



Since 1971

CHINA MINZHONG FOOD  
CORPORATION LIMITED

# China Minzhong

Earnings Presentation 3Q FY2014  
29 April 2014



# Agenda

**Financial Performance Review**

Outlook & Growth Strategies

Appendix



## Income Statement Highlights

Financial Summary (Profitability)						
(RMB'million)	9 months ended 31 Mar			3 months ended 31 Mar		
	9M FY14	9M FY13	% Change	3Q FY14	3Q FY13	% Change
<b>Revenue</b>	<b>2,233.0</b>	<b>2,436.5</b>	<b>(8.4%)</b>	<b>690.3</b>	<b>962.2</b>	<b>(28.3%)</b>
Cost of sales	(1,501.3)	(1,613.4)	(7.0%)	445.4	639.4	(30.3%)
<b>Gross Profit</b>	<b>731.7</b>	<b>823.0</b>	<b>(11.1)</b>	<b>244.9</b>	<b>322.8</b>	<b>(24.1%)</b>
<i>Gross profit margin</i>	32.8%	33.8%	(1.0ppt)	35.5%	33.5%	2.0ppt
Loss on fair value of biological assets	-	(9,000)	(100.0)	-	-	-
Other income	92.0	34.1	169.7%	35.1	9.8	259.5%
Selling and distribution expenses	(119.7)	(70.1)	70.7%	(11.4)	(9.4)	21.2%
Administrative expenses	(117.3)	(80.6)	45.6%	(45.7)	(31.2)	46.7%
Other expenses	(66.1)	(27.3)	142.6%	(21.8)	(8.6)	154.4%
Finance cost	(49.6)	(40.1)	23.7%	(19.2)	(13.6)	41.3%
<b>Profit before income tax (PBT)</b>	<b>471.1</b>	<b>630.2</b>	<b>(25.2%)</b>	<b>181.9</b>	<b>269.8</b>	<b>(32.6%)</b>
<i>PBT margin</i>	21.1%	25.9%	(4.8ppt)	26.4%	28.0%	(1.6ppt)
Income tax	(87.5)	(37.8)	131.7%	(48.6)	(14.8)	228.5%
<b>Net profit</b>	<b>383.6</b>	<b>592.4</b>	<b>(35.3%)</b>	<b>133.3</b>	<b>255.0</b>	<b>(47.7%)</b>
<i>Net income margin</i>	17.2%	24.3%	(7.1ppt)	19.3%	26.5%	(7.2ppt)
<b>EBITDA<sup>(1)</sup></b>	<b>682.1</b>	<b>850.9</b>	<b>(19.8%)</b>	<b>245.8</b>	<b>345.1</b>	<b>(28.8%)</b>
<i>EBITDA margin<sup>(1)</sup></i>	30.5%	34.9%	(4.4ppt)	35.6%	35.9%	(0.3ppt)

Footnote:

(1) EBITDA refers to earnings before interest, tax, depreciation and amortisation.

## Notes on Income Statement (9M analysis)

### □ Revenue

✓ Revenue decreased by 8.4% to RMB2.2 billion. This is mainly due to lower sales of RMB250.1 million in the processed business segment, but partly offset by increases in sales of RMB19.1 million in the cultivation business segment and RMB27.5 million in the branded business segment.

### □ Gross profit and margin

✓ Gross profit declined by 11.1% to RMB731.7 million and overall gross margin slipped 1 ppt to 32.8%. However, in 3QFY14, gross margin improved 2.0 ppt to 35.5%.

### □ Other income

✓ Other income of RMB92.0 million, comprised mainly of interest income of RMB25.3 million, rental income from leasing farmlands to third parties amounting to RMB34.4 million and one-off government grant of RMB29.0 million.

### □ Selling & distribution expenses

✓ Selling & distribution expenses increased by 70.7% (or RMB49.6 million) to RMB119.7 million, mainly due to an increase in marketing and advertising expenses of RMB40.0 million for our branded products domestically.

### □ Administrative expenses

✓ Administrative expenses increased by 45.6% (or RMB36.7 million) to RMB117.3 million, mainly due to an increase in professional fees of RMB15.0 million and higher depreciation expenses of RMB14.0 million as a result of plant, property and equipment additions.

### □ Other expenses

✓ Other expenses totalling RMB66.1 million comprise mainly of rental expenses of RMB28.4 million, allowance for doubtful trade debts of RMB13.0 million and net exchange losses of RMB11.1 million.

### □ Finance cost

✓ Finance cost increased by 23.7% to RMB49.6 million, on the back of a rise in bank borrowings.

### □ Income tax

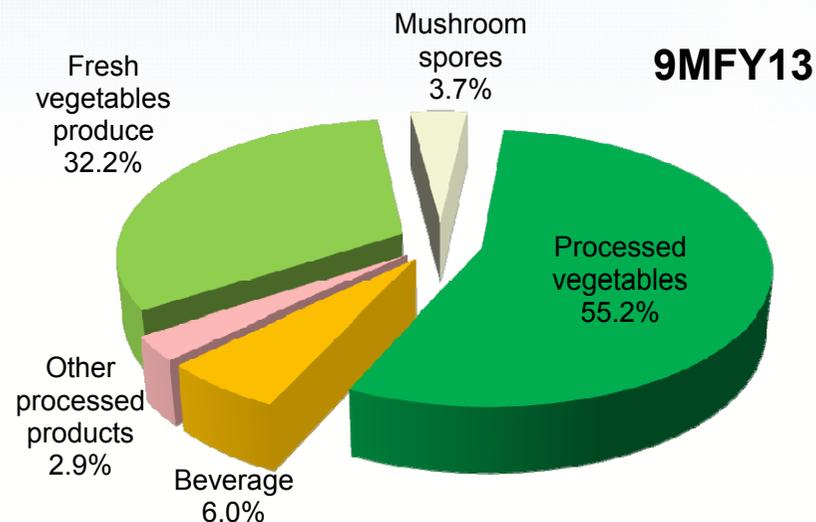
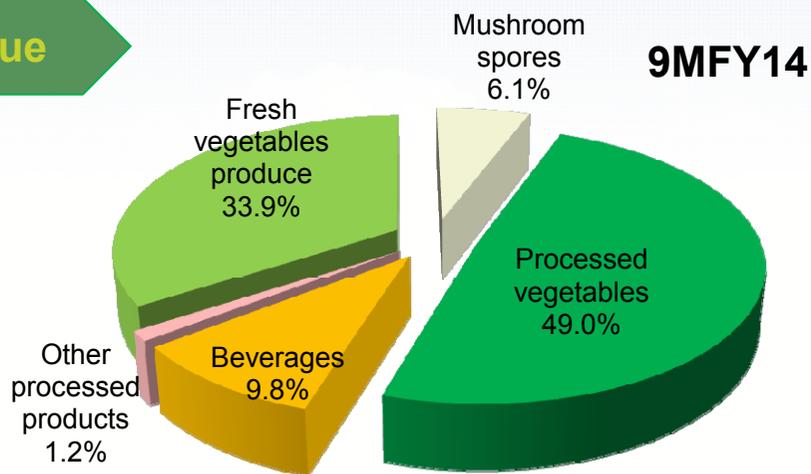
✓ Income tax expense increased by RMB49.7 million to RMB87.5 million, while overall effective tax rate increased from 6.0% to 18.6%. Fresh vegetables produce and certain categories of processed vegetables (eg. fresh-packed products) are exempted from income tax in PRC. In 9MFY14, the Group sold a higher proportion of brined and branded products which are taxable, versus fresh-packed products which are tax exempted.

## Revenue and Gross Profit breakdown across business segments

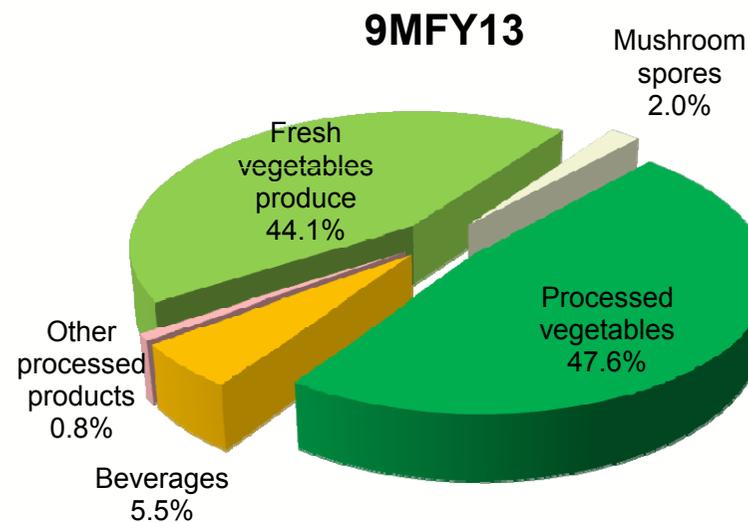
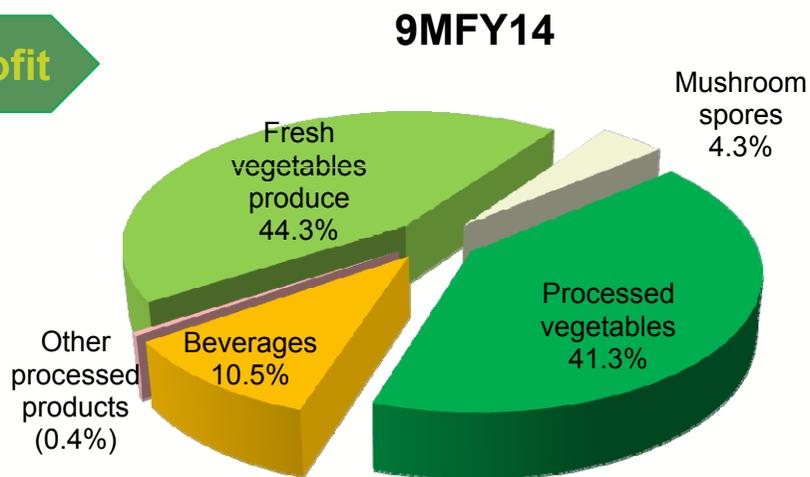
(RMB'million)	9 months ended 31 Mar			3 months ended 31 Mar		
	9M FY14	9M FY13	% Change	3Q FY14	3Q FY13	% Change
<b>Revenue</b>	<b>2,233.0</b>	<b>2,436.5</b>	<b>(8.4%)</b>	<b>690.3</b>	<b>962.2</b>	<b>(28.3%)</b>
<b>Processed Business Segment</b>	<b>1093.7</b>	<b>1343.8</b>	<b>(18.6%)</b>	<b>366.6</b>	<b>587.5</b>	<b>(37.6%)</b>
Processed vegetables	1093.7	1343.8	(18.6%)	366.6	587.5	(37.6%)
<b>Cultivation Business Segment</b>	<b>894.4</b>	<b>875.3</b>	<b>2.2%</b>	<b>229.0</b>	<b>326.5</b>	<b>(29.9%)</b>
Fresh vegetables produce	757.5	784.7	(3.5%)	229.0	326.5	(29.9%)
Mushroom spores	136.9	90.6	51.2%	-	-	-
<b>Branded Business Segment</b>	<b>244.9</b>	<b>217.4</b>	<b>12.6%</b>	<b>94.8</b>	<b>48.2</b>	<b>96.7%</b>
Beverages	219.5	147.0	49.3%	88.1	28.1	213.9%
Others	25.4	70.4	(63.9%)	6.7	20.1	(66.7%)
<b>Gross Profit</b>	<b>731.7</b>	<b>823.0</b>	<b>(11.1%)</b>	<b>244.9</b>	<b>322.8</b>	<b>(24.1%)</b>
<b>Processed Business Segment</b>	<b>302.2</b>	<b>392.5</b>	<b>(23.0%)</b>	<b>96.5</b>	<b>160.0</b>	<b>(39.7%)</b>
Processed vegetables	302.2	392.5	(23.0%)	96.5	160.0	(39.7%)
<b>Cultivation Business Segment</b>	<b>355.3</b>	<b>378.7</b>	<b>(6.2%)</b>	<b>111.7</b>	<b>155.8</b>	<b>(28.3%)</b>
Fresh vegetables produce	323.9	362.7	(10.7%)	111.7	155.8	(28.3%)
Mushroom spores	31.4	16.1	95.3%	-	-	-
<b>Branded Business Segment</b>	<b>74.2</b>	<b>51.8</b>	<b>43.2%</b>	<b>36.8</b>	<b>7.0</b>	<b>425.7%</b>
Beverages	77.3	45.2	71.0%	37.8	6.3	496.0%
Others	(3.1)	6.6	N.A.	(1.0)	0.7	N.A.
<b>Gross Margin</b>	<b>32.8%</b>	<b>33.8%</b>	<b>(1.0ppt)</b>	<b>35.5%</b>	<b>33.5%</b>	<b>2.0ppt</b>
<b>Processed Business Segment</b>	<b>27.6%</b>	<b>29.2%</b>	<b>(1.6ppt)</b>	<b>26.3%</b>	<b>27.2%</b>	<b>(0.9ppt)</b>
Processed vegetables	27.6%	29.2%	(1.6ppt)	26.3%	27.2%	(0.9ppt)
<b>Cultivation Business Segment</b>	<b>39.7%</b>	<b>43.3%</b>	<b>(3.6ppt)</b>	<b>48.8%</b>	<b>47.7%</b>	<b>1.1ppt</b>
Fresh vegetables produce	42.8%	46.2%	(3.4ppt)	48.8%	47.7%	1.1ppt
Mushroom spores	23.0%	17.8%	5.2ppt	-	-	-
<b>Branded Business Segment</b>	<b>30.3%</b>	<b>23.8%</b>	<b>6.5ppt</b>	<b>38.8%</b>	<b>14.5%</b>	<b>24.3ppt</b>
Beverages	35.2%	30.8%	4.4ppt	42.9%	22.6%	20.3ppt
Others	N.A.	9.4%	N.A.	N.A.	3.3%	N.A.

# Segmental Revenue by Proportion

## Revenue



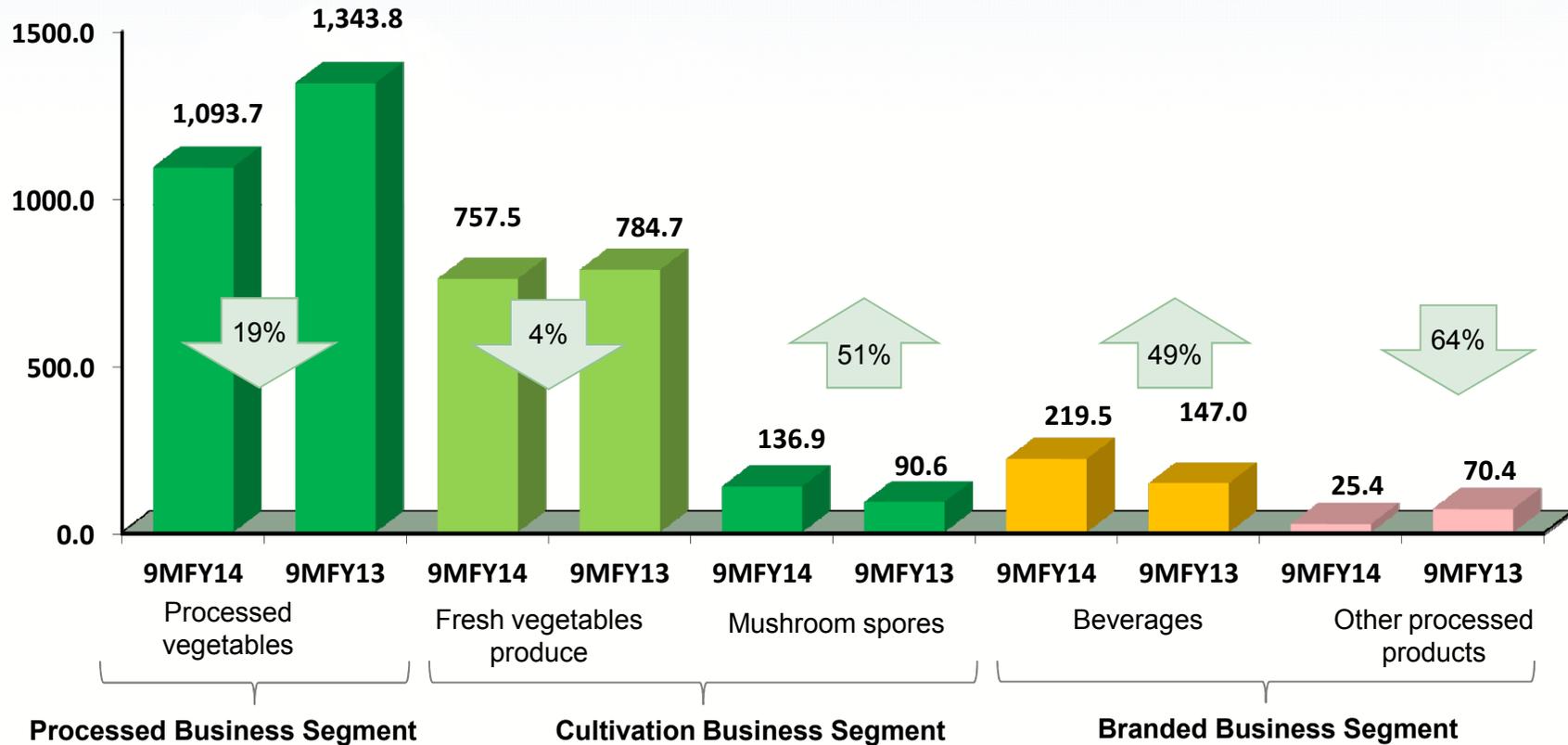
## Gross Profit



Footnote: "Other processed products" comprises of IQF processed products and other miscellaneous products (such as instant food and health food products).

## Revenue breakdown across segments

RMB' million



### ■ Processed vegetables:

- ✓ Revenue from processed vegetables declined 19%, mainly due to reduced orders for fresh-packed products.

### ■ Cultivation business (Fresh vegetables produce, mushroom spores):

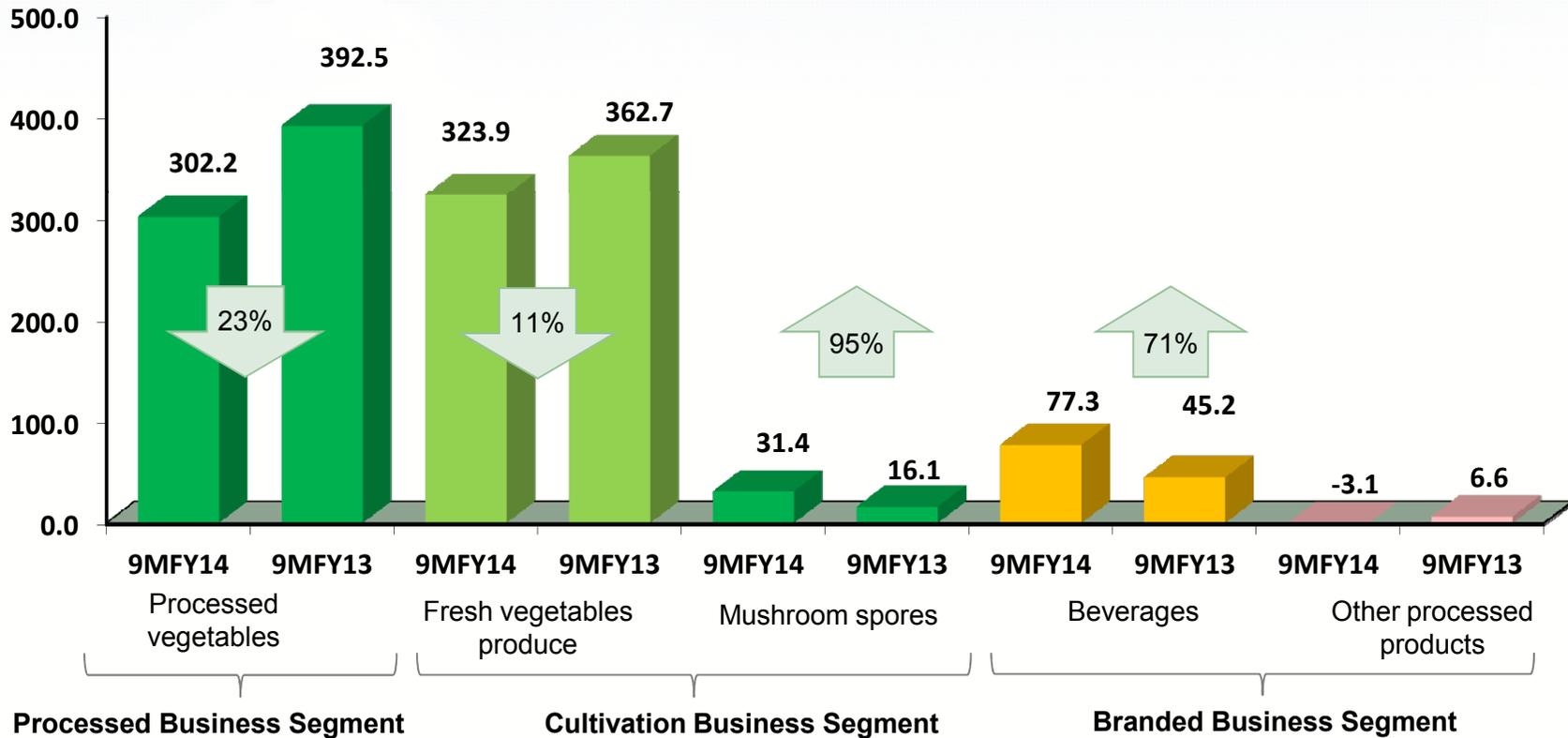
- ✓ Revenue from fresh vegetables produce remained fairly constant at RMB757.5 million (9MFY13: RMB784.7 million).
- ✓ Mushroom spores sales increased 51%, underpinned by a 33% growth in trading volume and 13% rise in ASP.

### ■ Branded business (Beverages, other processed products):

- ✓ Revenue from beverages increased 49%, underpinned by a 42% surge in sales volume through an expansion of distribution channels and successful brand building efforts.

# Gross profit breakdown across segments

RMB' million



■ **Processed vegetables:**

- ✓ Gross profit from processed vegetables decreased by 23%, while gross margin declined by 1.6ppt to 27.6% due to increases in raw material costs.

■ **Cultivation business (Fresh vegetables produce, mushroom spores):**

- ✓ Gross profit from fresh vegetables produce declined 11% while gross margin slipped 3.4ppt to 42.8% on rising labour costs.

■ **Branded business (Beverages, other processed products):**

- ✓ Gross profit from beverages grew 71% while gross margin improved 4.4ppt to 35.2% due to lower unit fixed costs as production volume increased.

## ASP and Sales Volume Breakdown

	9MFY14 ASP/ RMB per kg	9MFY13 ASP/ RMB per kg	% Change	9MFY14 Sales volume/ '000 tonnes	9MFY13 Sales volume/ '000 tonnes	% Change
Processed vegetables <sup>(1)</sup>	37.16	34.99	6.2%	29.4	38.4	(23.4%)
Fresh vegetables produce	2.91	3.23	(9.9%)	260.2	242.8	7.1%

<sup>(1)</sup> The ASP and sales volume for processed vegetables may change due to different processing mix (eg. air-dried vs brining). Compared to fresh vegetables, ASP for processed vegetables is generally higher due to the higher value added processing, while volume for processed vegetables (particularly air-dried and freeze-dried products) is generally lower, due to the removal of water content during processing.

### Processed vegetables:

- ✓ Decrease in sales volume due to a higher proportion of air-dried products.
- ✓ Increase in average selling prices due to a higher proportion of air-dried products and improved product mix.

### Fresh vegetables produce

- ✓ Increase in sales volume arising from improving yield from farmland.
- ✓ Decline in ASP due to a change in product mix.

## Financial Summary

Balance Sheet (Key Highlights)			
(RMB'million)	As at 31 Mar 2014 (unaudited)	As at 30 June 2013 (audited)	% Change
<b>Total Assets</b>	<b>6,908.9</b>	<b>5,834.9</b>	<b>18.4%</b>
Non-current assets	2,967.9	2,980.7	(0.4%)
Property, plant and equipment	2,139.1	2,068.5	3.4%
Land use rights	132.4	123.7	7.0%
Land improvement costs	195.7	259.7	(24.6%)
Operating lease prepayments	344.7	372.8	(7.5%)
Current assets	3,941.0	2,854.2	38.1%
Inventories	94.7	69.4	36.5%
Trade receivables	519.8	1,098.0	(52.7%)
Other receivables and prepayments	182.5	761.2	(76.0%)
Cash and bank balances	3,059.4	826.4	270.2%
<b>Total Liabilities</b>	<b>1,819.9</b>	<b>1,064.9</b>	<b>70.9%</b>
Non-current liabilities	980.3	24.4	3,917.6%
Government grants	19.3	21.7	(11.1%)
Bank term loans	903.5	-	N.A.
Current liabilities	839.6	1,040.5	(19.3%)
Trade Payables	146.8	303.7	(51.7%)
Bank term loans	545.6	635.6	(14.2%)
Other payables and accruals	142.0	97.8	45.2%
<b>Shareholders' equity</b>	<b>5,089.1</b>	<b>4,770.0</b>	<b>6.7%</b>
<b>Net Assets Value per share (RMB)</b>	<b>7.76</b>	<b>7.28</b>	<b>6.6%</b>

## Notes to Balance Sheet

### Assets

- Property, plant and equipment (“PPE”) as at 31 March 2014 remained relatively unchanged compared to PPE as at 30 June 2013.
- Land improvement costs and operating lease prepayments decline on the back of depreciation and amortization expenses.
- Inventory level increased from RMB69.4 million to RMB94.7 million, as the Group entered into the operating peak period.
- Trade receivables level declined from RMB1.1 billion to RMB519.8 million, on the back of prompt receivables collection.
- Other receivables and prepayments, comprising mainly advances to suppliers for raw material purchases as well as deposits paid for the construction of new industrialized farming facilities, declined from RMB761.2 million to RMB182.5 million.
- Cash and bank balances improved from RMB826.4 million as at 30 June 2013 to RMB3,059.4 million as at 31 March 2014.

### Liabilities

- Increase of long term bank borrowings by RMB903.5 million, as the Company entered into a term loan facility for the restructuring of the Group’s debts from short term to long term borrowings.
- Decrease in short term bank borrowings from RMB635.6 million to RMB545.6 million due to repayment of some bank loans.
- Decrease in trade payables from RMB303.7 million to RMB146.8 million, after some payment to suppliers.
- Other payables and accruals increased from RMB97.8 million to RMB142.0 million.

## Financial Summary

Cash Flow Highlights						
(RMB'million)	For 9 months ended 31 Mar			For 3 months ended 31 Mar		
	9MFY14	9MFY13	% Change	3QFY14	3QFY13	% Change
Net cash from operating activities	1,239.5	887.5	39.7%	505.4	280.5	80.2%
Net cash generated from/ (used in) investing activities	237.9	(587.6)	N.A.	(49.9)	(391.7)	(87.3%)
Net cash generated from/ (used in) financing activities	794.0	333.7	137.9%	268.0	346.0	(22.5%)
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>2,271.4</b>	<b>633.6</b>	<b>258.5%</b>	<b>723.4</b>	<b>234.7</b>	<b>208.2%</b>
<b>Cash and cash equivalents at beginning of financial period</b>	<b>826.4</b>	<b>66.2</b>	<b>1,148.3%</b>	<b>2,348.7</b>	<b>491.6</b>	<b>377.8%</b>
Effect of exchange rate changes	2.8	(5.3)	N.A.	7.4	(6.2)	N.A.
Pledged cash to notes payables <sup>(1)</sup>	(41.2)	35.0	N.A.	(20.0)	9.3	N.A.
<b>Cash and cash equivalents at the end of financial year</b>	<b>3,059.4</b>	<b>729.5</b>	<b>319.4%</b>	<b>3,059.4</b>	<b>729.5</b>	<b>319.4%</b>

- Net cash from operating activities increased by 39.7% in 9MFY14 and 80.2% in 3QFY14, underpinned by healthy receipts of trade receivables and better working capital management.
- Net cash generated from investing activities amounted to RMB237.9 million in 9MFY14, mainly due to proceeds from construction deposits.
- Increase in net cash generated from financing activities from RMB333.7 million in 9MFY13 to RMB794.0 million in 9MFY14, mainly due to an increase in bank borrowings.
- Cash and bank balances increased to RMB3.1 billion as at 31 March 2014 (30 June 2013: RMB826.4 million).

## Key Financial Indicators

	For trailing 12 months ended	
	31 Mar 2014 (unaudited)	30 Jun 2013 (audited)
<b>Working Capital Days</b>		
Trade Receivable Turnover Days <sup>(1a)</sup>	97	116
Trade Payable Turnover Days <sup>(1b)</sup>	(50)	(44)
Inventory Turnover Days <sup>(1c)</sup>	24	21
Cash Conversion Days	70	93
<b>Liquidity Ratios</b>		
Total Cash and Cash Equivalents (RMB 'mil)	3,059.4	826.4
Total Debt (RMB 'mil)	1,449.1	635.6
<b>Net Gearing Ratio <sup>(2)</sup></b>	Net cash	Net cash
<b>Current Ratio <sup>(3)</sup></b>	4.7	2.7

- Cash conversion days improved from 93 days to 70 days, mainly due to an improvement in trade receivable turnover from 116 days to 97 days.
- Improvement in current ratio mainly due to increase in cash and cash equivalents over the period.

Footnote:

(1a) Average trade receivables/ revenue x 365 days

(1b) Average trade payables/ cost of goods sold x 365 days

(1c) Average inventory balance/ cost of goods sold for processed products x 365 days

(2) Net Gearing Ratio is calculated by dividing total debt less cash and cash equivalents over equity.

(3) Current Ratio is calculated by dividing current assets over current liabilities.

# Agenda

Financial Performance Review

**Outlook & Growth Strategies**

Appendix



# Favorable industry conditions and strong government support

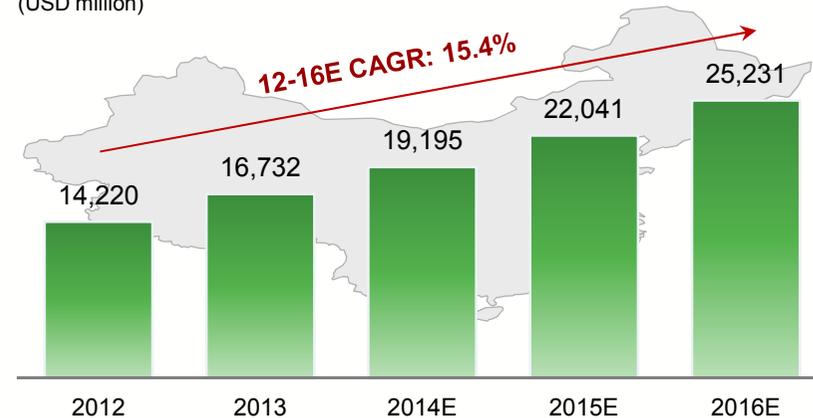
## World's top producer of vegetables

Estimated breakdown of production volume of fresh vegetables produce and processed vegetables by nations (2011)

Country	Production (million MT)	Share of global production
1. China 	677.0	56.3%
2. India 	125.5	10.4%
3. US 	38.4	3.2%

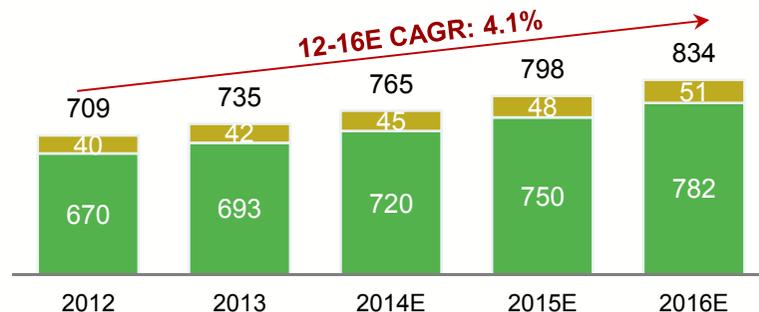
## PRC vegetables export market poised for continued strong growth

Market size of vegetables exports (PRC), 2012–2016E  
(USD million)



## Robust PRC vegetables consumption

Market size of vegetables consumption (PRC), 2012–2016E  
■ Fresh (million MT) ■ Processed (million MT)



## Positive industry fundamentals

- ✓ Favorable PRC government initiatives supporting large-scale farming
- ✓ Fast response to changes in the market
- ✓ Low cost competitive advantage
- ✓ Strong demographics and steady growth in population
- ✓ Increasing awareness for a healthier diet

Source: FAO of United Nations, Ministry of Agriculture of PRC, China Customs, Frost & Sullivan

# PRC government's supportive initiatives

## PRC's 12<sup>th</sup> Five Year Plan continues to support large-scale farming

### 1 Food security / ensuring food supply

- Optimizing variety structure, improving yield and **standardizing the management of large-scale farmland**

### 3 Improve farmers' living standards

- Provide **more benefits** to farmers, broaden their **income channels** and improve **farmers' living and working standards**

### 2 Food safety

- Enhance animal & plant **disease prevention and control** and improve agricultural products **quality assurance**

### 4 Development of modern agriculture

- Promote **establishment / integration of modern technologies** in agriculture, **mechanization** of labor and **information management** of production

- ✓ Status of "National Leading Dragon Head Enterprise" in the agricultural sector enabled Minzhong to **secure good agricultural farmland with ease** and **receive government subsidies** for projects
- ✓ Less than 2% of PRC's total vegetable production is contributed by large-scale corporations and collective enterprises, signifying **ample room for growth and consolidation**
- ✓ **Higher cultivation yield** relative to individual farmers
- ✓ **Strong financial capabilities** to lease land from farmers and employ farmers. Farmers earn at least twice their annual income through leasing their farmland to the corporations and providing labour .

Source:  
USDA Foreign Agriculture Service; China's 12<sup>th</sup> Five Year Plan; equity research reports

# PRC's No. 1 Central Document for 2014 targets rural reform

**China.org.cn**

## No.1 Central Document targets rural reform

Xinhua, January 20, 2014



The "No. 1 document," issued every January by the Party's Central Committee and the State Council, has focused on rural matters every year since 2004.  
[photo / China.org.cn]

China's top policy priorities for 2014 will be improving the rural environment and maintaining food security, according to a key policy document issued yesterday.

The "No. 1 document," issued every January by the Party's Central Committee and the State Council, has focused on rural matters every year since 2004.

This year's document also focuses on the development of "modern agriculture" and lays out improvements in the way the countryside is governed.

**inhuanet**   China   World   Business   Entertainment   Sports   Culture & Edu   Sci & Tech   Health   Odd   Travel   In-depth   Photos   Video

## FACTBOX: China's 11 No.1 central documents on agriculture



English.news.cn | 2014-01-19 22:53:40 | Editor: yan

BEIJING, Jan. 19 (Xinhua) -- The Chinese government on Sunday unveiled its first policy document for 2014, underscoring more rural reforms and planning the development of modern agriculture.

The No. 1 Central Document comes from the Central Committee of the Communist Party of China and the State Council, the Cabinet.

China will improve the mechanisms for safeguarding food security, seek sustainable agricultural growth while balancing rural and urban development, deepening rural land reforms and promoting financial support for rural areas, the document said.

This is the 11th consecutive year that the No. 1 document has focused on rural issues. The 10 previous documents were as follows:

-- The No. 1 Central Document issued on Jan. 31, 2013, put the theme on "speeding up the modernization of agriculture and further strengthening the vitality of rural growth."

It listed ensuring grain security and supplies of major farm produce as the top priority in developing modern agriculture.

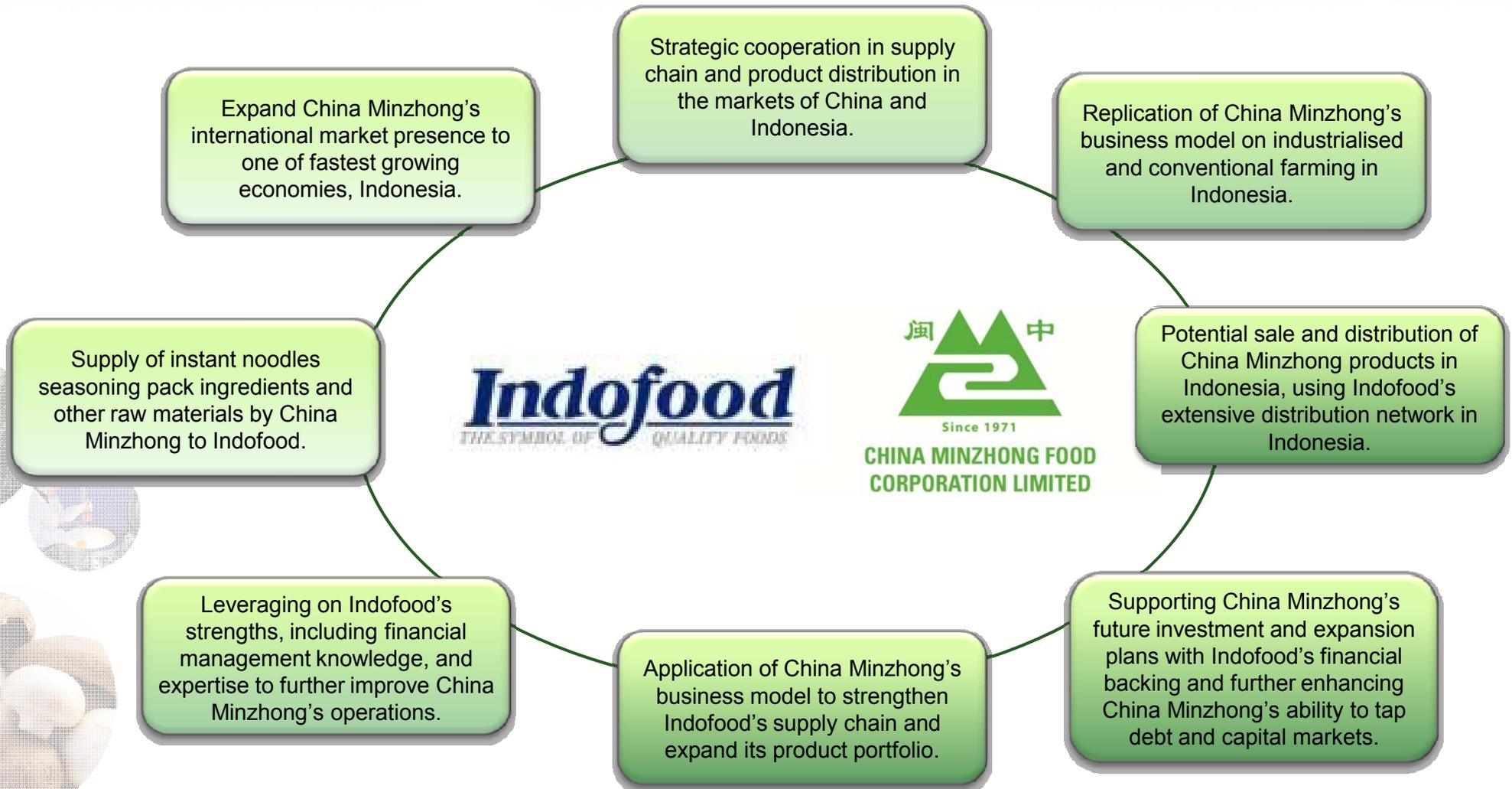
Policies to speed up the transfer of rural land and offer more subsidies to family farms and farmer's cooperatives were promised, in an effort to develop large-scale farming.

-- The No. 1 Central Document issued on Feb. 1, 2012, took "accelerating the scientific and technological innovation to strengthen supply of agricultural products" as its theme.

Sources: [www.china.org.cn](http://www.china.org.cn); xinhua net;

## Strategic investment by Indofood

Indofood considers China Minzhong's business to be strategically complementary to Indofood's business and that various opportunities exist for strategic integration and synergies, including:



# Key growth strategies

## 1 Continued shift of product mix towards higher value products

- Rising affluence of China's population → increased demand for champignon mushrooms, king oyster mushrooms and black fungus
- Introduction of wider range of products and optimization of product mix to meet demands of changing demographics and market factors

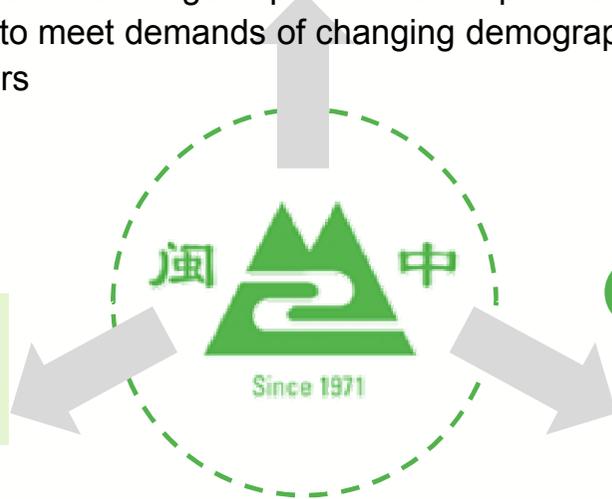


## 3 Expansion of sales and distribution networks

- Expands domestic and international sales and distribution networks
- Targets expansion in areas of increasing affluence
- Increases points of sale and distribution

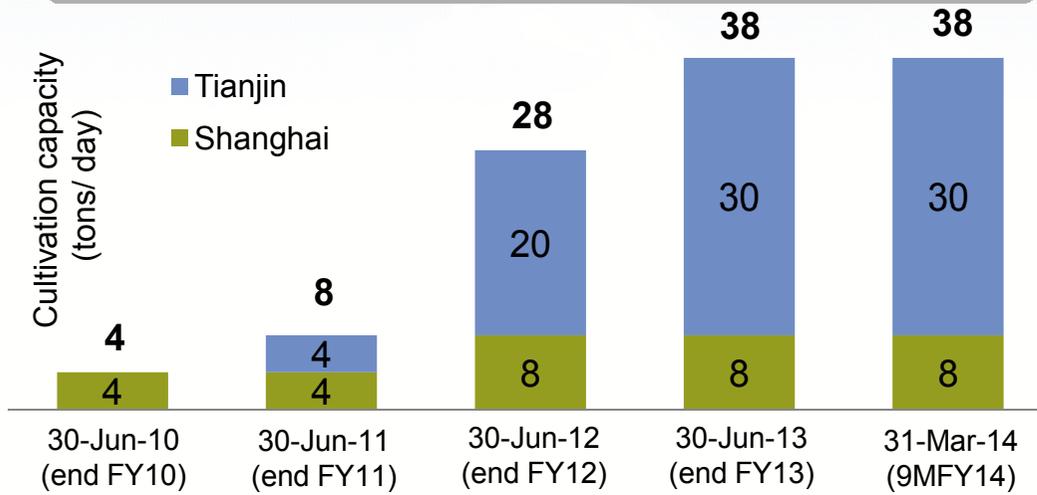
## 2 Continued expansion of industrialized farming operations

- Increases production capacity, yields and scale of operations
- Decreases direct labor costs
- Reduces risks of adverse weather



## Expanding industrialized farming footprint across PRC

### King oyster mushroom cultivation capacity



King oyster mushroom industrialised farming facilities in Shanghai.



Kick start of champignon mushrooms industrialised farming in Tianjin.

## Cultivation of champignon mushrooms using industrialized farming

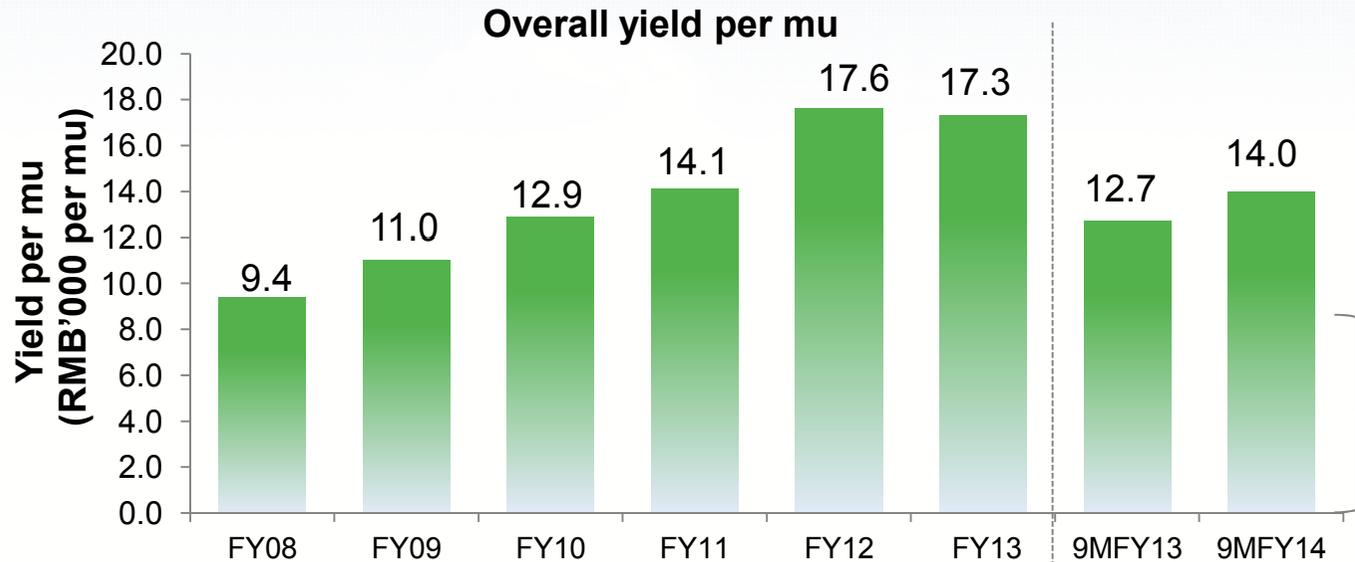


*Front view of Tianjin Minzhong's second phase of industrialized farming facilities*

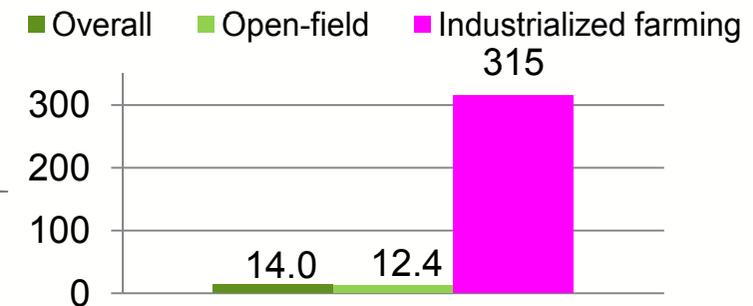
### Strategy

- ✓ During peak season – industrialized farming of champignon mushrooms in-house for processing needs. This reduces the Group's working capital needs in outsourcing cultivation to contract farmers.
- ✓ During off-peak season – to sell fresh champignon mushrooms in domestic PRC markets to capitalize on the high selling prices.
- ✓ Group will continue to explore the industrialized farming of other high value crops to tap on the rising affluence in the PRC markets and overseas.

## Increasing Cultivation Yield



### 9MFY14 yield per mu breakdown (RMB'000)



#### Footnote:

Yield per mu is calculated by dividing the sales of fresh vegetable produce (excluding sales from bamboo plantation and mushroom spores) for the respective financial years and the average productive land area of Own Bases (excluding land area of bamboo plantation).

#### □ Increasing yield per mu (RMB per mu) from FY08 - FY12 due to:

- ✓ Group's continued shift towards higher value products.
- ✓ Maturing farmland profile.
- ✓ Food inflation
- ✓ Increased focus in industrialized farming in recent years.

✓ The above chart is illustrative of the comparison between open farming of general vegetables type and industrialized farming of king oyster mushrooms.

✓ Yield of industrial farming is approx. 25 x of conventional open-field farming.

✓ Group to focus more on expansion of industrialized farming going forward.

# Agenda

Financial Performance Review

Outlook & Growth Strategies

**Appendix**



# Advantages of Industrialized farming

## What is industrialized farming?

- Cultivation of vegetables under closed-room, air-conditioned environment
- Centralized system control of cultivation parameters such as temperature, humidity, air-circulation flow, etc to ensure optimal conditions for the growth of crops full-year round



*Fermentation of mushroom substrate*



*Introduction of mushroom spores into substrate*



*Quality Control Process*



*Packaging*

## Advantages of industrialized farming

- ✓ Ability to grow vegetables even during off-peak seasons when local climatic conditions are not conducive
- ✓ Centralized system-controlled and 24 hours monitoring of cultivation conditions enables real-time fine-tuning of cultivation parameters such as temperature, humidity and air circulation flow to suit the various phases of cultivation
- ✓ Less labor intensive and standardized cultivation procedures allow for higher productivity of labor due to specialization
- ✓ Consistent yield which is not susceptible to changes in weather patterns.
- ✓ Stack farming methodology (up to 2 meters in height) to fully optimize use of space
- ✓ Factory environment allows grower to source for labor at provincial or even national level

## Investor Relations Contact

### China Minzhong Food Corporation Limited

Dave Tan, VP - Investor Relations

Tel: +65 6346 7506

Fax: +65 6346 0787

Email: [dave@chinaminzhong.com](mailto:dave@chinaminzhong.com)

Website: [www.chinaminzhong.com.sg](http://www.chinaminzhong.com.sg)

