

# 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 January 2014 to 31 March 2014 ("3QFY2014") and the results for the financial period from 1 July 2013 to 31 March 2014 ("9MFY2014"). The comparatives are for the quarter period from 1 January 2013 to 31 March 2013 ("3QFY2013") and the financial period from 1 July 2012 to 31 March 2013 ("9MFY2013"). 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.

|                                                                            | Group       |             |           |           |           |           |
|----------------------------------------------------------------------------|-------------|-------------|-----------|-----------|-----------|-----------|
|                                                                            | 9MFY2014    | 9MFY2013    | Change    | 3QFY2014  | 3QFY2013  | Change    |
|                                                                            | RMB '000    | RMB '000    | %         | RMB '000  | RMB '000  | %         |
| <b>Revenue</b>                                                             | 2,233,036   | 2,436,494   | (8.4)     | 690,279   | 962,183   | (28.3)    |
| Cost of sales                                                              | (1,501,303) | (1,613,447) | (7.0)     | (445,357) | (639,411) | (30.3)    |
| Gross profit                                                               | 731,733     | 823,047     | (11.1)    | 244,922   | 322,772   | (24.1)    |
| Gross profit margin (%)                                                    | 32.8%       | 33.8%       | (1.0 ppt) | 35.5%     | 33.5%     | 2.0 ppt   |
| Loss on fair value of biological assets less estimated point of sales cost | -           | (9,000)     | (100.0)   | -         | -         | -         |
| Other income                                                               | 92,002      | 34,109      | 169.7     | 35,116    | 9,769     | 259.5     |
| Selling and distribution expenses                                          | (119,681)   | (70,097)    | 70.7      | (11,410)  | (9,414)   | 21.2      |
| Administrative expenses                                                    | (117,276)   | (80,563)    | 45.6      | (45,729)  | (31,181)  | 46.7      |
| Other expenses                                                             | (66,135)    | (27,262)    | 142.6     | (21,804)  | (8,571)   | 154.4     |
| Finance cost                                                               | (49,569)    | (40,071)    | 23.7      | (19,200)  | (13,588)  | 41.3      |
| <b>Profit before income tax</b>                                            | 471,074     | 630,163     | (25.2)    | 181,895   | 269,787   | (32.6)    |
| Income tax expense                                                         | (87,499)    | (37,757)    | 131.7     | (48,640)  | (14,807)  | 228.5     |
| <b>Profit for the period</b>                                               | 383,575     | 592,406     | (35.3)    | 133,255   | 254,980   | (47.7)    |
| Net Profit margin (%)                                                      | 17.2%       | 24.3%       | (7.1 ppt) | 19.3%     | 26.5%     | (7.2 ppt) |
| <b>Other comprehensive income (loss) / income:</b>                         |             |             |           |           |           |           |
| <i>Items that may be reclassified subsequently to profit or loss</i>       |             |             |           |           |           |           |
| Currency translation difference arising from consolidation                 | (33)        | (5,302)     | nm        | 126       | (6,158)   | nm        |
| Fair value changes arising from cash flow hedge                            | (32,465)    | -           | nm        | 15,501    | -         | nm        |
| <b>Total comprehensive income for the period</b>                           | 351,077     | 587,104     | (40.2)    | 148,882   | 248,822   | (40.2)    |
| <b>Earnings per share (RMB)</b>                                            |             |             |           |           |           |           |
| Basic                                                                      | 0.59        | 1.04        |           | 0.20      | 0.43      |           |
| Diluted                                                                    | 0.58        | 1.04        |           | 0.20      | 0.43      |           |

nm: not meaningful

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**Profit before income tax**

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

|                                                                            | <b>Group</b>    |                 |                 |                 |
|----------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                                                            | <b>9MFY2014</b> | <b>9MFY2013</b> | <b>3QFY2014</b> | <b>3QFY2013</b> |
|                                                                            | <b>RMB '000</b> | <b>RMB '000</b> | <b>RMB '000</b> | <b>RMB '000</b> |
| Depreciation of property, plant and equipment                              | 70,152          | 59,261          | 24,333          | 20,081          |
| Property, plant and equipment written off                                  | -               | 123             | -               | -               |
| Loss on disposal of property, plant and equipment                          | 455             | -               | -               | -               |
| Amortisation of land use right                                             | 2,126           | 2,130           | 708             | 709             |
| Amortisation of land improvement costs                                     | 64,002          | 68,940          | 20,469          | 24,348          |
| Amortisation of operating lease prepayments                                | 47,702          | 50,666          | 15,823          | 16,820          |
| Amortisation of capitalised expense                                        | 2,735           | -               | 1,158           | -               |
| Impairment allowance for trade receivables                                 | 12,963          | -               | -               | -               |
| Reversal of allowance for trade receivables                                | (2,587)         | (1,201)         | -               | -               |
| Loss on fair value of biological assets less estimated point of sales cost | -               | 9,000           | -               | -               |
| Amortisation of government grant                                           | (29,004)        | (7,015)         | (4,250)         | (1,076)         |
| Interest income                                                            | (25,284)        | (299)           | (17,760)        | (252)           |
| Interest expenses                                                          | 49,569          | 39,692          | 19,200          | 13,209          |
| Employees' share option value                                              | -               | 2,889           | -               | -               |

# CHINA MINZHONG FOOD CORPORATION LIMITED

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

|                                         | Group            |                  | Company          |                  |
|-----------------------------------------|------------------|------------------|------------------|------------------|
|                                         | Unaudited        | Audited          | Unaudited        | Audited          |
|                                         | 31.3.2014        | 30.6.2013        | 31.3.2014        | 30.6.2013        |
|                                         | RMB'000          | RMB'000          | RMB'000          | RMB'000          |
| <b>Share capital and reserves</b>       |                  |                  |                  |                  |
| Share capital                           | 1,503,789        | 1,503,789        | 1,503,789        | 1,503,789        |
| Statutory reserve fund                  | 108,970          | 93,995           | -                | -                |
| Employees' share option reserve         | 4,629            | 4,629            | 4,629            | 4,629            |
| Translation deficit                     | (710)            | (677)            | (10,328)         | (19,040)         |
| Hedging deficit                         | (32,465)         | -                | (32,465)         | -                |
| Retained earnings/ (Accumulated losses) | 3,504,852        | 3,168,278        | 51,940           | (112,078)        |
| <b>TOTAL EQUITY</b>                     | <b>5,089,065</b> | <b>4,770,014</b> | <b>1,517,565</b> | <b>1,377,300</b> |
| <b>Non-current assets</b>               |                  |                  |                  |                  |
| Deferred tax assets                     | 6,000            | 6,000            | -                | -                |
| Property, plant and equipment           | 2,139,140        | 2,068,503        | 1,437            | 1,537            |
| Land use right                          | 132,405          | 123,740          | -                | -                |
| Biological assets                       | 150,000          | 150,000          | -                | -                |
| Land improvement costs                  | 195,719          | 259,721          | -                | -                |
| Subsidiaries                            | -                | -                | 1,293,229        | 1,293,640        |
| Operating lease prepayments             | 344,663          | 372,782          | -                | -                |
| Loan to a subsidiary                    | -                | -                | 860,948          | -                |
| <b>Current assets</b>                   |                  |                  |                  |                  |
| Land use rights                         | 2,975            | 2,766            | -                | -                |
| Biological assets                       | 18,065           | 33,641           | -                | -                |
| Inventories                             | 94,682           | 69,397           | -                | -                |
| Trade receivables                       | 519,818          | 1,097,969        | -                | -                |
| Due from a subsidiary (non-trade)       | -                | -                | 284,706          | 86,073           |
| Operating lease prepayments             | 63,508           | 62,787           | -                | -                |
| Other receivables and prepayments       | 182,539          | 761,176          | 177              | 588              |
| Cash and bank balances                  | 3,059,425        | 826,431          | 50,043           | 16,850           |
|                                         | 3,941,012        | 2,854,167        | 334,926          | 103,511          |
| <b>TOTAL ASSETS</b>                     | <b>6,908,939</b> | <b>5,834,913</b> | <b>2,490,540</b> | <b>1,398,688</b> |

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

|                                 | <b>Group</b>     |                  | <b>Company</b>   |                  |
|---------------------------------|------------------|------------------|------------------|------------------|
|                                 | <b>Unaudited</b> | <b>Audited</b>   | <b>Unaudited</b> | <b>Audited</b>   |
|                                 | <b>31.3.2014</b> | <b>30.6.2013</b> | <b>31.3.2014</b> | <b>30.6.2013</b> |
|                                 | <b>RMB'000</b>   | <b>RMB'000</b>   | <b>RMB'000</b>   | <b>RMB'000</b>   |
| <b>Current liabilities</b>      |                  |                  |                  |                  |
| Trade payables                  | 146,800          | 303,698          | -                | -                |
| Other payables and accruals     | 142,031          | 97,771           | 11,238           | 18,738           |
| Bank term loans                 | 545,611          | 635,646          | -                | -                |
| Income tax liabilities          | 1,902            | 45               | 790              | -                |
| Government grants               | 3,270            | 3,354            | -                | -                |
|                                 | 839,614          | 1,040,514        | 12,028           | 18,738           |
| <b>Non-current liabilities</b>  |                  |                  |                  |                  |
| Bank term loans                 | 903,482          | -                | 903,482          | -                |
| Government grants               | 19,313           | 21,735           | -                | -                |
| Deferred tax liabilities        | 25,000           | 2,650            | 25,000           | 2,650            |
| Derivative financial instrument | 32,465           | -                | 32,465           | -                |
|                                 | 980,260          | 24,385           | 960,947          | 2,650            |
| <b>TOTAL LIABILITIES</b>        | <b>1,819,874</b> | <b>1,064,899</b> | <b>972,975</b>   | <b>21,388</b>    |
| <b>NET ASSETS</b>               | <b>5,089,065</b> | <b>4,770,014</b> | <b>1,517,565</b> | <b>1,377,300</b> |

# CHINA MINZHONG FOOD CORPORATION LIMITED

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

### Bank term loans

|                                                          | Unaudited<br>31.3.2014<br>RMB'000 | Audited<br>30.6.2013<br>RMB'000 |
|----------------------------------------------------------|-----------------------------------|---------------------------------|
| <b><u>Non-current portion</u></b>                        |                                   |                                 |
| <b>Interest bearing loan, unsecured <sup>(1)</sup></b>   | 922,068                           | -                               |
| Adjustments for:                                         |                                   |                                 |
| - Loan expenses                                          | (23,419)                          | -                               |
| - Currency alignment                                     | 2,098                             | -                               |
|                                                          | 900,747                           |                                 |
| Add: Amortisation of loan expenses                       | 2,735                             | -                               |
| Net carrying amount at end of period/year                | <b>903,482</b>                    | -                               |
| <b><u>Current portion</u></b>                            |                                   |                                 |
| <b>Non-interest bearing loan, secured <sup>(2)</sup></b> | -                                 | 1,915                           |
| Adjustments for:                                         |                                   |                                 |
| - Discount implicit in long-term interest free bank loan | -                                 | (490)                           |
|                                                          | -                                 | 1,425                           |
| Add: Amortisation of loan expenses                       | -                                 | 421                             |
| Net carrying amount at end of period/year                | -                                 | 1,846                           |
| <b>Interest bearing loans <sup>(3)</sup></b>             |                                   |                                 |
| - Secured                                                | 20,000                            | 29,800                          |
| - Unsecured                                              | 335,611                           | 544,000                         |
| - Guaranteed <sup>(4)</sup>                              | 190,000                           | 60,000                          |
|                                                          | 545,611                           | 633,800                         |
| <b>Total bank loans</b>                                  | <b>1,449,093</b>                  | <b>635,646</b>                  |

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 June 2013, non-interest bearing loan amounting to RMB1.915 million is carried at amortised cost and secured over the Group's leasehold buildings, which was repaid on 30 October 2013.

Note: (3) Interest rates for short-term bank loans range from 5.6% to 8.1% (30 June 2013: 5.880% to 8.203%) per annum. One of the short-term bank loans were secured by the Group's leasehold buildings, and land use rights.

Note: (4) Sichuan Minzhong Organic Food Co., Ltd (a subsidiary of the Company) is providing guarantee for RMB160.0 million (30 June 2013: RMB60.0 million) short term bank loans to the Group. A non-related Company named Tianjin Huancheng Investment Co is providing guarantee for RMB30.0 million short term bank loans to Group.

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

|                                                                            | Group     |           |          |           |
|----------------------------------------------------------------------------|-----------|-----------|----------|-----------|
|                                                                            | 9MFY2014  | 9MFY2013  | 3QFY2014 | 3QFY2013  |
|                                                                            | RMB'000   | RMB'000   | RMB'000  | RMB'000   |
| <b>Cash flows from operating activities</b>                                |           |           |          |           |
| Profit before income tax                                                   | 471,074   | 630,163   | 181,895  | 269,787   |
| Adjustments for:                                                           |           |           |          |           |
| Depreciation of property, plant and equipment                              | 70,152    | 59,261    | 24,333   | 20,081    |
| Property, plant and equipment written off                                  | -         | 123       | -        | -         |
| Loss on disposal of property, plant and equipment                          | 455       | -         | -        | -         |
| Amortisation of land use rights                                            | 2,126     | 2,130     | 708      | 709       |
| Amortisation of land improvement costs                                     | 64,002    | 68,940    | 20,469   | 24,348    |
| Amortisation of operating lease prepayments                                | 47,702    | 50,666    | 15,823   | 16,820    |
| Amortisation of capitalized expenses                                       | 2,735     | -         | 1,158    | -         |
| Impairment allowance for trade receivables                                 | 12,963    | -         | -        | -         |
| Reversal of allowance for trade receivables                                | (2,587)   | (1,201)   | -        | -         |
| Loss on fair value of biological assets less estimated point of sales cost | -         | 9,000     | -        | -         |
| Amortisation of government grants                                          | (29,004)  | (7,015)   | (4,250)  | (1,076)   |
| Interest income                                                            | (25,284)  | (299)     | (17,760) | (252)     |
| Interest expense on bank term loans                                        | 49,569    | 39,692    | 19,200   | 13,209    |
| Employees' share option value                                              | -         | 2,889     | -        | -         |
| Operating profit before working capital changes                            | 663,903   | 854,349   | 241,576  | 343,626   |
| Inventories                                                                | (25,285)  | 24,848    | (27,579) | (7,629)   |
| Biological assets                                                          | 15,576    | 773       | (6,006)  | 18,139    |
| Trade receivables                                                          | 567,775   | (131,547) | 359,644  | (186,006) |
| Other receivables and prepayments                                          | 129,890   | 18,435    | (17,623) | (7,287)   |
| Trade payables                                                             | (156,898) | 194,700   | (58,431) | 96,717    |
| Other payables and accruals                                                | 44,313    | (29,468)  | 9,651    | 37,451    |
| Cash generated from operations                                             | 1,239,274 | 932,090   | 501,232  | 295,011   |
| Income tax paid                                                            | (6,012)   | (44,906)  | -        | (14,751)  |
| Interest received                                                          | 6,248     | 299       | 4,135    | 252       |
| Net cash generated from operating activities                               | 1,239,510 | 887,483   | 505,367  | 280,512   |

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

|                                                               | Group     |           |           |           |
|---------------------------------------------------------------|-----------|-----------|-----------|-----------|
|                                                               | 9MFY2014  | 9MFY2013  | 3QFY2014  | 3QFY2013  |
|                                                               | RMB'000   | RMB'000   | RMB'000   | RMB'000   |
| <b>Cash flows from investing activities</b>                   |           |           |           |           |
| Purchase of property, plant and equipment                     | (78,785)  | (582,685) | (18,623)  | (391,727) |
| Proceeds from construction proceeds                           | 348,000   | -         | -         | -         |
| Purchase of land use rights                                   | (11,000)  | -         | (11,000)  | -         |
| Land improvement costs                                        | -         | (4,889)   | -         | -         |
| Operating lease prepayments                                   | (20,304)  | -         | (20,304)  | -         |
| Net cash generated from / (used in) investing activities      | 237,911   | (587,574) | (49,927)  | (391,727) |
| <b>Cash flows from financing activities</b>                   |           |           |           |           |
| Proceeds from issuance of new shares                          | -         | 454,819   | -         | 454,819   |
| Share issue expense                                           | -         | (23,298)  | -         | (23,298)  |
| Proceeds from bank loans                                      | 1,477,565 | 597,800   | 385,761   | 191,000   |
| Repayment of bank loans                                       | (669,715) | (625,545) | (122,000) | (252,000) |
| Government grant received                                     | 26,498    | 4,494     | 3,415     | (2,053)   |
| Dividend paid                                                 | (32,026)  | -         | -         | -         |
| Interest paid                                                 | (49,500)  | (39,537)  | (19,200)  | (13,157)  |
| Pledged cash                                                  | 41,195    | (35,023)  | 20,000    | (9,348)   |
| Net cash generated from / (used in) financing activities      | 794,017   | 333,710   | 267,976   | 345,963   |
| <b>Net increase / (decrease) in cash and cash equivalents</b> | 2,271,438 | 633,619   | 723,416   | 234,748   |
| <b>Cash and cash equivalents at beginning of period</b>       | 785,236   | 42,134    | 2,328,655 | 441,861   |
| Effects of exchange rate changes in cash and cash equivalents | 2,751     | (5,302)   | 7,354     | (6,158)   |
| Pledged of bank balances                                      | -         | 59,098    | -         | 59,098    |
| <b>Cash and cash equivalents at end of period</b>             | 3,059,425 | 729,549   | 3,059,425 | 729,549   |

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

| <u>Group</u>                              | Share Capital<br>RMB'000 | Statutory reserve<br>fund<br>RMB'000 | Employees' share<br>option reserve<br>RMB'000 | Translation<br>reserve<br>RMB'000 | Hedging deficit<br>RMB'000 | Retained<br>earnings<br>RMB'000 | Total equity<br>RMB'000 |
|-------------------------------------------|--------------------------|--------------------------------------|-----------------------------------------------|-----------------------------------|----------------------------|---------------------------------|-------------------------|
| <b>Balance at 1.7.2012</b>                | 1,072,268                | 79,007                               | 1,740                                         | 6,106                             | -                          | 2,428,201                       | 3,587,322               |
| Total comprehensive income for the period | -                        | -                                    | -                                             | (5,302)                           | -                          | 592,406                         | 587,104                 |
| Grant of employee's share option          | -                        | -                                    | 2,889                                         | -                                 | -                          | -                               | 2,889                   |
| Issue of new shares                       | 454,819                  | -                                    | -                                             | -                                 | -                          | -                               | 454,819                 |
| Share issuance expenses                   | (23,298)                 | -                                    | -                                             | -                                 | -                          | -                               | (23,298)                |
| Appropriation to statutory reserve fund   | -                        | 13,313                               | -                                             | -                                 | -                          | (13,313)                        | -                       |
| <b>Balance at 31.3.2013</b>               | <b>1,503,789</b>         | <b>92,320</b>                        | <b>4,629</b>                                  | <b>804</b>                        | <b>-</b>                   | <b>3,007,294</b>                | <b>4,608,836</b>        |

| <u>Group</u>                              | Share Capital<br>RMB'000 | Statutory reserve<br>fund<br>RMB'000 | Employees' share<br>option reserve<br>RMB'000 | Translation<br>deficit<br>RMB'000 | Hedging deficit<br>RMB'000 | Retained<br>earnings<br>RMB'000 | Total equity<br>RMB'000 |
|-------------------------------------------|--------------------------|--------------------------------------|-----------------------------------------------|-----------------------------------|----------------------------|---------------------------------|-------------------------|
| <b>Balance at 1.7.2013</b>                | 1,503,789                | 93,995                               | 4,629                                         | (677)                             | -                          | 3,168,278                       | 4,770,014               |
| Profit for the period                     | -                        | -                                    | -                                             | -                                 | -                          | 383,575                         | 383,575                 |
| Other comprehensive loss, net of tax      | -                        | -                                    | -                                             | (33)                              | (32,465)                   | -                               | (32,498)                |
| Total comprehensive income for the period | -                        | -                                    | -                                             | (33)                              | (32,465)                   | 383,575                         | 351,077                 |
| Dividend payment                          | -                        | -                                    | -                                             | -                                 | -                          | (32,026)                        | (32,026)                |
| Appropriation to statutory reserve fund   | -                        | 14,975                               | -                                             | -                                 | -                          | (14,975)                        | -                       |
| <b>Balance at 31.03.2014</b>              | <b>1,503,789</b>         | <b>108,970</b>                       | <b>4,629</b>                                  | <b>(710)</b>                      | <b>(32,465)</b>            | <b>3,504,852</b>                | <b>5,089,065</b>        |

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

| <u>Company</u>                                     | Share Capital<br>RMB'000 | Employees' share<br>option reserve<br>RMB'000 | Translation<br>reserve<br>RMB'000 | Hedging deficit<br>RMB'000 | Accumulated losses<br>RMB'000 | Total equity<br>RMB'000 |
|----------------------------------------------------|--------------------------|-----------------------------------------------|-----------------------------------|----------------------------|-------------------------------|-------------------------|
| <b>Balance at 1.7.2012</b>                         | 1,072,268                | 1,740                                         | 14,932                            | -                          | (150,052)                     | 938,888                 |
| Total comprehensive income / (loss) for the period | -                        | -                                             | 16,939                            | -                          | (1,960)                       | 14,979                  |
| Issue of new shares                                | 454,819                  | -                                             | -                                 | -                          | -                             | 454,819                 |
| Share issuance expenses                            | (23,298)                 | -                                             | -                                 | -                          | -                             | (23,298)                |
| Grant of employees' share option                   | -                        | 2,889                                         | -                                 | -                          | -                             | 2,889                   |
| <b>Balance at 31.03.2013</b>                       | <u>1,503,789</u>         | <u>4,629</u>                                  | <u>31,871</u>                     | <u>-</u>                   | <u>(152,012)</u>              | <u>1,388,277</u>        |

| <u>Company</u>                                     | Share Capital<br>RMB'000 | Employees' share<br>option reserve<br>RMB'000 | Translation deficit<br>RMB'000 | Hedging deficit<br>RMB'000 | (Accumulated<br>losses) / Retained<br>earnings<br>RMB'000 | Total equity<br>RMB'000 |
|----------------------------------------------------|--------------------------|-----------------------------------------------|--------------------------------|----------------------------|-----------------------------------------------------------|-------------------------|
| <b>Balance at 1.7.2013</b>                         | 1,503,789                | 4,629                                         | (19,040)                       | -                          | (112,078)                                                 | 1,377,300               |
| Profit for the period                              | -                        | -                                             | -                              | -                          | 196,044                                                   | 196,044                 |
| Other comprehensive income / (loss), net of tax    | -                        | -                                             | 8,712                          | (32,465)                   | -                                                         | (23,753)                |
| Total comprehensive income / (loss) for the period | -                        | -                                             | 8,712                          | (32,465)                   | 196,044                                                   | 172,291                 |
| Dividend payment                                   | -                        | -                                             | -                              | -                          | (32,026)                                                  | (32,026)                |
| <b>Balance at 31.03.2014</b>                       | <u>1,503,789</u>         | <u>4,629</u>                                  | <u>(10,328)</u>                | <u>(32,465)</u>            | <u>51,940</u>                                             | <u>1,517,565</u>        |

# CHINA MINZHONG FOOD CORPORATION LIMITED

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

## 9MFY2014

None

## 9MFY2013

### Exercise of Share Options

### Granting of Share Options

Pursuant to the Board Meeting held on 24 August 2012, the Directors approved the grant of 2,678,000 share options of the Company to selected eligible employees of the Group and Director of the Company to subscribe for 2,678,000 ordinary shares in the Company at an exercise price of S\$0.74 on 4 September 2012, under the CMZ Employee Share Option Scheme 2010 which was approved on 31 March 2010. Options granted have a term of 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 Model.

As at 31 March 2014, no share option under the CMZ Employee Share Option Scheme 2010 was being exercised.

- 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.

|                                      | Resultant Issued and Paid Up<br>Share Capital |                     |           |
|--------------------------------------|-----------------------------------------------|---------------------|-----------|
|                                      | Number of new<br>Shares issued                | Number of<br>Shares | (S\$'000) |
| As at 30 June 2013 and 31 March 2014 | -                                             | 655,439,000         | 304,706   |

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

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

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

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those used in the audited financial statements as of 30 June 2013.

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

As per above point 4.

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

**Basic earnings per share**

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

|                                                                    | 9MFY2014 | 9MFY2013 | 3QFY2014 | 3QFY2013 |
|--------------------------------------------------------------------|----------|----------|----------|----------|
| Based on weighted average number of ordinary shares on issue (RMB) | 0.59     | 1.04     | 0.20     | 0.43     |
| Weighted average number of shares (in thousands)                   | 655,439  | 568,328  | 655,439  | 590,106  |

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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. (Continued)**

**Diluted earnings per share**

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

|                                                  | 9MFY2014 | 9MFY2013 | 3QFY2014 | 3QFY2013 |
|--------------------------------------------------|----------|----------|----------|----------|
| On a fully diluted basis (RMB)                   | 0.58     | 1.04     | 0.20     | 0.43     |
| Weighted average number of shares (in thousands) | 656,090  | 569,127  | 655,970  | 591,133  |

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

|                                                                                                              | Group     |           | Company   |           |
|--------------------------------------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|
|                                                                                                              | 31.3.2014 | 30.6.2013 | 31.3.2014 | 30.6.2013 |
| Net asset value per ordinary share based on issued share capital at the end of the respective periods (RMB): | 7.76      | 7.28      | 2.32      | 2.10      |
| No. of shares in computing NAV (in thousands)                                                                | 655,439   | 655,439   | 655,439   | 655,439   |

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8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

## REVIEW OF PERFORMANCE

### (A) Consolidated Income Statement

#### 1. Revenue

The following table provides a breakdown of our revenue by business segments in 9MFY2014, 9MFY2013, 3QFY2014 and 3QFY2013 respectively:-

|                                      | 9MFY2014<br>RMB'000 | %            | 9MFY2013<br>RMB'000 | %            | 3QFY2014<br>RMB'000 | %            | 3QFY2013<br>RMB'000 | %            |
|--------------------------------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|
| <b>Processed Business Segment:</b>   |                     |              |                     |              |                     |              |                     |              |
| - Processed vegetables               | 1,093,737           | 49.0         | 1,343,828           | 55.2         | 366,561             | 53.1         | 587,480             | 61.1         |
| <b>Subtotal</b>                      | <b>1,093,737</b>    | <b>49.0</b>  | <b>1,343,828</b>    | <b>55.2</b>  | <b>366,561</b>      | <b>53.1</b>  | <b>587,480</b>      | <b>61.1</b>  |
| <b>Cultivation Business Segment:</b> |                     |              |                     |              |                     |              |                     |              |
| - Fresh vegetables produce           | 757,493             | 33.9         | 784,737             | 32.2         | 228,966             | 33.2         | 326,471             | 33.9         |
| - Mushroom spores <sup>(1)</sup>     | 136,897             | 6.1          | 90,556              | 3.7          | -                   | -            | -                   | -            |
| <b>Subtotal</b>                      | <b>894,390</b>      | <b>40.0</b>  | <b>875,293</b>      | <b>35.9</b>  | <b>228,966</b>      | <b>33.2</b>  | <b>326,471</b>      | <b>33.9</b>  |
| <b>Branded Business Segment:</b>     |                     |              |                     |              |                     |              |                     |              |
| - Beverages                          | 219,495             | 9.8          | 146,984             | 6.0          | 88,101              | 12.7         | 28,063              | 2.9          |
| - Others <sup>(2)</sup>              | 25,414              | 1.2          | 70,389              | 2.9          | 6,651               | 1.0          | 20,169              | 2.1          |
| <b>Subtotal</b>                      | <b>244,909</b>      | <b>11.0</b>  | <b>217,373</b>      | <b>8.9</b>   | <b>94,752</b>       | <b>13.7</b>  | <b>48,232</b>       | <b>5.0</b>   |
| <b>Total revenue</b>                 | <b>2,233,036</b>    | <b>100.0</b> | <b>2,436,494</b>    | <b>100.0</b> | <b>690,279</b>      | <b>100.0</b> | <b>962,183</b>      | <b>100.0</b> |

Note:-

(1) Sales of mushroom spores.

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

#### 1.1 Revenue (9MFY2014 vs 9MFY2013)

Revenue for 9MFY2014 decreased by 8.4% or RMB203.5 million, to RMB2,233.0 million (9MFY2013: RMB2,436.5 million). This was due to a decrease in sales of RMB250.1 million from the processed business segment, partly offset by increases in sales of RMB19.1 million from the cultivation business segment and RMB27.5 million from the branded business segment.

Revenue from processed business segment decreased by 18.6% or RMB250.1 million, to RMB1,093.7 million (9MFY2013: RMB1,343.8 million), mainly due to a decrease in fresh-packed product sales of RMB492.4 million offset by increased air-dried product sales of RMB109.3 million and higher brined product sales of RMB129.4 million.

# **CHINA MINZHONG FOOD CORPORATION LIMITED**

## **(Registration No. 200402715N)**

### **REVIEW OF PERFORMANCE (Continued)**

#### **(A) Consolidated Income Statement (Continued)**

##### **1. Revenue (Continued)**

##### **1.1 Revenue (9MFY2014 vs 9MFY2013) (Continued)**

Our fresh-packed sales volume decreased sharply by 12,396 tons, from 13,191 tons for 9MFY2013 to 795 tons for 9MFY2014. The decrease in our fresh-packed sales was mainly due to significant drop in spot orders from PRC exporters. Fresh-packed products by nature requires only simple processing methodology and hence have little product differentiation. Pricing becomes the main determinant for regional orders. With food inflation and higher labour costs, the prices of fresh-packed products in PRC are becoming increasingly less competitive as compared to other Southeast Asia countries.

The increase in air-dried product sales of RMB109.3 million was mainly to an increase in average selling price by approximately 21.9% to RMB74.5 per kilogram (9MFY2013: RMB61.2 per kilogram) due to a better product mix.

The increase in brined product sales of RMB129.4 million was mainly to an increase in sales volume by 20.8% or 3,422 tons to 19,848 tons (9MFY2014: 16,426 tons) and an increase in average selling price of approximately 18.4% to RMB21.7 per kilogram (9MFY2013: RMB18.3 per kilogram).

Revenue from fresh vegetables produce remained fairly constant. The sales of fresh vegetables produce in 9MFY2014 decreased by 3.5% or RMB27.2 million to RMB757.5 million (9MFY2013: RMB784.7 million).

Revenue from trading of mushroom spores increased by 51.2% or RMB46.3 million to RMB136.9 million (9MFY2013: RMB90.6 million), mainly due to an increase in trading volume by 33.4% or 10,079 tons to 40,264 tons (9MFY2013: 30,185 tons) and an increase in average selling price by approximately 13.3% to RMB3.4 per kilogram (9MFY2013: RMB3.0 per kilogram).

Revenue from beverage business increased by 49.3% or RMB72.5 million to RMB219.5 million (9MFY2013: RMB147.0 million). Sales volume in 9MFY2014 increased by 41.8% or 33.2 million units to 112.4 million units (9MFY2013: 79.2 million units). The increased beverage business sales is largely due to the growth of our domestic distribution channels for our branded products and also the result of our successful brand building efforts.

##### **1.2 Revenue (3QFY2014 vs 3QFY2013)**

Revenue for 3QFY2014 decreased by 28.3% or RMB271.9 million, to RMB690.3 million (3QFY2013: RMB962.2 million). This was due to decreased sales of RMB220.9 million from the processed business segment and RMB97.5 million from the cultivation business segment, but partly offset by an increase in sales of RMB46.5 million from the branded business segment.

Revenue from processed business segment decreased by 37.6% or RMB220.9 million, to RMB366.6 million (3QFY2013: RMB587.5 million), mainly due to decreased in fresh-packed product sales of RMB240.0 million and brined product sales of RMB36.0 million, offset by an increase in air-dried product sales of RMB51.6 million.

# **CHINA MINZHONG FOOD CORPORATION LIMITED**

## **(Registration No. 200402715N)**

### **REVIEW OF PERFORMANCE (Continued)**

#### **(B) Consolidated Income Statement (Continued)**

##### **1. Revenue (Continued)**

##### **1.2 Revenue (3QFY2014 vs 3QFY2013) (Continued)**

Our fresh-packed sales volume decreased sharply by 3,859.5 tons, from 3,902.1 tons in 3QFY2013 to 42.6 tons in 3QFY2014. The decrease in our fresh-packed sales is mainly due to significant drop in spot orders from PRC exporters. Fresh-packed products by nature requires only simple processing methodology and hence have little product differentiation. Pricing becomes the main determinant for regional orders. With food inflation and higher labour costs, the prices of fresh-packed products in PRC are becoming increasingly less competitive as compared to other Southeast Asia countries.

The decreased brined product sales of RMB36 million was mainly due to a decrease in sales volume by 42.9% or 3,773.7 tons to 5,024.7 tons (3QFY2013: 8,798.4 tons) offset by an increased in average selling price of approximately 35.2% to RMB24.3 per kilogram (3QFY2013: RMB18.0 per kilogram).

The increased in air-dried product sales of RMB51.6 million was mainly due to an increased in average selling price by approximately 24.7% to RMB83.0 per kilogram (3QFY2013: RMB66.5 per kilogram).

Revenue from fresh vegetables produce decreased by 29.9% or RMB97.5 million to RMB229.0 million (3QFY2013: RMB326.5 million), due to a decrease in cultivation volume of 31% or 36.7 tons, to 81.7 tons (3QFY2013: 118.4 tons) as a result of timing differences in the harvesting seasons. There is a higher proportion of crops harvested in 2QFY2014 (cultivation volume in 2QFY14 rose 55.3%) as compared to 3QFY2014.

Revenue from beverage business increased by 213.9% or RMB60.0 million to RMB88.1 million (3QFY2013: RMB28.1 million). Sales volume in 3QFY2014 has increased by 197.0% or 29.7 million units to 44.7 million units (3QFY2013: 15.1 million units). The increase in beverage business sales was largely due to the growth of our domestic distribution channels for our branded products and also the result of our successful brand building efforts.

# 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 9MFY2014, 9MFY2013, 3QFY2014 and 3QFY2013 respectively:-

|                                      | 9MFY2014<br>RMB'000 | %            | 9MFY2013<br>RMB'000 | %            | 3QFY2014<br>RMB'000 | %            | 3QFY2013<br>RMB'000 | %            |
|--------------------------------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|---------------------|--------------|
| <b>Processed Business Segment:</b>   |                     |              |                     |              |                     |              |                     |              |
| - Processed vegetables               | 302,228             | 41.3         | 392,503             | 47.6         | 96,483              | 39.4         | 159,981             | 49.5         |
| <b>Subtotal</b>                      | <b>302,228</b>      | <b>41.3</b>  | <b>392,503</b>      | <b>47.6</b>  | <b>96,483</b>       | <b>39.4</b>  | <b>159,981</b>      | <b>49.5</b>  |
| <b>Cultivation Business Segment:</b> |                     |              |                     |              |                     |              |                     |              |
| - Fresh vegetables produce           | 323,891             | 44.3         | 362,652             | 44.1         | 111,676             | 45.6         | 155,782             | 48.3         |
| - Mushroom spores <sup>(1)</sup>     | 31,439              | 4.3          | 16,097              | 2.0          | -                   | -            | -                   | -            |
| <b>Subtotal</b>                      | <b>355,330</b>      | <b>48.6</b>  | <b>378,749</b>      | <b>46.1</b>  | <b>111,676</b>      | <b>45.6</b>  | <b>155,782</b>      | <b>48.3</b>  |
| <b>Branded Business Segment:</b>     |                     |              |                     |              |                     |              |                     |              |
| - Beverages                          | 77,292              | 10.5         | 45,206              | 5.5          | 37,796              | 15.4         | 6,341               | 2.0          |
| - Others <sup>(2)</sup>              | (3,117)             | (0.4)        | 6,589               | 0.8          | (1,033)             | (0.4)        | 668                 | 0.2          |
| <b>Subtotal</b>                      | <b>74,175</b>       | <b>10.1</b>  | <b>51,795</b>       | <b>6.3</b>   | <b>36,763</b>       | <b>15.0</b>  | <b>7,009</b>        | <b>2.2</b>   |
| <b>Total gross profit</b>            | <b>731,733</b>      | <b>100.0</b> | <b>823,047</b>      | <b>100.0</b> | <b>244,922</b>      | <b>100.0</b> | <b>322,772</b>      | <b>100.0</b> |

Note:-

(1) Sales of mushroom spores.

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

#### 2.1 Gross Profit (9MFY2014 vs 9MFY2013)

Gross profit for 9MFY2014 decreased by 11.1% or RMB91.2 million, to RMB731.7 million (9MFY2013: RMB823.0 million), Overall gross profit margin for 9MFY2014 declined by 1.0 ppt to 32.8% (9MFY2013: 33.8%).

Gross profit of processed vegetables business segment decreased by 23% or RMB90.3 million, to RMB302.2 million (9MFY2013: RMB392.5 million), in tandem with the decrease in revenue. Gross profit margin for processed vegetables business segment decreased by 1.6 ppt to 27.6% (9MFY2013: 29.2%), primarily due to an increase in raw materials costs.

Gross profit from cultivation business segment decreased by 6.2% or RMB23.4 million, to RMB355.3 million (9MFY2013: RMB378.7 million), in tandem with the decrease in revenue. Gross profit margin for cultivation business segment decreased by 3.5 ppt to 39.7% (9MFY2013: 43.2%), primarily due to an increase in labour costs.

Gross profit from beverage business increased by 71% or RMB32.1 million, to RMB77.3 million (9MFY2013: RMB45.2 million), in tandem with the increase in revenue. Gross profit margin for beverage business increased by 4.4 ppt to 35.2% (9MFY2013: 30.8%), primarily due to lower unit fixed costs as production volume increases.

# **CHINA MINZHONG FOOD CORPORATION LIMITED**

## **(Registration No. 200402715N)**

### **REVIEW OF PERFORMANCE (Continued)**

#### **(A) Consolidated Income Statement (Continued)**

#### **2. Gross Profit (Continued)**

##### **2.2 Gross Profit (3QFY2014 vs 3QFY2013)**

Gross profit for 3QFY2014 decreased by 24.1% or RMB77.9 million, to RMB244.9 million (3QFY2013: RMB322.8 million), Overall gross profit margin for 3QFY2014 had increased by 2.0 ppt to 35.5% (3QFY2013: 33.5%).

Gross profit of processed vegetables business segment decreased by 39.7% or RMB63.5 million, to RMB96.5 million (3QFY2013: RMB160.0 million), in tandem with the decrease in revenue. Gross profit margin for processed vegetables business segment decreased by 0.9 ppt to 26.3% (3QFY2013: 27.2%), primarily due to an increase in raw materials costs.

Gross profit from cultivation business segment decreased by 28.3% or RMB44.1 million, to RMB111.7 million (3QFY2013: RMB155.8 million), in tandem with the decrease in revenue. Gross profit margin for cultivation business segment increased by 1.1 ppt to 48.8% (3QFY2013: 47.7%), primarily due to change in product mix.

Gross profit from beverage business increased by 496.1% or RMB31.5 million, to RMB37.8 million (3QFY2013: RMB6.3 million), in tandem with the increase in revenue. Gross profit margin for beverage business increased by 20.3 ppt to 42.9% (3QFY2013: 22.6%), primarily due to lower unit fixed costs as production volume increases.

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

There is nil loss on fair value of biological assets for 9MFY2014 (9MFY2013: RMB9.0 million). The actual operational results from July 2013 to March 2014 were in line with the projections of revenue and anticipated costs associated with the biological assets as at 30 June 2013. Accordingly, there is no material changes in the carrying amount of biological assets as at 31 March 2014.

# CHINA MINZHONG FOOD CORPORATION LIMITED

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## REVIEW OF PERFORMANCE (Continued)

### (A) Consolidated Income Statement (Continued)

#### 4. Other income

The breakdown of other income is as follows:

| Other income                             | 9MFY2014      | 9MFY2013      | 3QFY2014      | 3QFY2013     |
|------------------------------------------|---------------|---------------|---------------|--------------|
|                                          | RMB'000       | RMB'000       | RMB'000       | RMB'000      |
| Interest income                          | 25,284        | 299           | 17,760        | 252          |
| Rental income <sup>(1)</sup>             | 34,373        | 25,094        | 12,708        | 8,364        |
| Government grants                        | 29,004        | 7,015         | 4,250         | 1,076        |
| Gain on disposal of scrap materials, net | 551           | 283           | 398           | 67           |
| Reversal of allowance for doubtful debts | 2,587         | 1,201         | -             | -            |
| Others                                   | 203           | 217           | -             | 10           |
| <b>Total</b>                             | <b>92,002</b> | <b>34,109</b> | <b>35,116</b> | <b>9,769</b> |

Note:-

(1) Proceeds received from renting farmlands to third parties

#### 4.1 Other income (9MFY2014 vs 9MFY2013)

Other income increased by 169.7% or RMB57.9 million, to RMB92.0 million (9MFY2013: RMB34.1 million), mainly due to increase in interest income from bank deposits of RMB25.0 million, increase in rental income of RMB9.3 million, and a one-off government grant of RMB20 million received in December 2013. The one-off government grant pertains to our contribution to the corporatised agricultural industry in Putian City, Fujian Province, PRC which support the livelihood of local farmers.

#### 4.2 Other income (3QFY2014 vs 3QFY2013)

Other income increased by 259.5% or RMB25.3 million, to RMB35.1 million (3QFY2013: RMB9.8 million), mainly due to increase in interest income from bank deposits of RMB17.5 million, increase in rental income of RMB4.3 million and increase in government grant of RMB3.2 million.

#### 5.1 Selling and distribution expenses (9MFY2014 vs 9MFY2013)

Selling and distribution expenses increased by 70.7% or RMB49.6 million, to RMB119.7 million (9MFY2013: RMB70.1 million), mainly due to increase in marketing and advertising expenses of RMB40.0 million for our branded products domestically and increase in wages due to higher headcounts for marketing personnel of RMB4.3 million.

#### 5.2 Selling and distribution expenses (3QFY2014 vs 3QFY2013)

Selling and distribution expenses increased by 21.2% or RMB2.0 million, to RMB11.4 million (3QFY2013: RMB9.4 million), mainly due to increase in wages due to higher headcounts for marketing personnel of RMB5.8 million offset by decrease in marketing and advertising expenses of RMB4.5 million for the period.

# CHINA MINZHONG FOOD CORPORATION LIMITED

(Registration No. 200402715N)

## REVIEW OF PERFORMANCE (Continued)

### (A) Consolidated Income Statement (Continued)

#### 6.1 Administrative expenses (9MFY2014 vs 9MFY2013)

Administrative expenses increased by 45.6% or RMB36.7 million, to RMB117.3 million (9MFY2013: RMB80.6 million), mainly due to increase in professional fees of RMB15.0 million, increase in depreciation expenses of RMB14.0 million as a result of plant, property and equipment additions and increase in property tax of RMB7.6 million.

#### 6.2 Administrative expenses (3QFY2014 vs 3QFY2013)

Administrative expenses increased by 46.7% or RMB14.5 million, to RMB45.7 million (3QFY2013: RMB31.2 million), mainly due to increase in depreciation expenses of RMB6.0 million as a result of plant, property and equipment additions and increase in property tax of RMB6.9 million.

### 7. Other expenses

The breakdown of other expenses is as follows:

| Other expenses                             | 9MFY2014      | 9MFY2013      | 3QFY2014      | 3QFY2013     |
|--------------------------------------------|---------------|---------------|---------------|--------------|
|                                            | RMB'000       | RMB'000       | RMB'000       | RMB'000      |
| Rental expenses                            | 28,449        | 20,270        | 10,671        | 6,756        |
| Impairment allowance for trade receivables | 12,963        | -             | -             | -            |
| Exchange loss / (gain), net                | 11,090        | 2,953         | 8,448         | 1,797        |
| Loss of biological assets                  | 4,445         | -             | -             | -            |
| Others <sup>(1)</sup>                      | 9,188         | 4,039         | 2,685         | 18           |
| <b>Total</b>                               | <b>66,135</b> | <b>27,262</b> | <b>21,804</b> | <b>8,571</b> |

Note:-

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

#### 7.1 Other expenses (9MFY2014 vs 9MFY2013)

Other expenses increased by 142.6% or RMB38.9 million to RMB66.1 million (9MFY2013: RMB27.3 million), mainly due to increase in rental expenses of RMB8.2 million, impairment allowance for trade receivables of RMB13.0 million, increase in exchange loss of RMB8.1 million and loss of biological assets as a result of adverse weather conditions of RMB4.4 million.

#### 7.2 Other expenses (3QFY2014 vs 3QFY2013)

Other expenses increased by 154.4% or RMB13.2 million to RMB21.8million (3QFY2013: RMB8.6 million), mainly due to increase in rental expenses of RMB3.9 million and increase in exchange loss of RMB6.7 million.

# **CHINA MINZHONG FOOD CORPORATION LIMITED**

## **(Registration No. 200402715N)**

### **REVIEW OF PERFORMANCE (Continued)**

#### **(A) Consolidated Income Statement (Continued)**

##### **8.1 Finance cost (9MFY2014 vs 9MFY2013)**

Finance cost increased by 23.7% or RMB9.5 million, to RMB49.6 million (9MFY2013: RMB40.1 million) due to the drawdown of long term loan facility during the period.

##### **8.2 Finance cost (3QFY2014 vs 3QFY2013)**

Finance cost increased by 41.3% or RMB5.6 million, to RMB19.2 million (3QFY2013: RMB13.6 million) due to the drawdown of long term loan facility during the period.

##### **9.1 Profit before income tax (9MFY2014 vs 9MFY2013)**

Profit before income tax decreased by 25.2% or RMB159.1 million, to RMB471.1 million (9MFY2013: RMB630.2 million) in tandem with lower gross profit. The profit before income tax margin declined by 4.8ppt, to 21.1% (9MFY2013: 25.9%) was mainly attributable to **(1)** higher selling and distribution expenses as discussed in note 5 above, **(2)** higher administrative expenses as discussed in note 6 above and **(3)** higher other expenses as discussed in note 7 above, offset by **(4)** higher other income as discussed in note 4 above.

##### **9.2 Profit before income tax (3QFY2014 vs 3QFY2013)**

Profit before income tax decreased by 32.6% or RMB87.9million, to RMB181.9 million (3QFY2013: RMB269.8 million). The profit before income tax margin declined by 1.6ppt to 26.4% (3QFY2013: 28.0%) was mainly attributable to **(1)** higher selling and distribution expenses as discussed in note 5 above, **(2)** higher administrative expenses as discussed in note 6 above and **(3)** higher other expenses as discussed in note 7 above, offset by **(4)** higher other income as discussed in note 4 above.

##### **10.1 Income tax expense (9MFY2014 vs 9MFY2013)**

Income tax expense increased by 131.7% or RMB49.7 million, to RMB87.5 million (9MFY2013: RMB37.8 million), as a result our effective tax rate increased from 6.0% to 18.6%.

Fresh vegetables produce and certain categories of processed vegetables (e.g. fresh-packed products) are exempted from income tax in PRC. In 9MFY2014, the Group sold a higher proportion of brined and branded products which are taxable, versus fresh-packed products which are tax exempted. In addition, the Group has provided for withholding tax of RMB25 million in 3QFY2014.

##### **10.2 Income tax expense (3QFY2014 vs 3QFY2013)**

Income tax expense increased by 228.5% or RMB33.8 million, to RMB48.6 million (3QFY2013: RMB14.8 million), as a result our effective tax rate increased from 5.5% to 26.7%.

Fresh vegetables produce and certain categories of processed vegetables (e.g. fresh-packed products) are exempted from income tax in PRC. In 3QFY2014, the Group sold a higher proportion of brined and branded products which are taxable, versus fresh-packed products which are tax exempted. In addition, the Group has provided for withholding tax of RMB25 million in 3QFY2014.

# CHINA MINZHONG FOOD CORPORATION LIMITED

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## 11.1 EBITDA (9MFY2014 vs 9MFY2013)

EBITDA decreased by 19.8% or RMB168.8 million, to RMB682.1 million (9MFY2013: RMB850.9 million).

## 11.2 EBITDA (3QFY2014 vs 3QFY2013)

EBITDA decreased by 28.8% or RMB99.3 million, to RMB245.8 million (3QFY2013: RMB345.1 million).

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

|                                               | 9MFY2014       | 9MFY2013       | 3QFY2014       | 3QFY2013       |
|-----------------------------------------------|----------------|----------------|----------------|----------------|
|                                               | RMB'000        | RMB'000        | RMB'000        | RMB'000        |
| <b>Net income</b>                             | <b>383,575</b> | <b>592,406</b> | <b>133,255</b> | <b>254,980</b> |
| <b>Add / (Less):</b>                          |                |                |                |                |
| Interest expense                              | 49,569         | 40,071         | 19,200         | 13,588         |
| Interest income                               | (25,284)       | (299)          | (17,760)       | (252)          |
| Income tax expense                            | 87,499         | 37,757         | 48,640         | 14,807         |
| Depreciation of property, plant and equipment | 70,152         | 59,261         | 24,333         | 20,081         |
| Amortisation of land use right                | 2,126          | 2,130          | 708            | 709            |
| Amortisation of land improvement costs        | 64,002         | 68,940         | 20,469         | 24,348         |
| Amortisation of operating lease prepayments   | 47,702         | 50,666         | 15,823         | 16,820         |
| Amortisation of capitalised expense           | 2,735          | -              | 1,158          | -              |
| <b>EBITDA</b>                                 | <b>682,076</b> | <b>850,932</b> | <b>245,826</b> | <b>345,081</b> |
| <b>EBITDA margins</b>                         | <b>30.5%</b>   | <b>34.9%</b>   | <b>35.6%</b>   | <b>35.9%</b>   |

# CHINA MINZHONG FOOD CORPORATION LIMITED

(Registration No. 200402715N)

## REVIEW OF PERFORMANCE (Continued)

### (B) Consolidated Balance Sheet (31 March 2014 vs 30 June 2013)

#### Non-current assets

Non-current assets has remained fairly constant as at 31 March 2014. Non-current assets have decreased by approximately 0.43% or RMB12.8 million, to RMB2,967.9 million (30 June 2013: RMB2,980.7 million).

#### Current assets

Current assets increased by 38.1% or RMB1,086.8 million, to RMB3,941.0 million (30 June 2013: RMB2,854.2 million), primarily due to increase in cash and bank balances offset by a decline in trade and other receivables. The increased in cash and bank balances of RMB2,233.0 million is mainly due to increase net bank borrowings of approximately RMB807.9 million and collections from trade and other debtors. The decreased in trade and other receivables of RMB1,156.8 million is the result of healthy collections and also due to the effect of decline in 3QFY2014 revenue.

#### Non-current liabilities

Non-current liabilities increased by RMB955.8 million to RMB980.2 million (30 June 2013: RMB24.4 million), mainly due to increase of long term bank borrowings by RMB903.5 million, as the Company drawdown its long term loan facility. Pursuant to the facility, the Company has entered into the Cross Currency Swap Transactions, and hence recognising the mark to market value of this derivative financial instrument, amounting to RMB32.5 million.

#### Current liabilities

Current liabilities decreased by 19.3% or RMB200.9 million, to RMB839.6 million (30 June 2013: RMB1,040.5 million). This was mainly attributable to decreased in short term bank borrowings of RMB90.0 million and decreased in trade and other payables of RMB112.6 million.

#### Working capital days

| <u>Days</u>                               | <b>For the trailing 12 months ended</b> |              |
|-------------------------------------------|-----------------------------------------|--------------|
|                                           | 31 March 2014                           | 30 June 2013 |
| Trade Receivables Turnover <sup>(1)</sup> | 97                                      | 116          |
| Trade Payables Turnover <sup>(2)</sup>    | 50                                      | 44           |
| Inventory Turnover <sup>(3)</sup>         | 24                                      | 21           |
| Cash Conversion                           | 70                                      | 93           |

The improved cash conversion days was mainly due to the healthy receipts of the trade receivables.

Note:-

(1) Average trade receivables / revenue x 365 days

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

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

# **CHINA MINZHONG FOOD CORPORATION LIMITED**

## **(Registration No. 200402715N)**

### **REVIEW OF PERFORMANCE (Continued)**

#### **(C) Consolidated Cash Flow Statement**

##### **9MFY2014**

For the 9 months ended 31 March 2014, net cash generated from operating activities amounts to RMB1,239.5 million. This comprises cash generated from operating activities before changes in working capital of RMB663.9 million, net working capital inflow of RMB575.4 million, income tax of RMB6.0 million paid and interest income of RMB6.2 million received. The net working capital inflow was a result of an increase in inventories of RMB25.3 million, a decreased in biological assets of RMB15.5 million; a decrease in trade and other receivables of RMB697.7 million and decrease in trade and other payables of RMB112.5 million.

For the 9 months ended 31 March 2014, net cash generated from investing activities of RMB237.9 million was attributable to proceeds from construction deposits of RMB348.0 million, offset by property, plant and equipment additions of RMB78.8 million, purchase of land use rights of RMB11.0 million and operating prepayments of RMB20.3 million.

For the 9 months ended 31 March 2014, net cash generated from financing activities of RMB794.0 million was attributable to net proceeds from bank loans of RMB807.8 million as well as government grants received of RMB26.5 million, offset by interest expenses paid for the bank loans of RMB49.5 million, dividend payout of RMB32.0 million and a decrease in restricted cash of RMB41.2 million.

##### **3QFY2014**

For the 3 months ended 31 March 2014, net cash generated from operating activities amounts to RMB505.4 million. This comprises cash generated from operating activities before changes in working capital of RMB241.6 million, net working capital inflow of RMB259.7 million and interest income of RMB4.1 million received. The net working capital inflow was a result of an increase in inventories of RMB27.6 million, an increased in biological assets of RMB6.0 million; a decrease in trade and other receivables of RMB342.0 million and decrease in trade and other payables of RMB48.7 million.

For the 3 months ended 31 March 2014, net cash used in investing activities of RMB49.9 million was attributable to property, plant and equipment additions of RMB18.6 million, purchase of land use rights of RMB11.0 million and operating prepayments of RMB20.3 million.

For the 3 months ended 31 March 2014, net cash generated from financing activities of RMB268.0 million was attributable to net proceeds from bank loans of RMB263.8 million as well as government grants received of RMB3.4 million, offset by interest expenses paid for the bank loans of RMB19.2 million and a decrease in restricted cash of RMB20.0 million.

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

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

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

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

In view of the trend of rising labour costs, shortage of farmers due to government urbanisation program, higher productivity, cost efficiency and ability to harvest all year round without weather disruption, the Group see its expansion into industrialised farming as a step in the right direction. The standardised cultivation procedures in industrialised farming allow for more labour specialisation and lesser reliance on labour. The Group has kick-started the industrialised farming of champignon mushrooms in its Tianjin and Jiangsu cultivation base, which will capitalise on the growing demand in the domestic markets and increase the raw material self-sufficiency for the Group's processing needs going forward. Meanwhile, the Group is also experimenting the use of industrialized farming methodology for other high value crops to capitalise on the rising affluence in PRC.

**CHINA MINZHONG FOOD CORPORATION LIMITED**  
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**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

None.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

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

None.

**(c) Date payable**

Not Applicable.

**(d) Books closure date**

Not Applicable.

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

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

**13. Present on-going interested person transactions**

For the 9 months ended 31 March 2014, the Group has started supplying processed vegetables to the Company's immediate holding company, PT Indofood Sukses Makmur Tbk. These sales, amounting to RMB2.6 million, were transacted on an arm's length basis in the ordinary and usual course of business.

**CHINA MINZHONG FOOD CORPORATION LIMITED**  
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**14. Proceeds Usage Report**

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

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

| <b>Intended Use</b>                                       | <b>Amount allocated<br/>(S\$' million)</b> | <b>Amount utilised<br/>(S\$' million)</b> |
|-----------------------------------------------------------|--------------------------------------------|-------------------------------------------|
| Expansion of the Group's industrialised farming operation | 70.0                                       | -                                         |
| General working capital                                   | 15.2                                       | 15.2                                      |
| <b>Total</b>                                              | <b>85.2</b>                                | <b>15.2</b>                               |

BY ORDER OF THE BOARD

**LIN GUO RONG**  
Chief Executive Officer  
29 April 2014

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

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

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

For and on behalf of the Board

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LIN GUO RONG  
Director

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LIM YEOW HUA  
Director