



## CHINA MINZHONG FOOD CORPORATION LIMITED

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### **FOR IMMEDIATE RELEASE**

## **CHINA MINZHONG POSTED 1HFY15 NET PROFIT OF RMB129.5 MILLION**

- Branded business segment as the key growth driver in 1HFY15, underpinned by higher beverage sales
- Continued expansion into industrialised farming and growth of distribution channels for branded products to capitalize on rising domestic consumption in PRC

**Singapore, 13 February 2015** – China Minzhong Food Corporation Limited (中国闽中食品有限公司) (“China Minzhong” or the “Group”) (SGX: K2N.SI; Bloomberg quote: MINZ SP), recorded revenue and net profit of RMB534.5 million and RMB72.0 million respectively for the 3 months ended 31 December 2014 (“2QFY15”). For the six months ended 31 December 2014 (“1HFY15”), the Group posted net profit of RMB129.5 million on the back of revenue of RMB1,021.5 million.

### **Summary of Results**

| RMB 'million               | 1HFY15  | 1HFY14  | % Change | 2QFY15 | 2QFY14 | % Change |
|----------------------------|---------|---------|----------|--------|--------|----------|
| Revenue                    | 1,021.5 | 1,542.8 | (33.8%)  | 534.5  | 905.0  | (40.9%)  |
| Gross profit               | 272.0   | 486.8   | (44.1%)  | 144.1  | 318.4  | (54.7%)  |
| Gross margin (%)           | 26.6%   | 31.6%   | (5.0ppt) | 27.0%  | 35.2%  | (8.2ppt) |
| EBITDA <sup>1</sup>        | 293.6   | 436.3   | (32.7%)  | 146.4  | 312.3  | (53.1%)  |
| EBITDA <sup>1</sup> margin | 28.7%   | 28.3%   | 0.4ppt   | 27.4%  | 34.5%  | (7.1ppt) |
| Profit before tax          | 156.5   | 289.2   | (45.9%)  | 82.8   | 239.2  | (65.4%)  |
| Net profit after tax       | 129.5   | 250.3   | (48.3%)  | 72.0   | 201.9  | (64.3%)  |
| Net margin                 | 12.7%   | 16.2%   | (3.5ppt) | 13.5%  | 22.3%  | (8.8ppt) |
| Net operating cash flow    | 506.7   | 734.1   | (31.0%)  | 162.4  | 227.1  | (28.5%)  |

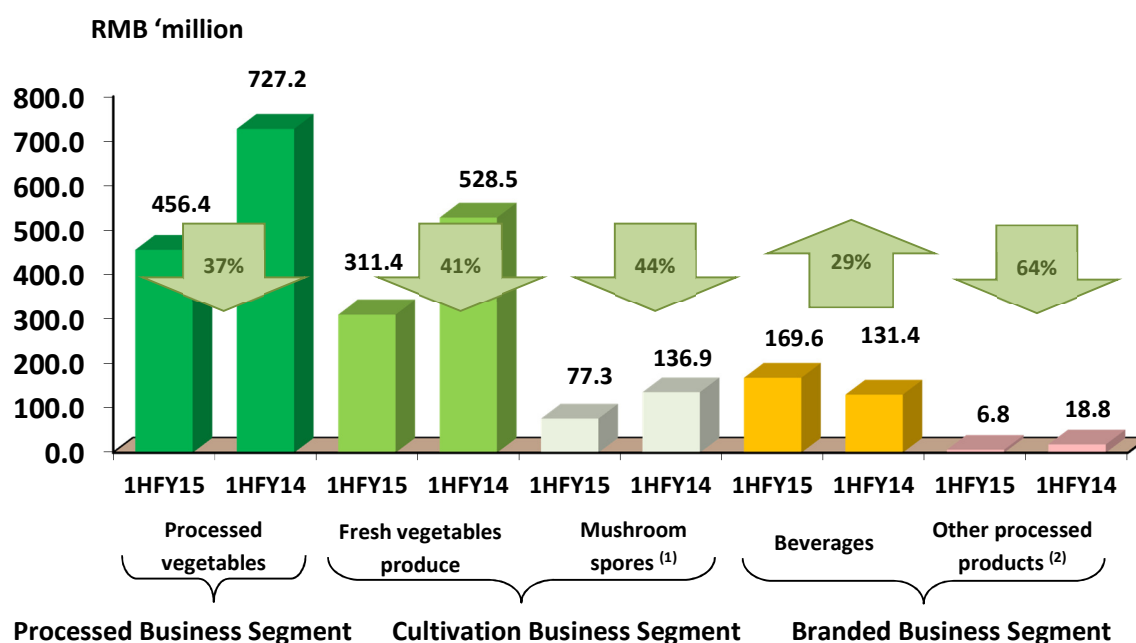
<sup>1</sup>EBITDA refers to earnings before interest, tax, depreciation and amortization.



Since 1971

## Review of 1HFY15 Results

### Revenue breakdown by segments

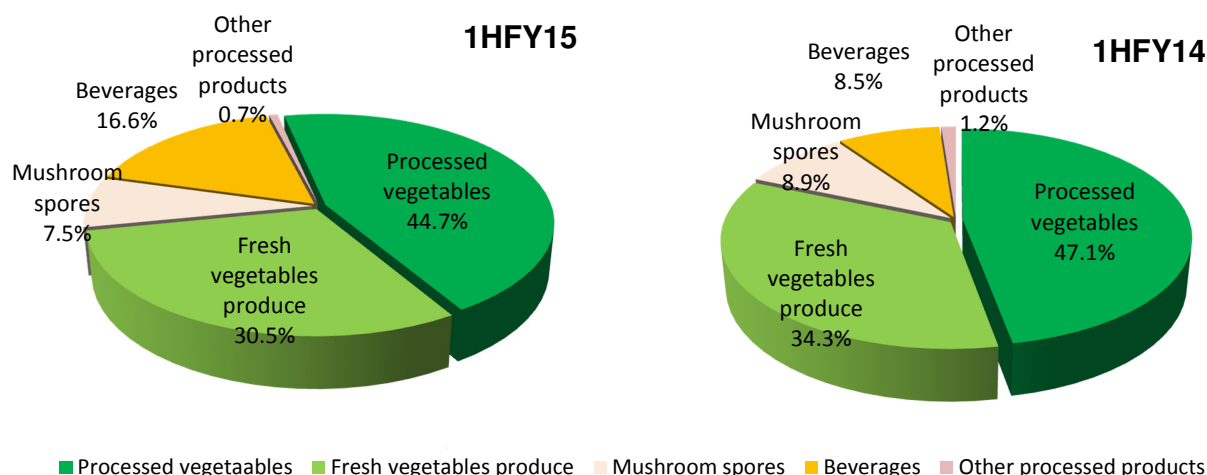


Note:-

(1) Sales of mushroom spores.

(2) Include instant food and health food products.

### Revenue percentage contribution by segments





### **Review of Results (Continued)**

Group's revenue in 1HFY15 declined by 33.8% to RMB1,021.5 million, mainly due to decline in sales of the processed and cultivation business segments, but partly offset by an increase in sales in the branded business segment.

Revenue from the processed business segment decreased by 37.2% to RMB456.4 million, primarily due to decrease in sales volume by 38.2%. The weakened demand for processed products was primarily due to higher selling price arising from higher raw materials cost for vegetables processing.

Revenue from the cultivation business segment also declined 41.6% to RMB388.7 million, underpinned by lower sales of fresh vegetables and mushroom spores, on the back of lesser rural labour available for cultivation activities.

On the other hand, the sales of branded business segment increased 17.4% to RMB176.4 million. In particular, the beverage business led the growth in the segment, with sales growing from RMB131.4 million to RMB169.6 million as a result of the growth of domestic distribution channels and successful brand building efforts.

Gross profit in 1HFY15 declined 44.1% to RMB272.0 million in line with the lower revenue while overall gross profit margin slipped from 31.6% to 26.6%. While gross margins for processed and cultivation business segments have declined due to higher raw material costs and increased wages respectively, the gross margin for beverage business have improved due to lower unit fixed costs on the back of a higher production volume.

Other income increased by 82.2% to RMB103.7 million, driven mainly by an increase in interest income of RMB43.7 million from bank deposits, growth in rental income of RMB11.9 million as well as a refund of property tax amounting to RMB7.5 million.



### **Review of Results (Continued)**

Selling and distribution expenses declined by 42.7% to RMB62.1 million, mainly due to a decrease of RMB48.2 million for marketing and advertising expenses. Administrative expenses increased by 5.3% on higher depreciation expenses while finance costs rose by RMB21.6 million to RMB52.0 million due to an increase in bank borrowings.

Profit before income tax decreased by 45.9% to RMB156.5 million, in tandem with the decrease in gross profit, offset by lower selling and distribution expenses and higher other income. Overall net profit after tax declined 48.3% to RMB129.5 million. Net cash generated from operating activities remained healthy at RMB506.7 million.

### **Outlook**

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

Group's Executive Chairman and CEO Mr. Lin Guo Rong (林国荣) said, "We continue to see a lot of growth opportunities in the beverage segment. While beverage sales have slowed in the last quarter, our successful marketing campaign and brand building efforts have strengthened our market position through enhanced consumer brand awareness. Sales for cultivation and processed business segments were lower due to lack of rural labour for cultivation activities and rising costs. We will continue to work towards alleviating these issues through our shift towards industrialised farming to reduce the reliance on labour and increase our raw material self-sufficiency."

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### **About China Minzhong Food Corporation Limited**

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

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

For more information, please visit [www.chinaminzhong.com](http://www.chinaminzhong.com)

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