new products and for attaining product quality awards or other targets.

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. When the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Where the grant relates to income, the government grant shall be recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as “Other income”. Alternatively, they are deducted in reporting the related expenses.

Related parties

A party is considered to be related to the Group if:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a); or
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions, and short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

Critical accounting estimates and assumptions

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Biological assets - Bamboo shoots and trees*

The Group determined the fair value of biological assets relating to bamboo shoots and trees using the discounted cash flow method. The key assumptions for the discounted cash flow calculations are those regarding the bamboo plantation growth, bamboo shoot yields, bamboo shoot harvest, discount rates, sale prices of bamboo shoot and tree and cost of harvest and maintenance. The amount of changes in fair value would be different if there are changes to the assumptions used. A decrease in fair value would decrease its carrying value. As of 30 June 2015, the carrying value of biological assets relating to bamboo shoots and trees stated at fair value amounted to approximately RMB142.1 million (2014: RMB158.8 million) (Note 7).

If projected yield or selling price of bamboo products were 5% higher/lower than forecasted in the valuation report, the fair value of the bamboo shoots and trees as at 30 June 2015 would be approximately RMB8.3 million (2014: RMB9.2 million) higher/lower.

If projected discount rate of bamboo products were 1% higher/lower than forecasted in the valuation report, the fair value of the bamboo shoots and trees as at 30 June 2015 would be lower and higher by approximately RMB1.8 million and RMB3.6 million (2014: RMB13.1 million and RMB15.0 million), respectively.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

68 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Critical accounting estimates and assumptions (Continued)

(b) *Impairment of trade receivables*

Impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to original term of debts. An assessment is made at each year-end whether there is any indication of impairment or whether there is any indication that an impairment loss previously recognised in prior year may no longer exist or may have decreased. Where the actual results differ from the amounts that were initially assessed, such differences will result in a material adjustment to the carrying amounts of trade receivables within the next financial year. The carrying amount of trade receivables which are past due but not impaired as at 30 June 2015 amounted to approximately RMB67.7 million (2014: RMB5.6 million). If 5% of these debtors defaulted, the Group's allowance for impairment will increase by RMB3.4 million (2014: RMB0.3 million).

(c) *Depreciation of property, plant and equipment*

The cost of property, plant and equipment is depreciated on a straight line basis over their useful lives. Management estimates the useful lives of these property, plant and equipment to be within 5 to 30 years and that the residual value to be 5% to 10% of the cost of these assets. These are common life expectancies and residual value applied in the industry. The carrying amount of the Group's property, plant and equipment subject to depreciation at 30 June 2015 was approximately RMB1,957.5 million (2014: RMB1,811.0 million). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(d) *Income tax*

The Group is subject to income taxes in Singapore and PRC. Significant judgment is required in determining the group-wide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred tax liabilities that are not recognised on the unremitted earnings of the subsidiaries as the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future as per disclosed in Note 18.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

69

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

3. SHARE CAPITAL

	Group and Company			
	No. of ordinary shares		Amount	
	2015 '000	2014 '000	2015 SGD\$'000	2014 SGD\$'000
Issued and fully paid				
At beginning and at end of the year	655,439	655,439	304,706	304,706
Total share capital in RMB'000			1,503,789	1,503,789

The holders of the ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares, which are all fully paid, have no par value.

4. STATUTORY RESERVE FUND

Statutory reserves fund comprise:

	Percentage of contribution from profit for the year	Group	
		2015 RMB'000	2014 RMB'000
		10%	130,507

These non-distributable reserves represent amounts set aside in compliance with the local laws in the PRC where the subsidiaries operate. The subsidiary is considered a foreign investment enterprise and the percentage of appropriation from the net profit for the year to the various reserve funds are determined by the Board of Directors of the subsidiary.

In accordance with the Foreign Enterprise Law of the PRC, the subsidiaries, being wholly foreign-owned enterprises (WFOE) are required to make contributions to a statutory reserve fund. At least 10 per cent of the statutory after-tax profits as determined in accordance with the applicable PRC accounting standards and regulations is required to be allocated to the reserve fund. If the cumulative total of the statutory reserve fund reaches 50% of the respective subsidiaries' registered capital, the enterprise will not be required to make any additional contribution.

The non-distributable reserve fund may be used to offset accumulated losses or increase the registered capital of the subsidiary, subject to approval from the relevant PRC authorities and is not available for dividend distribution to the shareholders. The subsidiaries are prohibited from distributing dividends unless the losses (if any) of previous years have been made up.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

70

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT

Group	Construction in progress RMB'000	Leasehold buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost						
As at 1.7.2013	682,698	1,162,326	454,777	21,122	8,645	2,329,568
Additions	119,441	7,780	30,835	554	1,750	160,360
Written off	-	(24)	(1,158)	-	(41)	(1,223)
Transfers	(482,739)	336,303	145,494	942	-	-
Translation adjustment	-	-	-	18	-	18
As at 30.6.2014	319,400	1,506,385	629,948	22,636	10,354	2,488,723
As at 1.7.2014	319,400	1,506,385	629,948	22,636	10,354	2,488,723
Additions	8,329	483	9,193	773	839	19,617
Written off/Reversal	(11,051) ⁽ⁱ⁾	-	(252)	(6)	(4)	(11,313)
Transfers	(254,325)	194,284	60,041	-	-	-
Translation adjustment	-	-	-	(127)	-	(127)
As at 30.6.2015	62,353	1,701,152	698,930	23,276	11,189	2,496,900
Accumulated depreciation						
As at 1.7.2013	-	140,290	110,563	6,211	4,001	261,065
Charge for the year	-	59,153	35,445	2,035	1,346	97,979
Written off	-	(12)	(718)	-	(38)	(768)
Translation adjustment	-	-	-	1	-	1
As at 30.6.2014	-	199,431	145,290	8,247	5,309	358,277
As at 1.7.2014	-	199,431	145,290	8,247	5,309	358,277
Charge for the year	-	70,423	44,801	2,164	1,469	118,857
Written off	-	-	(54)	(6)	(3)	(63)
Translation adjustment	-	-	-	(15)	-	(15)
As at 30.6.2015	-	269,854	190,037	10,390	6,775	477,056
Net carrying amount						
As at 30.6.2015	62,353	1,431,298	508,893	12,886	4,414	2,019,844
As at 30.6.2014	319,400	1,306,954	484,658	14,389	5,045	2,130,446

(i) This represents reversal arising from return of unassembled machinery.

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2015**

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Motor vehicle RMB'000
Cost	
As at 1.7.2013	1,537
Translation adjustment	18
As at 30.6.2014	1,555
As at 1.7.2014	1,555
Translation adjustment	(127)
As at 30.6.2015	1,428
As at 1.7.2013	-
Charge for the year	146
Translation adjustment	1
As at 30.6.2014	147
As at 1.7.2014	147
Charge for the year	138
Translation adjustment	(15)
As at 30.6.2015	270
Net carrying amount	
As at 30.6.2015	1,158
As at 30.6.2014	1,408

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

72

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

6. LAND USE RIGHTS

Group

	RMB'000
Cost	
As at 1.7.2013	139,020
Additions	14,100
As at 30.6.2014 and 30.6.2015	153,120
Accumulated amortisation	
As at 1.7.2013	12,514
Charge for the year	2,888
As at 30.6.2014	15,402
As at 1.7.2014	15,402
Charge for the year	3,106
As at 30.6.2015	18,508
Net carrying amount	
As at 30.6.2015	134,612
As at 30.6.2014	137,718

The carrying value is analysed as follows:

	Group	
	2015 RMB'000	2014 RMB'000
- Not more than one year, current portion	3,125	2,977
- More than one year but not more than five years	12,500	11,908
- More than five years	118,987	122,833
Non-current portion	131,487	134,741

The Group has land use rights over various plots of state-owned land in the PRC where the Group's PRC operation and storage facilities reside. The land use rights are not transferable and have remaining tenures ranging from 32 to 49 years (2014: 33 to 50 years).

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

73

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

7. BIOLOGICAL ASSETS

(a) A reconciliation of the carrying amount of biological assets is as follows:

	Group	
	2015 RMB'000	2014 RMB'000
At beginning of year	179,748	183,641
Increase due to plantation	426,598	539,416
Decrease due to harvest (Note 7 (c))	(424,437)	(552,109)
(Loss)/Gain arising from changes in fair value less estimated point-of-sale cost	(16,650)	8,800
Net carrying amount at end of year	<u>165,259</u>	<u>179,748</u>

(b) The analysis of the above is as follows:

	Group		
	Bamboo shoots and trees RMB'000	Vegetables RMB'000	Total RMB'000
As at 30.6.2014			
Non-current portion	158,800	-	158,800
Current portion	-	20,948	20,948
	<u>158,800</u>	<u>20,948</u>	<u>179,748</u>
As at 30.6.2015			
Non-current portion	142,150	-	142,150
Current portion	-	23,109	23,109
	<u>142,150</u>	<u>23,109</u>	<u>165,259</u>

(c) The quantity and amount of agricultural produce harvested during the year were as follows:

	Group			
	2015 Quantity (tonnes)	2015 RMB'000	2014 Quantity (tonnes)	2014 RMB'000
Vegetables	184,025	411,562	324,168	542,002
Bamboo shoots and trees	19,103	12,875	12,440	10,107
	<u>203,128</u>	<u>424,437</u>	<u>336,608</u>	<u>552,109</u>

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

74 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

7. **BIOLOGICAL ASSETS** (CONTINUED)

(d) Measurement base

Bamboo shoots and trees

In accordance with the valuation report issued by an independent professional valuer, the fair values less estimated point-of-sale costs of the bamboo shoots and trees are determined using the present value of expected future net cash flows from the bamboo shoots and trees discounted at an appropriate discount rate.

In estimating the fair value for bamboo shoots and trees, the level of fair value hierarchy is Level 3.

Key assumptions used for the discounted cashflow activities:

	Group	
	2015	2014
Discount rate	15%	15%
Long-term growth rate of selling price	2%	2%
Average yield in kg per mu	772 - 1171	772 - 1261

The key assumptions used to determining the fair value also includes competitive but stable market conditions and continued acceptability of products sold. Management determined growth rates of selling prices and yield of bamboo based on past performance, its expectations of the market development and inputs from independent experts of bamboo plantations. The discount rates used were pre-tax and reflected specific risks relating the relevant segments. The higher the discount rate used, the lower the fair value of the bamboo shoots and trees. The higher the long-term growth rate of selling price, the higher the fair value of the bamboo shoots and trees.

The estimated sales revenue depends on the market prices of already harvested bamboo trees and bamboo shoots of comparable age and quality in the region where the plantations are located. All costs directly attributable to the sale of bamboo shoots and trees are included in costs to sell such as land rental costs, reclamation costs, harvesting costs and selling costs.

Vegetables

Vegetables are carried at cost less any impairment losses.

Vegetables under cultivation that has not reached the point of being harvested do not have an active market and thus market-determined prices or values are not available for fair value to be measured reliably. In the opinion of the management, estimates of fair value are determined to be unreliable.

(e) Specific risk management strategies

Currently there are no financial derivatives in the PRC to protect the future selling price of bamboo trees, bamboo shoots and vegetables.

The Group has purchased fire insurance for its bamboo plantation for an insured amount of approximately RMB5.2 million (2014: RMB5.2 million).

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

8. LAND IMPROVEMENT COSTS

Group

	RMB'000
Cost	
As at 1.7.2013 and 30.6.2014	488,058
As at 1.7.2014	488,058
Disposal	(17,861)
As at 30.6.2015	470,197
Accumulated amortisation	
As at 1.7.2013	228,337
Charge for the year	84,472
As at 30.6.2014	312,809
As at 1.7.2014	312,809
Charge for the year	78,774
Disposal	(9,525)
As at 30.6.2015	382,058
Net carrying amount	
As at 30.6.2015	88,139
As at 30.6.2014	175,249

9. SUBSIDIARIES

	Company	
	2015	2014
	RMB'000	RMB'000
Unquoted equity shares, at cost		
At beginning of year	1,300,835	1,293,640
De-registration of a subsidiary	-	(9,156)
Translation adjustment	(106,218)	16,351
Net carrying amount at end of year	1,194,617	1,300,835

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

76

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

9. SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of Company	Principal activities/Country of incorporation and place of business	Ownership interest and voting power held by the Group	
		2015 %	2014 %
Held by the Company			
Fujian Minzhong Organic Food Co., Ltd ⁽ⁱ⁾	Production and sales of processed vegetables, fruits and vegetable beverages/People's Republic of China	100	100
Sichuan Minzhong Organic Food Co., Ltd ⁽ⁱ⁾	Cultivation, processing and sales of mushrooms/People's Republic of China	100	100
Held by a subsidiary			
Yunnan Yuanmou Minzhong Food Co., Ltd ⁽ⁱ⁾	Cultivation, processing and sales of vegetables/People's Republic of China	100	100
Inner Mongolia Minzhong Food Co., Ltd ⁽ⁱ⁾	Cultivation, processing and sales of vegetables/People's Republic of China	100	100
Shanghai Pudong Xing Minzhong Agricultural Products Co., Ltd ⁽ⁱ⁾	Cultivation of vegetables and sales of pre-packaged food/People's Republic of China	100	100
Putian Licheng Minzhong Agriculture Development Co., Ltd ⁽ⁱ⁾	Cultivation, production and sales of vegetables/People's Republic of China	100	100
Shanghai Minzhong Organic Food Co., Ltd ⁽ⁱ⁾	Cultivation, production and sales of vegetables/People's Republic of China	100	100
Tianjin Minzhong Ecological Agricultural Development Co., Ltd ⁽ⁱ⁾	Cultivation, production and sales of vegetables/People's Republic of China	100	100
Tianjin Minzhong Organic Food Co., Ltd ⁽ⁱ⁾	Processing and sales of vegetables and other food-related products/People's Republic of China	100	100
Hubei Minzhong Organic Food Co., Ltd ⁽ⁱ⁾	Production and sales of vegetables and other food related products/People's Republic of China	100	100
Jiangsu Minzhong Organic Food Co., Ltd ⁽ⁱ⁾	Production and sales of edible fungi/ People's Republic of China	100	100

(i) Audited by Crowe Horwath First Trust LLP for the purpose of expressing an opinion on the consolidated financial statements.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

77

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

10. OPERATING LEASE PREPAYMENTS

These represent prepayments of long-term leases of cultivation bases and bamboo forest under operating leases. The movements of these operating lease prepayments are summarised as follows:

Group	RMB'000
Cost	
As at 1.7.2013	678,132
Additions	20,304
Disposal	(4,320)
As at 30.6.2014	694,116
As at 1.7.2014	694,116
Disposal	(52,635)
As at 30.6.2015	641,481
Accumulated amortisation	
As at 1.7.2013	242,563
Charge for the year	63,680
Disposal	(4,320)
As at 30.6.2014	301,923
As at 1.7.2014	301,923
Charge for the year	59,426
Disposal	(17,984)
As at 30.6.2015	343,365
Net carrying amount	
As at 30.6.2015	298,116
As at 30.6.2014	392,193

The carrying value is analysed as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Not more than one year, current portion	56,518	63,418
More than one year but not more than five years	192,440	230,333
More than five years	49,158	98,442
Non-current portion	241,598	328,775

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

78

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

11. INVENTORIES

	Group	
	2015 RMB'000	2014 RMB'000
At cost		
Raw materials	12,866	8,536
Work-in-progress	26,487	75,467
Finished goods	22,154	22,611
	61,507	106,614

The cost of inventories recognised as an expense and included in “cost of sales” amount to approximately RMB1,332.0 million (2014: RMB1,902.8 million).

12. OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Other receivables ⁽ⁱ⁾	21,561	11,211	127	138
Advances to suppliers	66,982	48,189	-	-
Deposit ⁽ⁱⁱ⁾	-	43,840	-	-
Prepayments ⁽ⁱⁱⁱ⁾	31,467	40,861	143	67
	120,010	144,101	270	205

(i) Other receivables relate mainly to value-added tax receivables amounting to RMB1.6 million (2014: RMB1.5 million), rental receivables amounting to RMB5.4 million (2014: RMB0.1 million) and interest receivables amounting to RMB14.3 million (2014: RMB9.4 million).

(ii) Deposit paid relates to an amount paid in April 2011 to the Putian City government to secure preferential rights to bid for a piece of land 700mu in size. The Group had aborted this expansion plan and had demanded for refund in 2013 from the Putian City government. During the year the Putian City government has fully refunded the remaining RMB43.8 million (2014: RMB48.2 million) to the Group.

(iii) Prepayments relate mainly to prepayment made to contractors for construction of buildings, fixtures and machinery amounting to RMB13.6 million (2014: RMB15.5 million), that have not yet commenced. Prepayments also include RMB10.8 million (2014: RMB25.4 million) of amounts prepaid to advertising agents.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

79

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

13. CASH AND BANK BALANCES

For the purpose of presenting the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the followings:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Cash at bank and on hand	94,038	157,417	6,569	56,073
Short-term deposits	4,167,881	3,110,000	-	-
Cash and cash equivalents per consolidated statement of financial position and statement of cash flows	<u>4,261,919</u>	<u>3,267,417</u>	<u>6,569</u>	<u>56,073</u>

As at 30 June 2015, the Group has balances deposited with banks in the PRC denominated in RMB amounting to RMB4,127.4 million (2014: RMB3,249.7 million). The RMB is not freely convertible into foreign currencies under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Short-term deposits have maturity period ranging from 180 to 360 days (2014: 90 to 180 days), yield interest income at effective rates ranging from 2.05% to 3.05% (2014: 2.85% to 3.05%) per annum.

14. LOAN TO A SUBSIDIARY/DUE FROM A SUBSIDIARY (NON-TRADE)

The amount due from a subsidiary is unsecured, interest-free and repayable on demand.

In connection with the US\$150 million facility agreement between the Company and Citibank N.A., Singapore Branch and Standard Chartered Bank, Singapore Branch (Note 16) dated 6 August 2013, the Company has provided the loan to a subsidiary, Fujian Minzhong Organic Food Co., Ltd with total facility amount of RMB950 million. This loan is unsecured and bears a fixed interest rate at 7.00% per annum.

The loan is repayable by 5 semi-annual instalments of 10% of principal drawdown each commencing from 25 January 2016 and a final repayment of remaining 50% on final maturity date 25 July 2018.

The breakdown of the loan to a subsidiary, as follows:

	Company	
	2015 RMB'000	2014 RMB'000
Current portion		
Not more than one year	86,095	-
Non-current portion		
More than one year, but not more than five years	<u>774,853</u>	860,948
	<u>860,948</u>	<u>860,948</u>

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

80 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

15. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Advances from customers	23,418	36,611	-	-
Other payables ⁽ⁱ⁾	205,388	17,683	189,987	-
Other tax payables ⁽ⁱⁱ⁾	11,806	9,700	-	-
Accrued expenses ⁽ⁱⁱⁱ⁾	80,193	60,646	23,806	20,338
	320,805	124,640	213,793	20,338

⁽ⁱ⁾ Other payables for the Group and the Company amounting to RMB190.0 million (2014: Nil) pertains to a short-term advance from a third party of S\$42.0 million, bearing interest of 7% per annum, repayable on 25 July 2015. The Group is in the process of arranging payment as of the date of this report. Included in other payables is amount due to contractors for construction of buildings, plant and machinery amounted to RMB12.8 million (2014: RMB17.7 million).

⁽ⁱⁱ⁾ Other tax payables relate mainly to sales related tax and value-added tax payable.

⁽ⁱⁱⁱ⁾ Included in accrued expenses is accrued interest on bank term loans amounting to RMB15.5 million (2014: RMB3.6 million).

16. BANK TERM LOANS

Non-current portion

On 6 August 2013, the Company entered into a syndicated loan facility agreement (“syndicated loan”) in respect of a term loan facility of up to an aggregated principal amount of US\$150 million. The loan bears interest at applicable USD LIBOR plus 2.6% per annum. The loan is repayable by 5 semi-annual instalments of 10% of principal drawdown each commencing from 6 February 2016 and a final repayment of remaining 50% on final maturity date 6 August 2018. Interest is payable on semi-annual basis commencing from 8 September 2014. On 15 August 2013, the Company entered into a Cross Currency Swap transaction with Citibank N.A., Singapore Branch and Standard Chartered Bank, Singapore Branch, with effective date on 16 August 2013 and termination date on 6 August 2018. The Cross Currency Swap transaction (Note 31) is designed to mirror the exact cash flow to this syndicated term loan facility, including both principal and interest.

	Group and Company	
	2015 RMB'000	2014 RMB'000
Interest bearing loan, unsecured	922,068	922,068
Adjustment for		
- Loan expenses	(23,419)	(23,419)
- Currency alignment	(4,653)	1,022
	893,996	899,671
Add: Amortisation of loan expenses	8,450	3,924
Net carrying amount at 30 June	902,446	903,595
Less: Repayable not more than one year	(91,630)	-
Total non-current portion bank loan	810,816	903,595

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

81

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

16. BANK TERM LOANS (CONTINUED)

Current portion

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Syndicated loan	91,630	-	91,630	-
Interest bearing loans:				
- Unsecured	692,774	433,680	111,595	-
- Guaranteed	160,000	160,000	-	-
Total current portion bank loan	944,404	593,680	203,225	-

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.

17. GOVERNMENT GRANTS

Group	Deferred income RMB'000	Government grants RMB'000	Total RMB'000
As at 1.7.2013	69	25,020	25,089
Additions	-	27,216	27,216
Amortisation for the year (Note 20)	(69)	(30,465)	(30,534)
As at 30.6.2014	-	21,771	21,771
As at 1.7.2014	-	21,771	21,771
Additions	-	7,246	7,246
Amortisation for the year (Note 20)	-	(10,475)	(10,475)
As at 30.6.2015	-	18,542	18,542

The carrying value is analysed as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Not more than one year, current portion	2,628	3,265
More than one year, but not more than five years	10,816	10,990
More than five years	5,098	7,516
Non-current portion	15,914	18,506

The government grants were obtained for the sponsorship of research and development projects, production equipment subsidy and products quality awards. There are no unfulfilled conditions or contingencies attached to these grants. The remaining amortisation period range from 1 to 15 years (2014: 1 to 16 years).

The grant received during year 2014 mainly comprise an award for modernisation in agricultural production amounting to RMB20 million which has been recognised in the profit or loss as income for the previous financial year.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

82 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

18. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25% (2014: 25%).

	Group	
	2015	2014
	RMB'000	RMB'000
Deferred tax assets:		
- to be recovered within one year	650	900
- to be recovered after one year	5,350	5,100
	6,000	6,000
Deferred tax liabilities:		
- to be settled within one year	(45,000)	(25,000)

The movement in the deferred income tax account is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
At beginning of year	(19,000)	6,000
Charged to consolidated statement of profit or loss (Note 25)	(20,000)	(25,000)
At end of year	(39,000)	(19,000)
Presented as follows:		
Deferred tax assets	6,000	6,000
Deferred tax liabilities	(45,000)	(25,000)
	(39,000)	(19,000)

There are no enforceable right to set off the deferred tax assets and liabilities.

The components and movement of deferred tax assets and liabilities during the financial year are as follows:

	Government grants
	RMB'000
Deferred tax assets:	
As at 1 July 2013, 30 June 2014 and 30 June 2015	6,000

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

83

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

18. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Withholding tax on undistributable profits RMB'000
Deferred tax liabilities:	
As at 1 July 2013	(2,650)
Utilised during the year	2,650
Charged to consolidated statement of profit or loss (Note 25)	(25,000)
As at 30 June 2014	(25,000)
As at 1 July 2014	(25,000)
Charged to consolidated statement of profit or loss (Note 25)	(20,000)
As at 30 June 2015	(45,000)

Temporary differences of RMB3,621.8 million (2014: RMB3,489.0 million) have not been recognised for the withholding and other taxes that will be payable on the remaining earnings of overseas subsidiaries when remitted to the Company. These undistributed profits are permanently reinvested as any future dividends will be declared out of future profits. The deferred tax liability not recognised for undistributed profits is estimated to be RMB181.1 million (2014: RMB174.4 million).

19. REVENUE

	Group	
	2015 RMB'000	2014 RMB'000
Sale of processed vegetables	904,777	1,435,825
Sale of fresh vegetables produce	663,664	956,726
Beverages ⁽ⁱ⁾	312,358	335,545
Mushroom spores ⁽ⁱ⁾	77,268	136,897
Others ⁽ⁱⁱ⁾	13,078	31,642
	1,971,145	2,896,635

⁽ⁱ⁾ Part of Cultivation business segment (Note 32).

⁽ⁱⁱ⁾ Part of Branded business segment (Note 32) and other miscellaneous products, such as instant food and health food products.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

84 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

20. OTHER INCOME

	Group	
	2015 RMB'000	2014 RMB'000
Interest income on short-term deposits	106,614	46,023
Rental income	73,838	47,932
Government grants (Note 17)	10,475	30,534
Reversal of allowance for doubtful trade receivables (Note 33(iii))	8,475	10,481
Gain on disposal of operating lease prepayments and land improvement costs	1,013	-
Others	8,575	1,433
	208,990	136,403

21. OTHER EXPENSES

	Group	
	2015 RMB'000	2014 RMB'000
Rental expenses	60,437	39,502
Impairment allowance for trade receivables (Note 33(iii))	19,330	19,287
Exchange (gain)/loss, net	(22,764)	8,022
Donations and sponsorship	-	7,876
Loss on disposal of scrap materials	791	1,578
Property, plant and equipment written off	199	455
Others	966	7,246
	58,959	83,966

22. FINANCE COST

	Group	
	2015 RMB'000	2014 RMB'000
Interest expenses on bank term loans	71,605	56,110
Cash flow hedges reclassified from hedging reserve	29,173	8,979
	100,778	65,089

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

85

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

23. PROFIT BEFORE TAX

Profit before income tax is arrived at after charging the following:

	Group	
	2015	2014
	RMB'000	RMB'000
Directors' remuneration - Company's directors ⁽ⁱ⁾	3,888	7,614
Amortisation of operating lease prepayments	59,426	63,680
Amortisation of land improvement costs	78,774	84,472
Amortisation of land use rights	3,106	2,888
Research and development costs	942	1,022
Depreciation of property, plant and equipment	118,857	97,979
Property, plant and equipment written off	199	455
Audit fees paid to auditors of the Company	1,271	1,373
Audit related fees paid to auditors of the Company ⁽ⁱⁱ⁾	817	1,617
Non-audit fees paid to auditors of the Company	13	13
Staff costs ⁽ⁱⁱⁱ⁾ (Note 24)	249,272	336,854

⁽ⁱ⁾ This includes directors' fees to Independent Directors and short term employee benefits to Executive Directors.

⁽ⁱⁱ⁾ Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the consolidated financial statements for periods other than the year end of the Group, and are not reported under the line item captioned 'Audit fees' above. Audit-related fees billed in 2015 and 2014 pertain to quarterly and half-year review of financial statements for purposes of the Company's immediate holding company's group consolidation.

⁽ⁱⁱⁱ⁾ This includes amounts shown as directors' remuneration.

24. STAFF COSTS

	Group	
	2015	2014
	RMB'000	RMB'000
Salaries, bonuses and allowances ⁽ⁱ⁾	244,364	331,060
Contributions to defined contribution plans	4,908	5,794
	249,272	336,854

⁽ⁱ⁾ This includes directors' remuneration as shown in Note 23.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

86 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

25. INCOME TAX

	Group	
	2015 RMB'000	2014 RMB'000
Current tax		
- Corporate income tax ("CIT"): current year	54,313	75,868
- CIT: prior year	1,053	4,524
Deferred tax (Note 18)		
- current year	20,000	25,000
Withholding tax		
- current year	6,550	6,807
	81,916	112,199

A reconciliation between the income tax expense and the product of accounting profit multiplied by the applicable tax rates for the respective financial year ended 30 June was as follows:

	Group	
	2015 RMB'000	2014 RMB'000
Profit before tax	402,393	621,656
Tax at the applicable statutory rate of 25% (2014: 25%)	100,598	155,414
Tax effects of:		
Different tax rate in other countries	(6,048)	(717)
Income exempted from tax or taxed at source	(55,678)	(101,898)
Expenses that are not deductible in determining taxable profit	15,441	23,069
Deferred tax on withholding tax on dividend remitted by subsidiary in PRC	20,000	25,000
Withholding tax on interest income remitted by subsidiary in PRC	6,550	6,807
Under-provision of prior year's income tax	1,053	4,524
Tax expense	81,916	112,199

The Company:

The Company has no taxable income during the financial year (2014: Nil). The statutory income tax rate applicable to the Company is 17% (2014: 17%) for the current financial year ended 30 June 2015.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

25. INCOME TAX (CONTINUED)

Subsidiaries:

On 16 March 2007, the National People's Congress promulgated the PRC Enterprise Income Tax Law (the "New Tax Law"), which became effective from 1 January 2008.

The following subsidiaries are subject to Enterprise Income Tax ("EIT") at a standard rate of 25%.

- (i) Fujian Minzhong Organic Food Co., Ltd
- (ii) Yunnan Yuanmou Minzhong Food Co., Ltd
- (iii) Hubei Minzhong Organic Food Co., Ltd
- (iv) Tianjin Minzhong Organic Food Co., Ltd
- (v) Jiangsu Minzhong Organic Food Co., Ltd

The following subsidiaries enjoy full exemption of EIT in respect of income generated from cultivation of vegetables and collection of forest products.

- (i) Sichuan Minzhong Organic Food Co., Ltd
- (ii) Inner Mongolia Minzhong Food Co., Ltd
- (iii) Shanghai Pudong Xing Minzhong Agricultural Products Co., Ltd
- (iv) Shanghai Minzhong Organic Food Co., Ltd
- (v) Putian Licheng Minzhong Agriculture Development Co., Ltd
- (vi) Tianjin Minzhong Ecological Agricultural Development Co., Ltd

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

88

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

26. EARNINGS PER SHARE

(i) 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 financial year.

	2015	2014
Net profit attributable to equity holders of the Company (RMB'000)	320,477	509,457
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	655,439	655,439
Basic earnings per share (RMB per share)	0.49	0.78

(ii) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the 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 (Note 27).

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) since the grant of the dilutive options for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

	2015	2014
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	655,794	655,951
Diluted earnings per share (RMB per share)	0.49	0.78

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

27. EMPLOYEES' SHARE OPTION RESERVE

Pursuant to the Board Meeting held on 24 August 2012, the Directors granted 2,678,000 share options of the Company on 4 September 2012 to selected eligible employees of the Group and an Executive Director of the Company to subscribe for 2,678,000 ordinary shares in the Company at an exercise price of S\$0.74 per share, under the CMZ Employee Share Option Scheme 2010 ("Scheme") which was approved on 31 March 2010. Options granted have a term no longer than 3 years, and with 1 year vesting period from grant date. The total fair value of the options granted was estimated to be S\$583,418 (equivalent to RMB2,889,496) as at the grant date of options using Black-Scholes-Merton Option Pricing Model.

The following assumptions were taken into consideration when using the model to compute the total fair value of the options granted, under the Scheme, during the financial year 2013:

(1) Current share value as at grant date

The current share value as at grant date was S\$0.72 based on the Company's closing share price listed on Singapore Exchange Securities ("SGX").

(2) Expected life of options

The expected life of options is defined as the period from the time of grant to the time when the options are exercised. The Scheme has specified that holders of the options are to exercise their options by 3 September 2015 and therefore the expected life of options is assumed to be 3 years.

(3) Expected volatility

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The volatility index was 56.51% based on the volatility index of the Company as at grant date.

(4) Expected dividend

If employees were granted options and are entitled to dividends on the underlying shares between grant date and exercise date, the options granted should be valued as if no dividends will be paid on the underlying shares.

Conversely, if the employees are not entitled to dividends or dividend equivalents during the vesting period or before exercise, the grant date valuation of the options should take expected dividends into account. When the fair value of a share granted is estimated, that valuation should be reduced by the present value of dividends expected to be paid during the vesting period.

As at grant date, the Company had not declared any dividends in the past and hence, dividend yield is assumed to be zero for the purpose of computation.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

90 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

27. EMPLOYEES' SHARE OPTION RESERVE (CONTINUED)

(5) Risk-free interest rates

The Black-Scholes-Merton model assumes that the interest rate is to be constant and risk free. Given that the expected life of the options is 3 years, the risk-free rate is assumed to be the latest available yield rate of 0.21% of a 2-year Singapore government bond as there is no such bond with a 3-years maturity.

The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of options at the end of the financial year are as follows:

	2015	2014
	No. of	No. of
	options	options
Outstanding at beginning of year	5,140,000	5,140,000
Expired during the year	(2,462,000)	-
Outstanding at end of year	2,678,000	5,140,000

None of the options granted under the CMZ Employee Share Option Scheme 2010 have been exercised as at 30 June 2015.

Employee share options represent the equity-settled share option granted to employees and executive director of the Group, the details of which are disclosed in the directors' report. The reserve is made up of the cumulative value of services received from employee and executive directors recorded over the vesting period commencing from the grant date of share options, and is reduced by the expiry or exercise of the share options.

Movements in the number of share options outstanding at the end of the financial year and their exercise prices are as follows:

	Group and Company			
	2015	2015	2014	2014
	No. of	Weighted	No. of	Weighted
	Shares	average	Shares	average
		exercise		exercise
		price (\$\$)		price (\$\$)
<u>Number of outstanding share options</u>				
At beginning of the year	5,140,000	0.99	5,140,000	0.99
Expired during the year	(2,462,000)	1.26	-	
At end of year	2,678,000	0.74	5,140,000	0.99

Terms of the share options outstanding as at end of year:

Expiry date	Exercise price (\$\$)		Number of options	
	2015	2014	2015	2014
20 September 2014	-	1.26	-	2,462,000
3 September 2015	0.74	0.74	2,678,000	2,678,000
			2,678,000	5,140,000

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

91

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

28. RELATED PARTY TRANSACTIONS

Some of the arrangements with related parties (as defined in Note 2 above) and the effects of these bases determined between the parties are reflected elsewhere in this report. Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and its immediate holding company is disclosed below.

	Group	
	2015	2014
	RMB'000	RMB'000
Sales of goods to immediate holding company	2,455	3,055

Compensation of key management personnel

	Group	
	2015	2014
	RMB'000	RMB'000
Short-term employee benefits		
- Salaries and allowances	4,527	4,485
- Directors' fee	1,300	1,295
- Performance bonus	-	7,300
Total	5,827	13,080

Included in the above in salaries, allowance and performance bonus is total compensation to Executive Directors of the Company amounting to approximately RMB2.5 million (2014: RMB6.2 million).

29. COMMITMENTS AND CONTINGENCIES

(i) Non-cancellable operating lease commitments

As at 30 June 2015, the Group has operating lease agreements for farmlands located in Fujian Province, Sichuan Province, Yunnan Province, Inner Mongolia, Shanghai, Hubei, Tianjin and Jiangxi Province. The leases have remaining lease term ranging from 1 to 37 years (2014: 1 to 38 years). Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Operating lease commitments - where the Group is a lessee

	Group	
	2015	2014
	RMB'000	RMB'000
Not later than 1 year	9,450	17,000
2 years through 5 years	-	9,450
More than 5 years	27,855	67,490
	37,305	93,940

The lease term as a lessor have remaining terms ranging from 1 to 6 years (2014: 1 to 7 years).

* Prepaid pertains to prepaid lease amounts which would not be included as part of commitments.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

92 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Non-cancellable operating lease commitments (Continued)

Operating lease commitments - where the Group is a lessor

	Group	
	2015 RMB'000	2014 RMB'000
Not later than 1 year	71,034	52,974
2 years through 5 years	237,907	145,734
More than 5 years	35,183	48,383
	344,124	247,091

The lease receivable is the rental generated from the Group's leased lands which were on lease to third parties for plantation of vegetables.

(ii) Capital commitments

	Group	
	2015 RMB'000	2014 RMB'000
Capital expenditure contracted for as at the reporting date but not provided for in the financial statements - commitments in respect of property, plant and equipment and land improvement costs	483,126	501,525

30. (ACCUMULATED LOSSES)/RETAINED EARNINGS/TRANSLATION DEFICIT/HEDGING DEFICIT

	Company	
	2015 RMB'000	2014 RMB'000
<u>(Accumulated losses)/Retained earnings:</u>		
At the beginning of the year	46,509	(112,078)
Total profit for the year	191,692	190,613
Final exempt (one-tier) dividend declared for financial year ended 30 June 2013 of S\$0.010 per share	-	(32,026)
Interim exempt (one-tier) dividend declared for financial year ended 30 June 2014 of S\$0.0419 per share	(136,172)	-
Interim exempt (one-tier) dividend declared for financial year ended 30 June 2015 of S\$0.0643 per share	(190,642)	-
Expiry of employee's share option	1,740	-
At the end of the year	(86,873)	46,509

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

93

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

30. (ACCUMULATED LOSSES)/RETAINED EARNINGS/TRANSLATION DEFICIT/HEDGING DEFICIT (CONTINUED)

	Company	
	2015 RMB'000	2014 RMB'000
Translation deficit:		
At beginning of the year	(1,207)	(19,040)
Other comprehensive (loss)/income	(115,513)	17,833
At end of the year	<u>(116,720)</u>	<u>(1,207)</u>

The translation deficit represents exchange difference arising from the translation of the Company's financial statements whose functional currency is Singapore dollars.

	Company	
	2015 RMB'000	2014 RMB'000
Hedging deficit:		
At beginning of the year	(29,173)	-
Fair value gain/(loss) arising from derivative financial instruments	(286)	(38,152)
Reclassification to profit or loss from cash flow hedge	29,173	8,979
At end of the year	<u>(286)</u>	<u>(29,173)</u>

Translation deficit and hedging deficit are not distributable as dividends.

31. DERIVATIVE FINANCIAL INSTRUMENTS

At the reporting date, the total notional amount of outstanding forward foreign exchange contracts to which the Company is committed are as follows:

	Group and Company	
	2015	2014
Non-current portion		
Cross Currency Swap		
Notional principal (USD'000)	150,000	150,000
Financial liabilities (RMB'000)	<u>286</u>	<u>29,173</u>

On 15 August 2013, the Company entered into a Cross Currency Swap transaction with Citibank N.A., Singapore Branch and Standard Chartered Bank, Singapore Branch, collectively define as "Hedge Banks", with effective date on 16 August 2013 and termination date on 6 August 2018. This was entered solely to hedge foreign currency risk and interest rate risk arising from the Company's long term loan denominated in United States dollars ("USD") (Note 16).

Under the Cross Currency Swap arrangement, (i) for interest payment, the Company shall pay fixed rate 5.96% per annum and the Hedge Banks shall pay floating rate 2.6% + USD LIBOR; (ii) for drawdown, the Company shall pay USD drawdown amount and the Hedge Banks shall pay Chinese Yuan ("CNH") converted at USDCNH rate of 6.115; and (iii) for principal repayment, the Company shall pay CNH fixed at USDCNH rate of 6.115.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

94 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

32. SEGMENT INFORMATION

Operating segments

Operating segments are identified on the basis of internal reports about operating divisions of the Group that are regularly reviewed by the Board of Directors for the purpose of resource allocation and performance assessment.

The Group is organised on a worldwide basis into three main operating divisions, namely:

- Processed business segment, which is the processing and sale of processed vegetables;
- Cultivation business segment, which is the production and sale of fresh vegetable produce and trading of mushroom spores;
- Branded business segment, which is the production and sale of branded beverages, instant food, and health food products.

(i) Operating segments

Unallocated costs represent corporate expenses. Segments assets consist primarily of property, plant and equipment, lease payments, inventories and receivables. Segments liabilities comprise payables, provisions and government grant.

(ii) Geographical information

The Group operates in two geographical areas:

- Singapore - the Company is headquartered and has operations in Singapore. The operations in this area is primarily the investment holding.
- People's Republic of China - the operations in this area are principally the sales of processed products and fresh produce.

Operations in People's Republic of China contributed 100% of consolidated revenue. Revenue is based on the country in which the customer is located, regardless of where the goods are delivered. Assets and additions to non-current non-financial assets are based on the location of those assets.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

95

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

32. SEGMENT INFORMATION (CONTINUED)

2015	Processed business segment RMB'000	Cultivation business segment RMB'000	Branded business segment RMB'000	Group RMB'000
Revenue				
External sales	904,777	740,932	325,436	1,971,145
Results	141,609	200,479	42,640	384,728
Unallocated expenses				(14,938)
Operating profit				369,790
Loss on fair value of biological assets less estimated point of sales costs		(16,650)		(16,650)
Other income				208,990
Other expenses				(58,959)
Finance cost				(100,778)
Profit before income tax				402,393
Segment assets	1,690,482	1,104,366	467,156	3,262,004
Unallocated assets				
- Construction in progress				62,353
- Cash and bank balances				4,261,919
- Other receivables and prepayments				273
- Deferred tax assets				6,000
Total assets				7,592,549
Segment liabilities	(200,779)	(39,454)	(85,932)	(326,165)
Unallocated liabilities				
- Other payables and accruals				(214,327)
- Government grants				(18,542)
- Bank term loans				(1,755,220)
- Derivative financial instruments				(286)
- Deferred tax liabilities				(45,000)
Total liabilities				(2,359,540)
Other segment items				
Capital expenditure				
- Property, plant and equipment	181,844	22,390	61,379	265,613*
- Construction in progress	-	-	-	8,329
Depreciation and amortisation	59,602	178,684	21,877	260,163
Impairment allowance of trade receivables	10,466	-	8,864	19,330
Reversal of impairment allowance	2,368	-	6,107	8,475
Gain on disposal of operating lease prepayments and land improvement costs	-	1,013	-	1,013
Amortisation of government grant	6,628	-	3,847	10,475

* Including transfer from construction in progress.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

96 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

32. SEGMENT INFORMATION (CONTINUED)

2014	Processed business segment RMB'000	Cultivation business segment RMB'000	Branded business segment RMB'000	Group RMB'000
Revenue				
External sales	1,435,825	1,093,623	367,187	2,896,635
Results	315,107	388,418	(43,341)	660,184
Unallocated expenses				(34,676)
Operating profit				625,508
Gain on fair value of biological assets less estimated point of sales costs		8,800		8,800
Other income				136,403
Other expenses				(83,966)
Finance cost				(65,089)
Profit before income tax				621,656
Segment assets	1,602,694	1,355,281	470,875	3,428,850
Unallocated assets				
- Construction in progress				319,400
- Cash and bank balances				3,267,417
- Other receivables and prepayments				220
- Deferred tax assets				6,000
Total assets				7,021,887
Segment liabilities	(103,693)	(45,738)	(58,611)	(208,042)
Unallocated liabilities				
- Other payables and accruals				(20,871)
- Government grants				(21,771)
- Bank term loans				(1,497,275)
- Derivative financial instruments				(29,173)
- Deferred tax liabilities				(25,000)
Total liabilities				(1,802,132)
Other segment items				
Capital expenditure				
- Property, plant and equipment	316,727	128,802	78,127	523,656*
- Construction in progress	-	-	-	119,441
- Operating lease prepayments	-	20,304	-	20,304
- Land use rights, including transfers in from prepayments	-	3,100	11,000	14,100
Depreciation and amortisation	49,766	181,669	17,584	249,019
Impairment allowance of trade receivables	2,627	-	5,197	7,824
Reversal of impairment allowance	2,246	-	8,235	10,481
Amortisation of government grant	27,357	3,177	-	30,534

* Including transfer from construction in progress

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

97

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

32. SEGMENT INFORMATION (CONTINUED)

Geographical information

	Revenue	
	2015 RMB'000	2014 RMB'000
Overseas based customers:		
America	169,783	134,848
Europe	37,249	48,526
Asia (excluding the PRC) and other regions ⁽¹⁾	209,267	217,442
Subtotal	416,299	400,816
PRC based customers ⁽²⁾	1,554,846	2,495,819
Total revenue	1,971,145	2,896,635

⁽¹⁾ These other regions include countries along the Asia-Pacific Rim and other countries such as South Africa and New Zealand.

⁽²⁾ Including PRC domestic distributors and export distributors.

No customer contributed more than 10% of total group revenue for the year ended 30 June 2015 and 30 June 2014.

Non-current assets are mainly based in the PRC.

33. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The following table sets out the financial instruments as at the reporting date:

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Financial assets				
Loans and receivables	4,702,960	3,797,537	1,387,096	1,201,148
Financial liabilities				
Financial liabilities at amortised cost	2,253,390	1,679,057	1,227,834	923,933
Derivative financial instruments	286	29,173	286	29,173

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign exchange risk, interest rate risk, liquidity risk and credit risk. The Board of directors reviews and agrees policies and procedures for the management of these risks. It is the Group's policy not to trade in derivative contracts.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

98

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

33. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk

(a) Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Other than PRC, The Group also transacts in several currencies mainly United States dollars ("USD") and others (Euro dollars ("EUR")). As a result, movements in USD and EUR exchange rates are the main foreign exchange risk which the Group is exposed to.

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions. The Group has not entered into any derivative instruments for trading purposes.

Group As at 30 June 2015	Singapore dollars RMB'000	United States dollars RMB'000	Renminbi RMB'000	Others RMB'000	Total RMB'000
Financial assets					
Trade receivables	-	146,377	274,708	10	421,095
Other receivables and deposits	127	-	19,819	-	19,946
Cash and bank balances	2,705	131,802	4,127,412	-	4,261,919
Intra group receivable	-	-	1,380,400	-	1,380,400
	<u>2,832</u>	<u>278,179</u>	<u>5,802,339</u>	<u>10</u>	<u>6,083,360</u>
Financial liabilities					
Trade payables	-	-	212,589	-	212,589
Other payables and accruals	195,042	11,192	79,347	-	285,581
Bank term loans	111,595	929,325	714,300	-	1,755,220
Derivative financial instruments	-	286	-	-	286
Intra group payable	-	-	1,380,400	-	1,380,400
	<u>306,637</u>	<u>940,803</u>	<u>2,386,636</u>	<u>-</u>	<u>3,634,076</u>
Net financial (liabilities)/assets	(303,805)	(662,624)	3,415,703	10	2,449,284
Less: Cross-currency swap	-	902,446	-	-	902,446
Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies	<u>303,805</u>	<u>-</u>	<u>(2,041,759)</u>	<u>-</u>	<u>(1,737,954)</u>
Foreign currency exposure	<u>-</u>	<u>239,822</u>	<u>1,373,944</u>	<u>10</u>	<u>1,613,776</u>

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

99

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

33. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Group As at 30 June 2014	Singapore dollars RMB'000	United States dollars RMB'000	Renminbi RMB'000	Others RMB'000	Total RMB'000
Financial assets					
Trade receivables	-	34,427	442,179	1	476,607
Other receivables and deposits	138	-	53,375	-	53,513
Cash and bank balances	10,379	6,617	3,250,421	-	3,267,417
Intra group receivable	-	-	1,144,937	-	1,144,937
	10,517	41,044	4,890,912	1	4,942,474
Financial liabilities					
Trade payables	-	-	103,453	-	103,453
Other payables and accruals	5,004	1,890	71,435	-	78,329
Bank term loans	-	1,000,170	497,105	-	1,497,275
Derivative financial instruments	-	29,173	-	-	29,173
Intra group payable	-	-	1,144,937	-	1,144,937
	5,004	1,031,233	1,816,930	-	2,853,167
Net financial assets/(liabilities)	5,513	(990,189)	3,073,982	1	2,089,307
Less: Cross-currency swap	-	903,595	-	-	903,595
Less: Net financial assets denominated in the respective entities' functional currencies	(5,513)	-	(1,900,678)	-	(1,906,191)
Foreign currency exposure	-	(86,594)	1,173,304	1	1,086,711

**APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR FY2015**

100 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE
FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

33. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) **Market risk** (Continued)

(a) *Foreign exchange risk (Continued)*

Company As at 30 June 2015	Singapore dollars RMB'000	United States dollars RMB'000	Renminbi RMB'000	Total RMB'000
Financial assets				
Loan to a subsidiary	-	-	860,948	860,948
Other receivables	127	-	-	127
Due from a subsidiary	-	-	519,452	519,452
Cash and bank balances	2,705	2,761	1,103	6,569
	2,832	2,761	1,381,503	1,387,096
Financial liabilities				
Other payables and accruals	195,042	11,192	7,559	213,793
Bank term loans	111,595	902,446	-	1,014,041
Derivative financial instruments	-	286	-	286
	306,637	913,924	7,559	1,228,120
Net financial (liabilities)/assets	(303,805)	(911,163)	1,373,944	158,976
Less: Cross-currency swap	-	902,446	-	902,446
Less: Net financial assets denominated in the Company's functional currency	303,805	-	-	303,805
Foreign currency exposure	-	(8,717)	1,373,944	1,365,227

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

33. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

Company As at 30 June 2014	Singapore dollars RMB'000	United States dollars RMB'000	Renminbi RMB'000	Total RMB'000
Financial assets				
Loan to a subsidiary	-	-	860,948	860,948
Other receivables	138	-	-	138
Due from a subsidiary	-	-	283,989	283,989
Cash and bank balances	10,379	3,883	41,811	56,073
	10,517	3,883	1,186,748	1,201,148
Financial liabilities				
Other payables and accruals	5,004	1,890	13,444	20,338
Bank term loans	-	903,595	-	903,595
Derivative financial instruments	-	29,173	-	29,173
	5,004	934,658	13,444	953,106
Net financial assets/(liabilities)	5,513	(930,775)	1,173,304	248,042
Less: Cross-currency swap	-	903,595	-	903,595
Less: Net financial assets denominated in the Company's functional currency	(5,513)	-	-	(5,513)
Foreign currency exposure	-	(27,180)	1,173,304	1,146,124

Foreign exchange risk sensitivity

The following details the sensitivity of a 10% increase and decrease in the RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

102 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

33. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

(a) Foreign exchange risk (Continued)

The Group

If the following currencies changes against the RMB and SGD by 10% (2014: 10%) with all other variables including tax rates being held constant, the effects arising from the net financial assets/(liabilities) position will be as follow:

Profit after tax	2015 Increase/ (Decrease) RMB'000	2014 Increase/ (Decrease) RMB'000
USD		
- strengthened	17,987	(6,495)
- weakened	(17,987)	6,495
RMB		
- strengthened	103,046	87,998
- weakened	(103,046)	(87,998)
Others		
- strengthened	1	-
- weakened	(1)	-

The Company

If the following currencies changes against the SGD by 10% (2014: 10%) with all other variables including tax rates being held constant, the effects arising from the net financial assets/(liabilities) position will be as follow:

Profit after tax	2015 Increase/ (Decrease) RMB'000	2014 Increase/ (Decrease) RMB'000
USD		
- strengthened	(724)	(2,256)
- weakened	724	2,256
RMB		
- strengthened	114,037	97,384
- weakened	(114,037)	(97,384)

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

33. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(i) **Market risk** (Continued)

(b) *Interest rate risk*

The Group obtains additional financing through bank borrowings.

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes. As at 30 June 2015 and 30 June 2014, there were no such arrangements, except for the Cross Currency Swap arrangement disclosed in Note 31.

The following table sets out the carrying amount, by maturity, of the Group's financial liabilities, that are exposed to interest rate risk:

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
<i>Within one year - fixed rates</i>				
Short term bank loans	852,774	593,680	111,595	-
Other payable (Note 15(i))	189,987	-	189,987	-
<i>Within one year - floating rates</i>				
Long term bank loans - current portion	91,630	-	91,630	-
<i>2 years through 5 years - floating rates</i>				
Long term bank loans	810,816	903,595	810,816	903,595

Interests on financial liabilities at fixed rates are fixed until the maturity of the instruments. The other financial liabilities of the Group that are not included in the above table are not subject to interest rate risks.

Management is of the view that sensitivity analysis for the floating rates loan above are not necessary as the interest rates are hedged with a cross-currency swap arrangement as detailed in Note 31.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

104 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

33. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

The following tables detail the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay.

Group	On demand or not later than 1 year RMB'000	Later than 1 year and not later than 5 years RMB'000	Later than 5 years RMB'000
2015			
<i>Non-derivative instruments</i>			
Trade payables	212,589	-	-
Other payables and accruals	320,805	-	-
Bank term loans	992,064	873,795	-
	<u>1,525,458</u>	<u>873,795</u>	<u>-</u>
<i>Derivative instruments</i>			
Cross-currency swap			
- Receipts (Floating/USD)	119,165	873,795	-
- Payment (Fixed/RMB)	(147,057)	(992,881)	-
	<u></u>	<u></u>	<u></u>
2014			
<i>Non-derivative instruments</i>			
Trade payables	103,453	-	-
Other payables and accruals	124,640	-	-
Bank term loans	641,464	997,673	-
	<u>869,557</u>	<u>997,673</u>	<u>-</u>
<i>Derivative instruments</i>			
Cross-currency swap			
- Receipts (Floating/USD)	29,249	997,673	-
- Payment (Fixed/RMB)	(55,427)	(1,098,826)	-
	<u></u>	<u></u>	<u></u>

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED **105**
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

33. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The credit period on sales of goods is 90 days (2014: 90 days). No interest is imposed on overdue trade receivables.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

The Group's major classes of financial assets include bank deposits and trade receivables. The carrying amounts of cash and bank balances, trade and other receivables, including amount due from related parties, represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

Cash and bank balances are placed with local financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the statement of financial position are net of allowances for impairment of receivables, estimated by management based on prior experience and the current economic environment.

Top 5 customers, who are in the business of distributing processed food/vegetable products in PRC, accounted for approximately 38% (2014: 38%) of total trade receivable balance as at the reporting date. Included in other receivables and prepayment as at 30 June 2014 was an amount to be refunded by a PRC local government (Note 12). The Group and the Company do not have any other concentration of credit risk exposure to any other single counterparty or any other group of counterparties having similar characteristics.

The aging analysis of trade receivables is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Not past due and not impaired	353,370	470,995
Past due but not impaired		
- Past due not more than 3 months	67,725	5,612
Past due and impaired trade receivables	13,730	7,824
Less: Allowance for impairment loss	(13,730)	(7,824)
Net trade receivables	421,095	476,607

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

106 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

33. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (Continued)

(iii) Credit risk (Continued)

Included in the Group's trade receivables are debtors with total carrying amount of approximately RMB67.7 million (2014: RMB5.6 million) which are past due but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The amounts that are neither past due nor impaired represents balances owing from companies and established vegetables distributor sole proprietorship with good credit standing with the Group and these amounts are deemed fully recoverable.

The movements in allowance for impairment loss are as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Balance at beginning of the year	7,824	11,451
Allowance utilised during the year	(4,949)	(12,433)
Allowance written back during the year	(8,475)	(10,481)
Impairment allowance for trade receivables (Note 21)	19,330	19,287
Balance at end of the year	13,730	7,824

The Group has provided for trade receivables based on estimated irrecoverable amounts from the sale of goods, determined by reference to their ability to repay and repayment history.

(iv) Fair values of financial assets and financial liabilities

The carrying amounts of cash and bank balances, trade and other current receivables and payables, other liabilities and amounts payable approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The non-current portion of borrowings of the Group at amortised cost bear a floating interest rate calculated based on LIBOR plus a spread which is determined to approximate the market rate for borrowings of similar term, hence the carrying value approximates the fair value.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

CHINA MINZHONG FOOD CORPORATION LIMITED **107**
ANNUAL REPORT 2015

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

33. FINANCIAL INSTRUMENTS (CONTINUED)

Capital risk management policies and objectives

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings, cash and bank balances and equity attributable to equity holders of the Company, comprising issued capital, currency translation reserve, accumulated profits and employees' share option reserve.

The Board reviews the capital structure on an annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

Management monitors capital based on an adjusted gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and bank balances. Total capital is calculated as equity plus net debt.

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	1,755,220	1,497,275	1,014,041	903,595
Trade payables	212,589	103,453	-	-
Other payables and accruals	320,805	124,640	213,793	20,338
Due from a subsidiary (non-trade)	-	-	(519,452)	(283,989)
Loan to a subsidiary	-	-	(860,948)	(860,948)
Cash and bank balances	(4,261,919)	(3,267,417)	(6,569)	(56,073)
Net debts	(1,973,305)	(1,542,049)	(159,135)	(277,077)
Total equity	5,233,009	5,219,755	1,302,799	1,524,547
Less: Statutory reserve fund	(130,507)	(114,349)	-	-
Total capital	5,102,502	5,105,406	1,302,799	1,524,547
Capital and net debts	3,129,197	3,563,357	1,143,664	1,247,470
Adjusted gearing ratio (Net debts/ Capital and net debts)	(63.1%)	(43.3%)	(13.9%)	(22.2%)

As disclosed in Note 4, subsidiaries of the Group are required by the relevant laws and regulations in the PRC to contribute to and maintain a non-distributable statutory reserve fund which utilisation is subject to the approval of the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above mentioned subsidiaries for the financial year ended 30 June 2015 and 30 June 2014.

APPENDIX IV – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR FY2015

108 CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2015

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
(Amounts in RMB'000 unless otherwise stated)

34. FAIR VALUES OF FINANCIAL INSTRUMENTS

(i) Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Level 2	
	2015	2014
	RMB'000	RMB'000
Liabilities		
Derivative financial instrument - cross currency swap	286	29,173

Determination of fair value

The fair value of cross currency swap is valued using a valuation technique with market observable inputs. The contract notional amount of these derivative instruments and the corresponding fair value are disclosed in Note 31.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and bank balances, trade and other receivables, trade and other payables, loans receivables from related parties and loans and payables to related parties are reasonable approximation of fair values due to the relatively short-term maturity of these financial instruments or that they are floating market interest rate instruments on or near the reporting date.

(iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

As at reporting date, there are no financial instruments in this category.

This page has been intentionally left blank.

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

The 15M2016 Results set out below have been extracted from the announcement by the Company on 24 October 2016, and were not specifically prepared for inclusion in this Circular. The figures have not been audited.

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

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 July 2016 to 30 September 2016 (“5QFY16”) and the results for the financial period from 1 July 2015 to 30 September 2016 (“15MFY16”). The comparatives are for the quarter period from 1 July 2015 to 30 September 2015 (“1QFY16”) and the financial period from 1 July 2014 to 30 September 2015 (“15MFY15”) respectively. 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					
		15MFY16	15MFY15 Restated	Change	5QFY16	1QFY16 Restated	Change
		RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	1	2,234,915	2,438,840	(8.4)	412,400	467,695	(11.8)
Cost of sales		(1,626,904)	(1,709,345)	(4.8)	(313,683)	(349,560)	(10.3)
Gross profit	2	608,011	729,495	(16.7)	98,717	118,135	(16.4)
<i>Gross profit margin (%)</i>		27.2%	29.9%	(2.7ppt)	23.9%	25.3%	(1.4ppt)
Other income	3	247,107	256,294	(3.6)	44,612	47,304	(5.7)
Selling and distribution expenses	4	(46,296)	(92,553)	(50.0)	(7,276)	(9,041)	(19.5)
Administrative expenses	5	(209,931)	(202,523)	3.7	(39,314)	(43,745)	(10.1)
Other expenses	6	(198,628)	(101,046)	96.6	(9,624)	(42,087)	(77.1)
Finance cost	7	(177,934)	(137,710)	29.2	(28,265)	(36,932)	(23.5)
Profit before income tax	8	222,329	451,957	(50.8)	58,850	33,634	75.0
Income tax	9	(44,420)	(100,276)	(55.7)	(13,750)	(18,360)	(25.1)
Profit for the period		177,909	351,681	(49.4)	45,100	15,274	>100
Other comprehensive income / (loss) :							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Currency translation difference arising from consolidation		1,173	(10,239)	nm	164	(943)	nm
Fair value gain / (loss) arising from cash flow hedge		42,680	(9,305)	nm	(9,216)	(38,192)	(75.9)
Total comprehensive income for the period		221,762	332,137	(33.2)	36,048	(23,861)	nm
Earnings per share (RMB)							
Basic		0.27	0.54		0.07	0.02	
Diluted		0.27	0.54		0.07	0.02	

nm: Not meaningful

1

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

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

Profit before income tax

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

	Group			
	15MFY16	15MFY15 Restated	5QFY16	1QFY16 Restated
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation of property, plant and equipment	151,666	150,587	29,562	31,010
Property, plant and equipment written off	79	278	-	79
Amortisation of land use rights	3,883	3,883	777	777
Amortisation of land improvement costs	77,721	97,791	14,585	19,017
Amortisation of operating lease prepayments	70,883	73,812	14,155	14,386
Impairment allowance for trade receivables	14,586	19,330	-	-
Reversal of allowance for trade receivables	(13,473)	(8,475)	-	-
Amortisation of government grant	(10,593)	(11,999)	(2,363)	(1,524)
Interest income	(103,574)	(132,039)	(14,705)	(25,425)
Interest expense	183,615	143,326	29,454	38,022

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

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

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	
	30.9.2016	30.06.2015	01.07.2014	30.9.2016	30.06.2015
	RMB'000	Restated RMB'000	Restated RMB'000	RMB'000	RMB'000
Capital and reserves					
Share capital	1,503,789	1,503,789	1,503,789	1,503,789	1,503,789
Statutory reserve fund	135,618	130,507	114,349	-	-
Employees' share option reserve	-	2,889	4,629	-	2,889
Translation (deficit) / surplus	(7,317)	(8,490)	806	(19,153)	(116,720)
Hedging reserve / (deficit)	42,394	(286)	(29,173)	42,394	(286)
Retained earnings/ (Accumulated losses)	3,664,177	3,488,490	3,493,315	(210,554)	(86,873)
TOTAL EQUITY	5,338,661	5,116,899	5,087,715	1,316,476	1,302,799
Non-current assets					
Property, plant and equipment	2,176,137	2,045,884	2,157,206	1,068	1,158
Land use rights	127,604	131,487	134,741	-	-
Land improvement costs	108,166	88,139	175,249	-	-
Investment in subsidiaries	-	-	-	1,291,011	1,194,617
Operating lease prepayments	179,403	241,598	328,775	-	-
Loan to a subsidiary	-	-	-	516,569	774,853
Deferred tax assets	23,000	6,000	6,000	-	-
Derivative financial instruments	45,544	-	-	45,544	-
	2,659,854	2,513,108	2,801,971	1,854,192	1,970,628
Current assets					
Land use rights	3,125	3,125	2,977	-	-
Biological assets	29,014	23,109	20,948	-	-
Inventories	37,857	61,507	106,614	-	-
Trade receivables	163,089	421,095	476,607	-	-
Due from a subsidiary (non-trade)	-	-	-	555,975	519,452
Operating lease prepayments	55,390	56,518	63,418	-	-
Other receivables and prepayments	105,168	136,058	149,895	268	273
Cash and bank balances	4,557,932	4,261,919	3,267,417	15,458	6,569
Loan to a subsidiary	-	-	-	172,190	86,095
	4,951,575	4,963,331	4,087,876	743,891	612,389
TOTAL ASSETS	7,611,429	7,476,439	6,889,847	2,598,083	2,583,017

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

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

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	
	30.9.2016	30.06.2015	01.07.2014	30.9.2016	30.06.2015
	RMB'000	Restated RMB'000	Restated RMB'000	RMB'000	RMB'000
Current liabilities					
Trade payables	132,105	212,589	103,453	-	-
Other payables and accruals	516,697	320,805	124,640	141,531	213,793
Bank term loans	958,001	944,404	593,680	489,001	203,225
Income tax liabilities	14,834	7,098	820	14,834	7,098
Government grants	2,800	2,628	3,265	-	-
	1,624,437	1,487,524	825,858	645,366	424,116
Non-current liabilities					
Bank term loans	591,241	810,816	903,595	591,241	810,816
Government grants	12,090	15,914	18,506	-	-
Deferred tax liabilities	45,000	45,000	25,000	45,000	45,000
Derivative financial instruments	-	286	29,173	-	286
	648,331	872,016	976,274	636,241	856,102
TOTAL LIABILITIES	2,272,768	2,359,540	1,802,132	1,281,607	1,280,218
NET ASSETS	5,338,661	5,116,899	5,087,715	1,316,476	1,302,799

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

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

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

Bank term loans

	<u>30.9.2016</u>	<u>30.6.2015</u>
	RMB'000	RMB'000
<u>Non-current portion</u>		
Interest bearing loan, unsecured ⁽¹⁾	737,654	922,068
Adjustment for		
- Loan expenses	(23,419)	(23,419)
- Currency alignment	62,977	(4,653)
	<u>777,212</u>	<u>893,996</u>
Add: Amortisation of loan expenses	14,131	8,450
	<u>791,343</u>	<u>902,446</u>
Less: Repayable not more than one year	(200,102)	(91,630)
	<u>591,241</u>	<u>810,816</u>
Total bank loan included in non-current liabilities	591,241	810,816
<u>Current portion</u>		
Syndicated loan	200,102	91,630
Interest bearing loans ⁽²⁾		
- Unsecured	757,899	692,774
- Guaranteed ⁽³⁾	-	160,000
	<u>958,001</u>	<u>944,404</u>
Total bank loan included in current liabilities	958,001	944,404
Total bank term loans	1,549,242	1,755,220

Note (1): Interest rate for long-term bank loan is the aggregate of applicable USD LIBOR and 2.6% per annum.

Note (2): As at 30 September 2016, interest rates for short-term interest bearing loans range from 2.4% to 7.5% (2015: 3.2% to 9.3%) per annum.

Note (3): As at 30 June 2015, Sichuan Minzhong Organic Food Co., Ltd (a subsidiary of the Company) is providing guarantee for RMB160 million short term bank loans to the Group.

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

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

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			
	15MFY16	15MFY15	5QFY16	1QFY16
	RMB'000	Restated RMB'000	RMB'000	Restated RMB'000
Cash flows from operating activities				
Profit before income tax	222,329	451,957	58,850	33,634
Adjustments for:				
Translation difference	74,750	9,919	(26,695)	35,877
Depreciation of property, plant and equipment	151,666	150,587	29,562	31,010
Property, plant and equipment written off	79	278	-	79
Gain on disposal of operating lease prepayments and land improvement costs	-	(1,013)	-	-
Amortisation of land use rights	3,883	3,883	777	777
Amortisation of land improvement costs	77,721	97,791	14,585	19,017
Amortisation of operating lease prepayments	70,883	73,812	14,155	14,386
Impairment allowance for trade receivables	14,586	19,330	-	-
Other receivables written off	11,945	-	-	-
Reversal of allowance for trade receivables	(13,473)	(8,475)	-	-
Amortisation of government grant	(10,593)	(11,999)	(2,363)	(1,524)
Reclassification adjustments from hedging reserve to profit or loss	(3,150)	-	(8,809)	-
Interest income	(103,574)	(132,039)	(14,705)	(25,425)
Interest expenses on bank term loans	183,615	143,326	29,454	38,022
Operating profit before working capital changes	680,667	797,357	94,811	145,853
Inventories	23,650	26,978	56	(18,129)
Biological assets	(5,905)	(6,285)	(2,624)	(4,124)
Trade receivables	267,174	(21,912)	46,310	(66,569)
Other receivables and prepayments	33,078	30,843	(12,566)	47,636
Trade payables	(80,484)	139,969	44,784	30,833
Other payables and accruals	263,049	(2,579)	289,871	(1,804)
Cash generated from operations	1,181,229	964,371	460,642	133,696
Income tax paid	(64,534)	(89,876)	(9,630)	(24,256)
Interest received	88,363	121,758	13,998	20,049
Net cash from operating activities	1,205,058	996,253	465,010	129,489

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

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

(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			
	15MFY16	15MFY15	5QFY16	1QFY16
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from investing activities				
Purchase of property, plant and equipment	(272,644)	(23,938)	(3,858)	(1,354)
Refund of deposit for land use rights	-	43,840	-	-
Proceeds from disposal of property, plant and equipment	-	11,051	-	-
Proceeds from disposal of operating lease prepayments and land improvement costs	-	44,000	-	-
Proceeds from disposal of property, plant and equipment	17	-	-	-
Addition to operating lease prepayments	(7,560)	-	-	-
Addition to land improvement costs	(97,748)	(368)	-	(368)
Net cash (used in) / from investing activities	(377,935)	74,585	(3,858)	(1,722)
Cash flows from financing activities				
Proceeds from bank term loans	1,665,193	1,445,391	378,000	379,143
Advance from other payable	(69,598)	189,987	-	-
Repayment of bank term loans	(1,959,113)	(1,129,867)	(621,662)	(334,418)
Government grant received	6,941	8,071	1,508	825
Dividend paid	-	(326,814)	-	-
Interest paid	(174,533)	(132,236)	(34,707)	(43,328)
Net cash (used in) / from financing activities	(531,110)	54,532	(276,861)	2,222
Net increase in cash and cash equivalents	296,013	1,125,370	184,291	129,989
Cash and cash equivalents at beginning of period	4,261,919	3,267,417	4,373,641	4,261,919
Effects of exchange rate changes in cash and cash equivalents	-	(879)	-	-
Cash and cash equivalents at end of period	4,557,932	4,391,908	4,557,932	4,391,908

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

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

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.

<u>Group</u>	Share Capital RMB'000	Statutory reserve fund RMB'000	Employees' share option reserve RMB'000	Translation reserve/(deficit) RMB'000	Hedging (deficit)/ reserve 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
Cumulative effect of adopting FRS16 & FRS41	-	-	-	-	-	(132,040)	(132,040)
Balance at 1.7.2014 (Restated)	1,503,789	114,349	4,629	806	(29,173)	3,493,315	5,087,715
Profit for the year	-	-	-	-	-	320,477	320,477
Effect of adopting FRS16 & FRS41	-	-	-	-	-	15,930	15,930
Other comprehensive (loss) / income, net of tax	-	-	-	(9,296)	28,887	-	19,591
Total comprehensive income for the year	-	-	-	(9,296)	28,887	336,407	355,998
Dividend declared	-	-	-	-	-	(326,814)	(326,814)
Expiry of employees' share option	-	-	(1,740)	-	-	1,740	-
Appropriation to statutory reserve fund	-	16,158	-	-	-	(16,158)	-
Balance at 30.6.2015	1,503,789	130,507	2,889	(8,490)	(286)	3,488,490	5,116,899
Balance at 1.7.2015	1,503,789	130,507	2,889	(8,490)	(286)	3,488,490	5,116,899
Profit for the year	-	-	-	-	-	177,909	177,909
Other comprehensive income, net of tax	-	-	-	1,173	42,680	-	43,853
Total comprehensive income for the year	-	-	-	1,173	42,680	177,909	221,762
Expiry of employees' share option	-	-	(2,889)	-	-	2,889	-
Appropriation to statutory reserve fund	-	5,111	-	-	-	(5,111)	-
Balance at 30.9.2016	1,503,789	135,618	-	(7,317)	42,394	3,664,177	5,338,661

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

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

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)/ reserve 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 year	-	-	-	-	191,692	191,692
Other comprehensive income / (loss), net of tax	-	-	(115,513)	28,887	-	(86,626)
Total comprehensive income for the year	-	-	(115,513)	28,887	191,692	105,066
Dividend declared	-	-	-	-	(326,814)	(326,814)
Expiry of employees' share option	-	(1,740)	-	-	1,740	-
Balance at 30.6.2015	1,503,789	2,889	(116,720)	(286)	(86,873)	1,302,799
Balance at 1.7.2015	1,503,789	2,889	(116,720)	(286)	(86,873)	1,302,799
Loss for the year	-	-	-	-	(126,570)	(126,570)
Other comprehensive income, net of tax	-	-	97,567	42,680	-	140,247
Total comprehensive income for the year	-	-	97,567	42,680	(126,570)	13,677
Expiry of employees' share option	-	(2,889)	-	-	2,889	-
Balance at 30.9.2016	1,503,789	-	(19,153)	42,394	(210,554)	1,316,476

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

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

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.

	Issued and Paid Up Share Capital	
	Number of Shares	(\$'000)
As at 30 June 2015 and 30 September 2016	<u>655,439,000</u>	<u>304,706</u>

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 year 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 been reviewed by the Group's auditors. Please refer to appendix.

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).

Please refer to appendix.

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 accounting policies and methods of computation have been consistently applied by the Company and the Group, and are consistent with those used in the previous financial year, except as disclosed in Note 5 below.

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

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

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.

Amendments to FRS 16 and FRS 41: Agriculture – Bearer Plants

The Group adopted the amendments to FRS 16 and FRS 41 with effect from 1 January 2016. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of FRS 41. Instead, bearer plants will be measured under FRS 16 at accumulated cost (before maturity) using the cost model (after maturity). However, the agricultural produce growing on bearer plants will remain within the scope of FRS 41 to be measured at fair value less costs to sell. We have applied these amendments retrospectively.

Based on its initial adoption on 1 January 2016, the Group's total assets decreased approximate RMB116.8 million with a corresponding decrease of RMB116.8 million in total equity.

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 is calculated by dividing the net profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding for the respective periods.

Diluted earnings per share is calculated on the same basis as the basic earnings per share except that the weighted average number of shares outstanding during the period is adjusted for the effects of all dilutive potential ordinary shares. The Company has no dilutive potential ordinary shares as at 30 September 2016.

	15MFY16	15MFY15	5QFY16	1QFY16
Based on weighted average number of ordinary shares on issue (RMB)	0.27	0.54	0.07	0.02
Weighted average number of shares (in thousands)	655,439	655,439	655,439	655,439

	15MFY16	15MFY15	5QFY16	1QFY16
On a fully diluted basis (RMB)	0.27	0.54	0.07	0.02
Weighted average number of shares (in thousands)	655,439	655,439	655,439	655,439

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	
	30.9.2016	30.6.2015	30.9.2016	30.6.2015
Net asset value per ordinary share based on issued share capital at the end of the financial year (RMB):	8.15	7.80	2.01	1.99
No. of shares in computing NAV (in thousands)	655,439	655,439	655,439	655,439

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

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

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 15MFY16, 15MFY15, 5QFY16 and 1QFY16 respectively:-

	15MFY16		15MFY15		5QFY16		1QFY16	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Processed Business Segment:								
- Processed vegetables	1,154,744	51.7	1,101,120	45.1	202,180	49.0	196,343	42.0
Subtotal	1,154,744	51.7	1,101,120	45.1	202,180	49.0	196,343	42.0
Cultivation Business Segment:								
- Fresh vegetables produce	733,912	32.8	802,424	32.9	116,171	28.2	138,760	29.7
- Mushroom spores ⁽¹⁾	140,903	6.3	144,562	5.9	57,319	13.9	67,294	14.4
Subtotal	874,815	39.1	946,986	38.8	173,490	42.1	206,054	44.1
Branded Business Segment:								
- Beverages	177,734	8.0	371,190	15.2	33,937	8.2	58,832	12.6
- Others ⁽²⁾	27,622	1.2	19,544	0.9	2,793	0.7	6,466	1.3
Subtotal	205,356	9.2	390,734	16.1	36,730	8.9	65,298	13.9
Total revenue	2,234,915	100.0	2,438,840	100.0	412,400	100.0	467,695	100.0

Note:-

- (1) Sales of mushroom spores.
- (2) Miscellaneous products, such as instant food and health food products.

APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR 15M2016

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

REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

1. Revenue (continued)

15MFY16 vs 15MFY15

Revenue for 15MFY16 decreased by 8.4% or RMB203.9 million, to RMB2,234.9 million (15MFY15: RMB2,438.8 million). This was mainly due to a decrease in sales of RMB72.2 million from the cultivation business segment and RMB185.3 million from the branded business segment offset by increased in sales of RMB53.6 million from the processed business segment.

Revenue of processed business segment increased by 4.9% was primarily due to increase in average selling price by 7.3%, offset by a decrease in sales volume by 2.3%. Revenue of cultivation business segment decreased by 7.6% from RMB947.0 million to RMB874.8 million mainly due to decline in sales volume by 16.2% offset by an increase in average selling price by 10.2%. Revenue from beverage business decreased by RMB193.5 million to RMB177.7 million primarily due to the slowdown of the economy and re-focusing of our corporate strategy to the core business.

5QFY16 vs 1QFY16

Revenue for 5QFY16 declined by 11.8% or RMB55.3 million, to RMB412.4 million (1QFY16: RMB467.7 million). The decline was due to a decrease in sales of RMB32.5 million from the cultivation business segment and RMB28.6 million from the branded business segment offset by increase in sales of RMB5.8 million from the processed business segment.

Revenue of processed business segment increased by 3.0% to RMB202.2 million primarily due to increase in sales volume by 15.1% as a result of increased orders for processed vegetables. Revenue of cultivation business segment decreased by 15.8% to RMB173.5 million (1QFY16: RMB206.1 million) mainly due to decline in sales volume by 22.3% offset by increase in average selling price by 8.4%. The scarcity of rural labour have resulted in the decline of fresh vegetables volume output. Revenue from beverage business decreased by RMB24.9 million to RMB33.9 million as a result of decreased in sales volume.

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

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 FY2016, FY2015, 4QFY2016 and 4QFY2015 respectively:-

	15MFY16		15MFY15		5QFY16		1QFY16	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Processed Business Segment:								
- Processed vegetables	268,720	44.2	261,831	35.9	52,894	53.6	39,030	33.0
Subtotal	268,720	44.2	261,831	35.9	52,894	53.6	39,030	33.0
Cultivation Business Segment:								
- Fresh vegetables produce	247,162	40.7	282,524	38.7	23,842	24.2	43,298	36.7
- Mushroom spores ⁽¹⁾	18,302	3.0	12,358	1.7	9,873	10.0	6,792	5.7
Subtotal	265,464	43.7	294,882	40.4	33,715	34.2	50,090	42.4
Branded Business Segment:								
- Beverages	71,093	11.7	171,175	23.5	11,350	11.5	27,931	23.7
- Others ⁽²⁾	2,734	0.4	1,607	0.2	758	0.7	1,084	0.9
Subtotal	73,827	12.1	172,782	23.7	12,108	12.2	29,015	24.6
Total gross profit	608,011	100.0	729,495	100.0	98,717	100.0	118,135	100.0

Note:-

(1) Sales of mushroom spores.

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

15MFY16 vs 15MFY15

Gross profit for 15MFY16 decreased by 16.7% or RMB121.5 million, to RMB608.0 million (15MFY15: RMB729.5 million). Overall gross profit margin decreased by 2.7ppt to 27.2% (15MFY15: 29.9%).

Gross profit and gross profit margin for processed business segment remains relatively stable at RMB268.7 million (15MFY15: RMB261.8 million) and 23.3% (15MFY15: 23.8%) respectively. Gross profit margin for cultivation business segment also remains relatively stable at 30.3% (15MFY15: 31.1%). Gross profit from beverage business decreased to RMB71.1 million (15MFY15: RMB171.2 million) in tandem with the decrease in revenue.

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

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

REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

Gross Profit

5QFY16 vs 1QFY16

Gross profit for 5QFY16 decreased by 16.4% or RMB19.4 million, to RMB98.7 million (1QFY16: RMB118.1 million). Overall gross profit margin for 5QFY16 had decreased by 1.4ppt to 23.9% (1QFY16: 25.3%).

Gross profit of processed business segment increased by 35.5% to RMB52.9 million. Gross profit margin for processed business segment improved by 6.3ppt to 26.2% (1QFY16: 19.9%), primarily due to shift in product mix. Gross profit from cultivation business segment decreased by 32.7% in tandem with the decrease in revenue. Gross profit margin for cultivation business segment decreased by 4.9ppt primarily due to increase in labour costs. Gross profit from beverage business decreased by RMB16.6 million, in tandem with the decrease in revenue.

3 Other income

The breakdown of other income is as follows:

Other income	15MFY16	15MFY15	5QFY16	1QFY16
	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	103,574	132,039	14,705	25,425
Rental income ⁽¹⁾	95,836	93,740	18,438	19,902
Government grants	10,593	11,999	2,363	1,524
Net fair value gains on derivative financial instruments	21,682	-	8,809	-
Reversal of allowance for doubtful debts	13,473	8,475	-	-
Gain on disposal of operating lease prepayments and land improvement costs	-	1,013	-	-
Others	1,949	9,028	297	453
Total	247,107	256,294	44,612	47,304

Note:-

(1) Comprise of proceeds from renting of farmland and building spaces to third parties

Other income for 15MFY16 and 5QFY16 remains relatively stable at RMB247.1 million (15MFY15: RMB256.3 million) and RMB44.6 million (1QFY16: RMB47.3 million) respectively.

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

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

REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

4 Selling and distribution expenses

For 15MFY16, selling and distribution expenses decreased by 50.0% or RMB46.3 million, to RMB46.3 million (15MFY15: RMB92.6 million), mainly due to decrease in marketing and advertising expenses of RMB26.5 million and salaries of RMB10.8 million. Selling and distribution expenses for 5QFY16 decreased by 19.5% or RMB1.8 million, mainly due to decrease in marketing and advertising expenses of RMB3.0 million.

5 Administrative expenses

Administrative expenses in 15MFY16 remains relatively stable at RMB209.9 million (15MFY15: RMB202.5 million). For 5QFY16, administrative expenses decreased by 10.1% to RMB39.3 million, mainly due to decrease in repair & maintenance costs of RMB4.6 million.

6 Other expenses

The breakdown of other expenses is as follows:

Other expenses	15MFY16	15MFY15	5QFY16	1QFY16
	RMB'000	RMB'000	RMB'000	RMB'000
Rental expenses	74,377	76,027	14,620	15,590
Allowance for doubtful trade debts	14,586	19,330	-	-
Exchange loss / (gain), net	90,210	(1,537)	(5,230)	21,227
Other receivables written off	11,945	-	-	-
Others	7,510	7,226	234	5,270
Total	198,628	101,046	9,624	42,087

For 15MFY16, other expenses have increased by RMB97.6 million to RMB198.6 million (15MFY15: RMB101.0 million), mainly due to increase in currency exchange loss of RMB91.7 million. For 5QFY16, the decrease in other expenses of RMB32.5 million is mainly due to currency exchange gain.

7 Finance cost

The increase in finance cost of RMB40.2 million for 15MFY16 is mainly due to increased borrowings. The decrease in finance cost of RMB8.7 million for 5QFY16 is mainly due to decreased borrowings.

8 Profit before income tax

The Group reported lower profit before income tax of RMB222.3 million for 15MFY16, mainly due to lower gross profits and increase in currency exchange loss. For 5QFY16, the Group reported higher profit before income tax of RMB58.9 million, mainly due to decrease in other expenses as discussed above.

APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR 15M2016

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

REVIEW OF PERFORMANCE (Continued)

(A) **Consolidated Income Statement (Continued)**

9 Income tax

For 15MFY16, income tax decreased by 55.7% was in tandem with the decrease in profit before income tax. For 5QFY16, income tax expense decreased by 25.1%, to RMB13.8 million was due to higher taxable income as a result of higher non-deductible expenses (i.e. exchange loss from revaluation of foreign currency assets and liabilities at the Company level) in 1QFY16.

10 EBITDA

EBITDA for 15MFY16 decreased by 22.9% to RMB710.1 million while EBITDA for 5QFY16 increased RMB10.5 million. EBITDA margin for 15MFY16 and 5QFY16 is 31.8% and 35.7% respectively.

(B) **Review of Financial Position**

Total non-current assets of RMB2,659.8 million was 5.8% or RMB146.7 million higher than 30 June 2015. The increase was principally attributable to additions to property, plant and equipment and land improvement costs, partly offset by depreciation and amortisation of assets.

Current assets remains relatively constant at RMB4,951.6 million (30 June 2015: RMB4,963.3 million) as the decrease in trade and other receivables of RMB288.9 million was offset by the increase in cash and bank balances of RMB296.0 million.

As at 30 September 2016, total liabilities of RMB2,272.7 million were approximately RMB86.8 million or 3.7% lower than RMB2,359.5 million at 30 June 2015. The decrease is mainly due decrease in bank term loans of RMB206.0 million offset by increase in trade and other payables of RMB115.4 million.

(C) **Review of Cash Flows**

The Group generated net cash from operating activities of RMB1,205.0 million (15MFY15: RMB996.3 million) and RMB465.0 million (1QFY16: RMB129.5 million) for 15MFY16 and 5QFY16 respectively.

Net cash used in investing activities for 15MFY16 was RMB377.9 million. This comprise principally capital expenditure relating to additions of property, plant and equipment and land improvements costs.

Net cash used in financing activities for 15MFY16 and 5QFY16 was RMB531.1 million and RMB276.9 million respectively, primarily due to interest payment and net repayment of bank term loans.

As a results, Group cash level increased RMB296.0 million from RMB4,261.9 million as at 30 June 2015 to RMB4,557.9 million as at 30 September 2016.

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

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

- 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.**

On the back of rising urbanization and declining rural labour, 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. However 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.

- 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/recommendeded, a statement to that effect.**

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

- 13. Present on-going interested person transactions**

For the financial period ended 30 September 2016, the Group has been supplying processed vegetables to the Company's immediate holding company, PT Indofood Sukses Makmur Tbk. These sales, amounting to RMB0.1 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.

**APPENDIX V – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
OF THE GROUP FOR 15M2016**

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

14. Confirmation by the Board of Directors pursuant to Rule 705(5) of the listing manual.

The Board confirms that, to the best of their knowledge, nothing has come to their attention which may render the interim financial statements for the period ended 30 September 2016, to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under 720(1).

The Company confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

16. The Singapore Code on Take-overs and Mergers

This announcement has been reported on in accordance with Rule 25 of the Singapore Code on Take-overs and Mergers.

17. Auditors' Consent

Crowe Horwath First Trust LLP has given and has not withdrawn its consent to the publication of their report entitled "Report on review of condensed consolidated interim financial information for the three-month period ended 30 September 2016" in the announcement.

BY ORDER OF THE BOARD

LIN GUO RONG
Chief Executive Officer
24 October 2016

**APPENDIX VI – REVIEW REPORT FROM THE INDEPENDENT AUDITORS
ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
AND FIFTEEN-MONTH PERIOD ENDED 30 SEPTEMBER 2016**



Crowe Horwath First Trust LLP
Chartered Accountants of Singapore
Member Crowe Horwath International

8 Shenton Way
#05-01 AXA Tower
Singapore 068811
+65 6221 0338
+65 6221 1080 Fax
www.crowehorwath.com.sg

**TO THE BOARD OF DIRECTORS OF CHINA MINZHONG FOOD
CORPORATION LIMITED**

Report on review of condensed consolidated interim financial information for the three-month period ended 30 September 2016 and fifteen-month period ended 30 September 2016

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of China Minzhong Food Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") as at 30 September 2016 and the related condensed consolidated interim statement of profit or loss and other comprehensive income, changes in equity and cash flow for the period 1 July 2016 to 30 September 2016 ("three-month period ended 30 September 2016") and the period 1 July 2015 to 30 September 2016 ("fifteen-month period ended 30 September 2016") and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed consolidation interim financial information in accordance with Singapore Financial Reporting Standards 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated Interim Financial information based on our review.

Scope of review

We conducted our review in accordance with Singapore Standards on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of the interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared in all material respects, in accordance with Singapore Financial Reporting Standards 34 *Interim Financial Reporting*.

Other matter

The comparative information for the condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated interim statement of cash flows of the Group, and related explanatory notes, for the three-month period ended 30 September 2016 and fifteen-month period ended 30 September 2016 has not been audited or reviewed.

**APPENDIX VI – REVIEW REPORT FROM THE INDEPENDENT AUDITORS
ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 30 SEPTEMBER 2016
AND FIFTEEN-MONTH PERIOD ENDED 30 SEPTEMBER 2016**



**Report on review of condensed consolidated interim financial information for the three-month period ended 30 September 2016 and fifteen-month period ended 30 September 2016
(Continued)**

Restriction of Use

Our work was undertaken solely to assist the Company to meet the requirements of paragraph 3 of Appendix 7.2 of the Singapore Exchange Limited – ST Listing Manual and for the purpose of complying with Rule 25 of the Singapore Code on Take-overs and Mergers and is not to be used for any other purpose. Our report should not be quoted or referred to, in whole or in part, without our prior written permission, for any other purpose. We do not assume any responsibility or liabilities for losses occasioned to the directors of the Company or any other party as result of the circulation, publication, reproduction or use of the report contrary to the provision of this paragraph.

Yours faithfully

Crowe Horwath First Trust LLP

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

17 November 2016

**APPENDIX VII – LETTER FROM THE IFA ON THE UNAUDITED
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF
THE GROUP FOR THE 15-MONTH PERIOD ENDED 30 SEPTEMBER 2016**



17 November 2016

The Board of Directors
China Minzhong Food Corporation Limited
229 Mountbatten Road
#02-05 Mountbatten Square
Singapore 398007

Dear Sirs

This letter has been prepared for inclusion in the circular to shareholders dated 24 November 2016 (the "Circular") issued by China Minzhong Food Corporation Limited (the "Company") in relation to the voluntary conditional offer (the "Offer") by CIMB Bank Berhad, Singapore Branch, for and on behalf of Marvellous Glory Holdings Limited (the "Offeror"), to acquire all the issued and paid-up ordinary shares (the "Shares") in the capital of the Company other than those already held by the Offeror.

We have examined the unaudited condensed consolidated interim financial results of the Company and its subsidiaries (collectively, the "Group") for the 15-month period ended 30 September 2016 (the "15MFY2016 Financial Results") and held discussions with the management of the Company on the 15MFY2016 Financial Results. In addition, we have considered the report dated 17 November 2016 addressed to the Company by the Company's auditors, Crowe Horwath First Trust LLP, in relation to its review of the condensed consolidated interim financial information of the Group for the three-month period ended 30 September 2016 and fifteen-month period ended 30 September 2016.

In rendering our opinion, we have relied on the accuracy and completeness of all information provided to, or discussed, with us by the management of the Company. We have not verified the accuracy and completeness of such information for the purposes of rendering our opinion in this letter.

Based on the foregoing, we are of the opinion that the 15MFY2016 Financial Results have been prepared by the Directors after due and careful enquiry. Save as provided in this letter, we do not express any opinion on the 15MFY2016 Financial Results.

This letter is addressed to the Directors solely for the purpose of complying with Rule 25 of the Singapore Code on Take-overs and Mergers and not for any other purpose. We do not accept any responsibility to any other persons (other than to the Directors of the Company), in respect of, arising from or in connection with this letter.

Yours faithfully
For and on behalf of
ZICO CAPITAL PTE. LTD.

Handwritten signature of Alex Tan in black ink.

ALEX TAN
CHIEF EXECUTIVE OFFICER

Handwritten signature of Leong Huey Miin in black ink.

LEONG HUEY MIIN
DIRECTOR

This page has been intentionally left blank.

