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Since 1971

# CHINA MINZHONG FOOD CORPORATION LIMITED

## ANNUAL REPORT 2015

**OUR VISION is to be the preferred producer of top quality fresh and processed vegetables globally. We are committed to adopting international standards of management throughout our business and aim to pursue excellence in everything that we do.**

# CONTENTS

# CORPORATE **PROFILE**

Operating since 1971, China Minzhong Food Corporation Limited ("China Minzhong") is one of the few companies in the People's Republic of China ("PRC") that possesses both processing capabilities as well as its own cultivation bases. Headquartered in Putian City, Fujian Province, PRC, China Minzhong has a diversified and complementary product portfolio and is recognised for its product quality and reliability. China Minzhong's portfolio comprises three key business divisions, namely the Processed, Cultivation and Branded business segments.

Through its decades of experience, China Minzhong has developed an integrated demand-driven operation with wide-ranging cultivation and processing capabilities. China Minzhong manages and plans its cultivation and processing schedules based on advanced sales orders received from its customers. This demand-driven cultivation and production approach not only allows China Minzhong to meet its customers' requirements and market demand, it also enables the Group to achieve high productive efficiency by ensuring a stable supply of products and establishing better control over costs. This demand-driven integrated business model differentiates China Minzhong from its peers and has helped the Group develop long-term relationships with many of its key customers. The Group also produces its own branded beverages (such as loquat tea and loquat juice) under the flagship brand name of "Zhentian (真田)", which are currently sold domestically in PRC.

The Group's strategically located and geographically diversified cultivation bases in the PRC, as well as its network of suppliers of fresh and semi-processed vegetables throughout the country, enables the Group to employ a seasonally complementary approach to cultivation and leverage on favourable climatic conditions to secure fresh vegetables produce for its processing needs throughout the year. China Minzhong has an extensive processing platform that encompasses processing methods such as air-drying, freeze-drying, fresh-packing and brining, which allows the Group to offer various types of processed vegetables to its PRC and global customers.

China Minzhong has received numerous international and domestic awards as well as certifications for its quality management system and food safety standards. In 2013, China Minzhong is on Forbes Asia's 200 Best Under a Billion List. China Minzhong has also been named a "National Leading Dragon Head Enterprise" by the PRC Government since December 2002 in recognition of its status as a leading agricultural enterprise.

The Group is well poised for further growth and success under the helm of a group of experienced industry veterans. In particular, our CEO and Executive Director Mr Lin Guo Rong, Chief Operations Officer Mr Wang Da Zhang and Chief Technology Officer Mr Huang Bing Hui have been working together for more than 40 years in our Group and its predecessors and have vast experience in the vegetables cultivation and processing industry.

In 2013, PT Indofood Sukses Makmur Tbk became a majority shareholder of China Minzhong, laying the foundations for strategic business collaborations between the two companies.

# LETTER TO SHAREHOLDERS

**"The commencement of new industrialised farming facilities in our Jiangsu and existing industrialised farming bases in Tianjin and Sichuan will pave the way for the Group's shift from conventional farming to industrialised farming going forward."**

# Dear Shareholders,

On behalf of the Board of Directors of China Minzhong Food Corporation Limited, I am pleased to present the audited consolidated financial statements for the financial year ended 30 June 2015. The Group posted an overall revenue and net profit of approximately RMB2 billion and RMB320 million respectively.

## Year in Review

China's economic growth is gradually slowing as the structural transformation of the economy continues. Concerns about constraints to sustainable food production due to urbanisation are increasing. With urbanisation, rural labor will continue to move to the cities, and migration will further drive up labour and production cost in agriculture. Scarcity of rural labour and rising labour costs continue to weigh down on our operating performance.

The capacity expansion for industrialised farming has yet to kick off in a large scale and revenue streams from the cultivation business segment were still derived mainly from the labour intensive conventional farmland. The higher costs and general inflationary pressures have translated into higher raw material prices for our processed business segments, resulting in our processed vegetable products being less price competitive in the export markets.

We continue to build on our strengths in edible fungi products, which contributed over 50% of the Group's revenue from the processed and cultivation business segments. Champignon mushrooms remained the single largest product by revenue.

## Outlook

The agriculture industry in PRC continues to be strongly supported and favoured by the PRC government, particularly in the use of modern agriculture technology to increase food security. According to the No. 1 Central Document this year, PRC is looking to step up reforms and innovation to speed up the modernization of agriculture. In particular, PRC will strive to transform the development mode of agriculture and boost policies that benefit farmers. The Group believes such favourable policies to be beneficial to the agricultural landscape in the long term.

Labour costs are expected to continue rising and have an impact on our operating costs. Along with rising urbanisation, we are also expecting growing labour shortage in the rural areas in the future. In view of this, we see our expansion into industrialised farming as a step in the right direction. Besides having access to a larger labour pool and being able to harvest all year round without weather disruptions, the standardised cultivation procedures in industrialised farming allow for more labour specialisation and lesser reliance on labour. The commencement of new industrialised farming facilities in our Jiangsu and existing industrialised farming bases in Tianjin and Sichuan will pave the way for the Group's shift from conventional farming to industrialised farming going forward.

## Appreciation

In closing, I would like to express our sincere appreciation to our management team and staff for their dedication and contributions to the company and our business partners for their unwavering support. Your continued confidence in our company in these challenging times have spurred us on to attain goals together. To reward our shareholders, we have paid an interim dividend of S$0.0643 per share for the financial year ended 30 June 2015. We hope our stakeholders will continue to embrace our vision to be the preferred producer of top quality fresh and processed vegetables globally.

**Lin Guo Rong**
Executive Chairman and Chief Executive Officer

# GEOGRAPHICALLY DIVERSIFIED **OPERATIONS**

Our cultivation and processing operations are geographically diversified across PRC.

# CORPORATE MILESTONES

## 1971
Established and begun operations in vegetables processing and export.

## 1985
Nationalised as a State-Owned Enterprise ("SOE") in PRC.

## 1999
Introduced freeze-drying, fresh-packing, brining and IQF to the Group's vegetables processing methods to meet customers' needs and widen product range.

## 2002
Awarded the National Leading Dragon Head Enterprise award (农业产业化国家重点龙头企业) by the Ministry of Agriculture and other government authorities.

## 2004
Management buyout of Fujian Minzhong Organic Food Co., Ltd. under a government scheme to privatise certain non-core stateowned assets. The Company also raised additional capital of S$9 million from investors by means of a convertible loan to fund its expansion and became a wholly owned foreign enterprise.

## 2005
Awarded ISO 9001:2000 Quality Management System Certificate. HACCP-EC-01 (ISODIS22000) Certificate of Food Safety Management System and GB/T:28000 Occupational Health & Safety Management Certificate.

## 2006
Further diversified geographical presence in China through establishment of cultivation bases in Shanghai, Sichuan and Inner Mongolia.

HFIL (wholly owned private equity fund managed by CMIA Capital Partners Pte. Ltd.) and Olympus Leaf (wholly owned private equity fund managed by Olympus Capital Holdings Asia) as well as Tetrad Ventures (wholly owned by Government of Singapore Investment Corporation (Ventures) Pte. Ltd.) became shareholders of the Company and subscribed for redeemable convertible bonds aggregating US$23 million.

## 2008
Awarded the ISO14000: Environment Management System Certificate.

Additional funding from OCBC Capital through a convertible loan of US$9 million.

## 2009
Awarded Organic Certification by BCS Oko-Garantie GmbH for bamboo shoots, cauliflowers, tomatoes, shiitake mushrooms, green onions, spring onions, garlic, celery, cabbage and broccoli. Produced in accordance with standards adopted by the European Union.

## 2010
Successfully listed on the Singapore Exchange Mainboard in April 2010.

## 2011
Official opening of Phase 1 of New Industrial Park processing facilities located in Putian City, Fujian Province.

## 2012
Successful certification by U.S. Food and Drug Administration ("FDA").

## 2013
Indonesia's PT Indofood Sukses Makmur Tbk ("Indofood") acquired 29.3% of shareholdings to become single largest shareholder in February 2013.

Named as one of the companies under Forbes Asia's 200 Best under a Billion List.

Indofood raises stake in China Minzhong to 82.88% following the General Offer in September 2013.

## 2014
Successfully expanded the distribution network of the beverage business across China.

## 2015
Commencement of new industrialised farming facilities in Jiangsu and Tianjin.

# BOARD OF DIRECTORS

## LIN GUO RONG

*Executive Chairman and CEO*

Lin Guo Rong, Executive Chairman and CEO, is responsible for the overall management and business strategies development of the Group. Mr Lin has been with the Group and its predecessors for more than 40 years and has vast management and operational experience in the vegetables processing business. Mr Lin's visionary leadership and entrepreneurial success have been recognised with numerous awards, including "Top Hundred Entrepreneurs" by the China Media Development Institute and other development institutes; "Top Ten Individuals of the PRC Vegetables Produce Industry" by the PRC Vegetables Industry Professional Committee; "Fujian Province Model Labour" (福建省劳动模范) by the Fujian Province People's Government; and "Putian City Outstanding Entrepreneur" by the Putian Municipal People's Government. Mr Lin has been the vice-chairman of the Fujian Agricultural Industry Dragon Head Enterprise Association since 2003 and has been appointed a People's Representative of Putian People's Congress since 1987. He was also recognised as a senior economist by the Fujian Province Human Resource Agency in 1997.

## SIEK WEI TING

*Executive Director and Chief Financial Officer*

Siek Wei Ting, Executive Director and Chief Financial Officer, joined the Group in 2004 and is responsible for the overall financial and accounting functions of the Group. Mr Siek has over ten years of professional experience in audit and corporate management. He was an audit supervisor at Deloitte & Touche and Ernst & Young, as well as Senior Vice President at Southern Bank Berhad, where he was responsible for commercial and retail banking operations. Mr Siek was previously also Chief Executive Officer of EBBiS Pte Ltd. Mr Siek graduated from the Nanyang Technological University of Singapore with a degree in accounting and was awarded the Nanyang Outstanding Young Alumni Award Recipient (2008) by the University for his outstanding career achievements. He is also currently the Vice-Chairman of the Putian South Shaolin Temple Pugilistic Association.

## HENDRA WIDJAJA

*Non-Executive Director*

Hendra Widjaja has been the Head of Corporate Controller Division of PT Indofood Sukses Makmur Tbk. ("**PT Indofood**") since 2012. He concurrently serves as Director of PT Indofood CBP Sukses Makmur Tbk., Director of PT Indolakto, and as Commissioner of PT Salim Ivomas Pratama Tbk.. Mr Widjaja is also Commissioner of PT PP London Sumatra Indonesia Tbk., President Commissioner of PT Tirta Makmur Perkasa, Commissioner of PT Tirta Sukses Perkasa, and a Director of Ocean 21 Pte Ltd. Mr Widjaja has previously held management positions in several operating business units of PT Indofood and served as Director and Chief Financial Officer of PT Indomarco Adi Prima between 2001 and 2002. From 2002 to 2012, Mr. Widjaja served as the Deputy Division Head of the Corporate Controller Division of PT Indofood. Mr Widjaja holds a Bachelor's degree in Management and Finance from the Catholic University of Atma Jaya in Jakarta, Indonesia.

## KASIM RUSMIN

*Alternate Director to Mr Hendra Widjaja*

Mr Kasim Rusmin has been the Head of Corporate Treasury Division of PT Indofood Sukses Makmur Tbk. since 2012. He is also a director of PT Asahi Indofood Beverage Makmur, commissioner of PT Indofood Asahi Sukses Beverage, director of PT Tirta Sukses Perkasa and director of PT Tirta Makmur Perkasa.Prior to joining PT Indofood Sukses Makmur Tbk., Mr Kasim was a director and Head of Corporate Finance of PT DBS Vickers Securities Indonesia from 2005 until 2009 and he was a director and Head of Corporate Finance of PT ING Securities Indonesia until 2004. Mr Kasim holds a Master's degree in Business Administration from the University of Portland in Oregon, United States of America and a Bachelor's degree in Finance from the Oregon State University in Oregon, United States of America.

## GOH KIAN CHEE

*Independent Director*

Mr Goh is presently a Consultant in the National University of Singapore, Centre for the Arts. He is an Independent Director of IndoFood Agri Resources Ltd and AsiaMedic Limited. Mr Goh started his career as an audit trainee with Goldblatt & Co (UK). He joined American International Assurance Pte Ltd in 1981 as an Accounting Supervisor. In 1982, he became a Regional Internal Auditor in Mobil Oil Singapore Pte Ltd and rose to the position of Regional Credit and Insurance Manager in 1987. In 1990, he was transferred to Mobil Petrochemicals International Ltd where he served as Regional Accounting Manager and later, as the Controller of the Asia Pacific region. Before his present role at the National University of Singapore, Mr Goh was the Regional Vice President & Controller as well as an Executive Director of John Hancock International Pte Ltd. Mr Goh has a Bachelor of Arts (Hons) degree in Accounting and Economics from Middlesex University in the United Kingdom.

## LIM YEOW HUA

*Independent Director*

Lim Yeow Hua, Independent Director, is currently the managing director of Asia Pacific Business Consultants Pte Ltd, a tax and business consultancy firm which he founded in 2006. In Mr Lim's more than 27 years of experience in the tax, financial services and investment banking industries, he has worked for Ernst & Whinney (now known as Ernst & Young LLP), the Inland Revenue Authority of Singapore, Pricewaterhouse (now known as PricewaterhouseCoopers), KPMG, Macquarie Investment Pte Ltd, UOB Asia Limited and BP. Mr Lim holds a Bachelor's degree in Accountancy and a Master's Degree in Business Administration from the National University of Singapore. He is a Fellow of the Institute of Singapore Chartered Accountants (ISCA) and a Full Member of the Singapore Institute of Directors. He is also an Accredited Tax Advisor of the Singapore Institute of Accredited Tax Professionals.

## LIM GEE KIAT

*Independent Director*

Lim Gee Kiat, Independent Director, is currently the Group Chief Financial Officer of Ying Li International Real Estate Ltd. Mr Lim's extensive work experience spanning more than twenty years, including stints in Nera Telecommunications Ltd, GIC Special Investments Pte Ltd the private equity arm of the Government of Singapore Investment Corporation Pte Ltd., DBS Group and SembCorp Industries. Mr Lim graduated with a Bachelor of Engineering (First Class Honours) in Electrical & Electronics from Nanyang Technological University and has a Masters of Business Administration from Nanyang Business School. Mr Lim is a Chartered Accountant with the Institute of Singapore Chartered Accountants.

# KEY MANAGEMENT

## WANG DAZHANG
*Chief Operations Officer*

Wang Dazhang, Chief Operations Officer, is responsible for the day-to-day operations of the Group. Mr Wang has been with the Group and its predecessors for more than 40 years and has vast experience in the vegetables processing industry. Mr Wang was appointed as a People's Representative of Putian City Chengxiang District People's Congress from 1992 to 1997 and was awarded "Putian City Model Labour" (莆田市劳动模范) by the Putian City People's Government in 2001.

## HUANG BING HUI
*Chief Technology Officer*

Huang Bing Hui, Chief Technology Officer, is responsible for all technical issues of the Group. He has been with the Group and its predecessors for more than 40 years with vast experience in the technical aspects of vegetable processing. He started out as a general worker and rose to become the head of the technical department. Mr Huang completed his high school education in the PRC.

## PROFESSOR LIN MEI XI
*Head of Processing Technology Team*

Professor Lin Mei Xi, Head of Processing Technology Team, is responsible for the research and development activities in the Group. Prior to joining the Group, Professor Lin was the deputy general manager of Putian Food Product Factory, as well as the senior engineer, processing technology manager, and general manager of Fujian Yajun Food Product Industry Co., Ltd. Professor Lin has been a certified senior engineer for more than 20 years and has extensive experience in food processing research. Professor Lin was appointed as and is currently a visiting professor with the College of Food Sciences of Fujian Agriculture and Forestry University and the College of Biological Science and Technology of Fuzhou University. Professor Lin graduated from Fuzhou University with a degree in Food Product Engineering in 1982.

## CHEN JIAN FANG
*Head of Cultivation Bases*

Chen Jian Fang, Head of Bases and Contract Bases, is responsible for the overall supervision and operations of the Group's Bases and Contract Bases. Mr Chen was certified as an Internal Inspector for China GAP by Sai Fu De (Xiamen) Food Technology Co., Ltd.. Mr Chen graduated from Fujian Agriculture and Forestry University with a degree in Agriculture Conservation.

## ZHENG LI XIA
*Head of Quality Assurance Department*

Zheng Li Xia, Head of Quality Assurance Department, is responsible for leading the Group in HACCP, ISO9001, ISO14001 and OHSAS18001 compliance training activities. Ms Zheng is trained in ISO9001 Quality System Management Standards, ISO14001 and OHSAS18001 and is certified by the China Certification & Inspection Group (Quality Certification Co., Ltd) as a qualified Quality Internal Auditor, State Registered Internal Inspector for both Environment Management System (ISO14001), as well as Occupational Health & Safety Management (OHSAS18001) and Internal Inspector for Quality Management System (ISO9001). Ms Zheng was also certified as an Internal Inspector for ChinaGAP by Sai Fu De (Xiamen) Food Technology Co., Ltd and an Internal Inspector for Onsite Production Management, Quality Inspection and 5S Management by CQCC. Ms Zheng graduated from Fujian Province Xianyou County Education with a high school education and obtained a certificate in Food Inspection (Intermediate level) from Fujian Province Putian City Occupational Skill Examination and Guidance Center.

## YU QIU RONG
*Head of Sales and Marketing Department*

Yu Qiu Rong, Head of Sales and Marketing Department, is responsible for all sales and marketing activities in the Group. Prior to joining the Group, Mr Yu was the supervisor of Fujian Shuang Feng Xue Ye Co., Ltd, as well as the supervisor of Fujian Hua Lun Ying Dyeing Factory in Putian. Mr Yu has a Bachelor of Business degree from Dong Bei Business University.

# EXPRESSING A **POSITIVE APPROACH** INTO FOOD

# FINANCIAL HIGHLIGHTS

## INCOME STATEMENT HIGHLIGHTS

| (RMB'million) | FY15 | FY14 | % Change |
|---|---|---|---|
| **Revenue** | **1,971.1** | **2,896.6** | **(32.0%)** |
| Processed Business Segment | 904.8 | 1,435.8 | (37.0%) |
| Cultivation Business Segment | 740.9 | 1,093.6 | (32.3%) |
| Branded Business Segment | 325.4 | 367.2 | (11.4%) |
| **Gross Profit** | **611.4** | **952.1** | **(35.8%)** |
| Processed Business Segment | 222.8 | 387.9 | (42.6%) |
| Cultivation Business Segment | 244.8 | 436.0 | (43.9%) |
| Branded Business Segment | 143.8 | 128.2 | 12.2% |
| **Gross Margin** | **31.0%** | **32.9%** | **(1.9ppt)** |
| Processed Business Segment | 24.6% | 27.0% | (2.4ppt) |
| Cultivation Business Segment | 33.0% | 39.9% | (6.9ppt) |
| Branded Business Segment | 44.2% | 34.9% | 9.3ppt |
| **EBITDA** | **677.9** | **884.9** | **(23.4%)** |
| EBITDA margin | 34.4% | 30.5% | 3.9ppt |
| **Net profit** | **320.5** | **509.5** | **(37.1%)** |
| Net income margin | 16.3% | 17.6% | (1.3ppt) |
| **Basic earnings per share (RMB)** | **0.49** | **0.78** | **(37.1%)** |
| **Diluted earnings per share (RMB)** | **0.49** | **0.78** | **(37.1%)** |

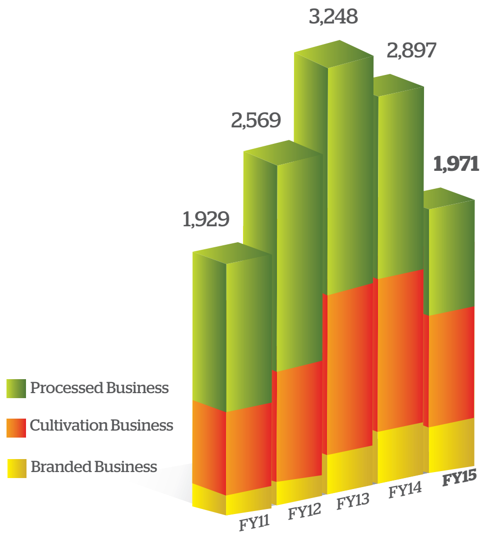
## BALANCE SHEET HIGHLIGHTS

| (RMB'million) | As at 30 June 2015 | As at 30 June 2014 | % Change |
|---|---|---|---|
| **Total Assets** | **7,592.5** | **7,021.9** | **8.1%** |
| Non-current assets | 2,629.2 | 2,934.0 | (10.4%) |
| Current assets | 4,963.3 | 4,087.9 | 21.4% |
| **Total Liabilities** | **2,359.5** | **1,802.1** | **30.9%** |
| Non-current liabilities | 872.0 | 976.3 | (10.7%) |
| Current liabilities | 1,487.5 | 825.8 | 80.1% |
| **Shareholders' equity** | **5,233.0** | **5,219.8** | **0.3%** |
| **Net Assets Value per share (RMB)** | **7.98** | **7.96** | **0.3%** |

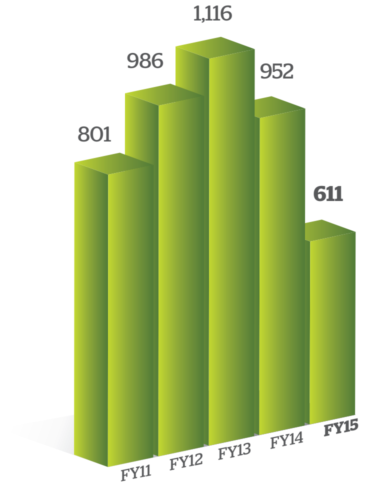
## CASH FLOW HIGHLIGHTS

| | For full year ended 30 June | | |
|---|---|---|---|
| (RMB'million) | FY15 | FY14 | % Change |
| Net cash from operating activities | 866.8 | 1,388.1 | (37.6%) |
| Net cash generated from investing activities | 76.3 | 263.6 | (71.1%) |
| Net cash generated from financing activities | 52.3 | 828.7 | (93.7%) |
| **Cash and cash equivalents at the end of financial year** | **4,261.9** | **3,267.4** | **30.4%** |

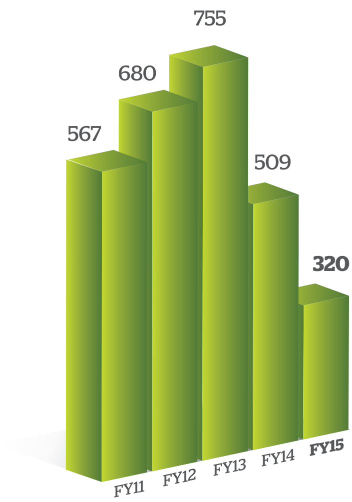
## REVENUE



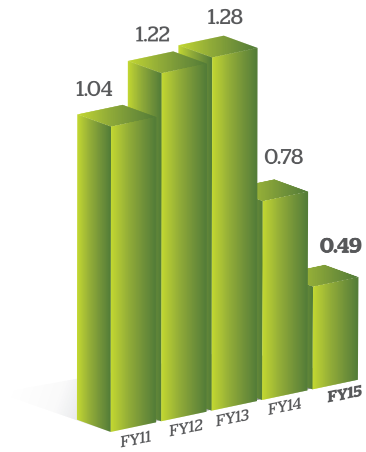

## GROSS PROFIT



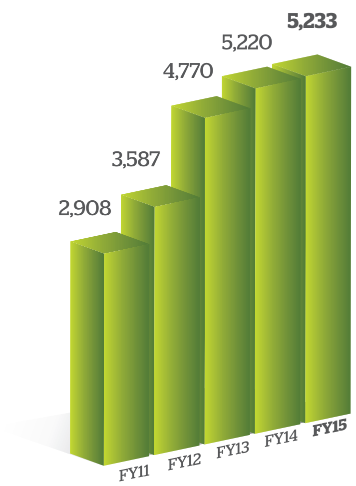

## NET PROFIT



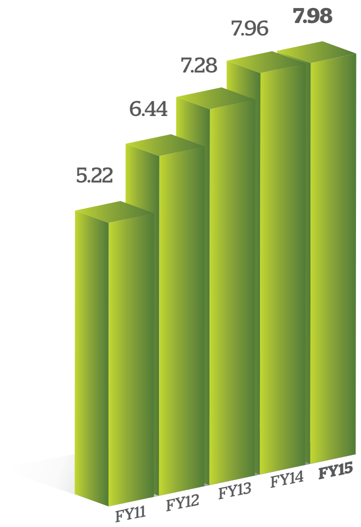

## BASIC EARNINGS PER SHARE (EPS)




## SHAREHOLDER'S EQUITY




## NET ASSET VALUE PER SHARE (NAV)



# FINANCIALS AND OPERATIONS REVIEW

## Overview

For the full year ended 30 June 2015 ("FY2015"), China Minzhong recorded a 32.0% decline in revenue to RMB2.0 billion.

| | Full year ended 30 June | | |
|---|---|---|---|
| | FY2015 | FY2014 | % |
| | RMB' million | RMB' million | Change |
| **Processed Business Segment:** | | | |
| - Processed vegetables | 904.8 | 1,435.8 | (37.0%) |
| **Subtotal** | **904.8** | **1,435.8** | **(37.0%)** |
| **Cultivation Business Segment:** | | | |
| - Fresh vegetables produce | 663.6 | 956.7 | (30.6%) |
| - Mushroom spores(1) | 77.3 | 136.9 | (43.5%) |
| **Subtotal** | 740.9 | 1,093.6 | (32.3%) |
| **Branded Business Segment:** | | | |
| - Beverages | 312.3 | 335.6 | (6.9%) |
| - Others(2) | 13.1 | 31.6 | (58.5%) |
| **Subtotal** | 325.4 | 367.2 | (11.4%) |
| **Total revenue** | 1,971.1 | 2,896.6 | (32.0%) |

Note:-

(1) Sales of mushroom spores.

(2) Miscellaneous products, such as instant food and health food products.

Revenue of processed business segment decreased by 37.0% to RMB904.8 million, due to a 37.5% decrease in sales volume from 36,408 tons to 22,742 tons as a result of weakened demand for processed vegetables.

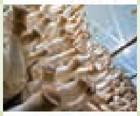
Revenue from the sales of fresh vegetables decreased by 30.6% to RMB663.6 million, underpinned by a decline in sales volume of 39.7% from 336,609 tons to 203,128 tons. This is partly offset by a 15.0% increase in average selling price. The scarcity of rural labour has resulted in the decline of fresh vegetables volume output.

Revenue from trading of mushroom spores decreased by 43.5% to RMB77.3 million due to decline in sales volume by 41.8% to 23,415 tons, as a result of shortage of rural labour for cultivation activities.

Revenue from the beverages segment slipped 6.9% from RMB335.6 million to RMB312.3 million, while other branded products (comprising of miscellaneous products, such as instant and health food products) were also lower compared to the previous year.

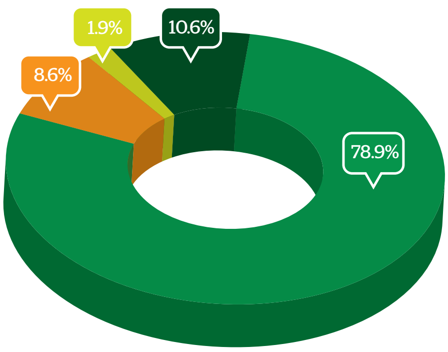
The Group's portfolio of vegetables remained dynamic, capitalising on the latest trends and consumers' preferences. This also bears testimony of the Group's capabilities in cultivating and processing different vegetables species.

## Revenue breakdown (key vegetable types)

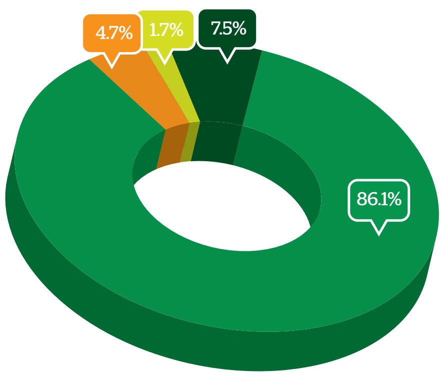
| Vegetable Type | | % Revenue Contribution (FY15)* | % Revenue Contribution (FY14)* | Remarks |
|---|---|---|---|---|
| Champignon mushrooms |  | 24.5% | 25.7% | Single largest product by revenue. The Group is building more industrialised farming capacity for champignon mushroom cultivation. |
| Black fungus |  | 20.8% | 22.6% | One of Group's high value crop which recorded a steady increase in yield over the past few years. |
| King oyster mushrooms |  | 7.2% | 4.9% | One of Group's high value crop, which is cultivated under industrialised farming approach. |
| Shiitake mushrooms |  | 5.1% | 6.4% | One of the Group's high value edible fungi products. |
| Shanghai Green |  | 3.7% | 7.9% | High margin vegetables, backed by healthy demand in PRC and rest of Asia markets. |
| Choy Sum |  | 3.6% | 5.8% | High margin vegetables, backed by healthy demand in PRC and rest of Asia markets. |

* As a percentage of total revenue less sales of mushroom spores, bamboo related products and branded products.

### FY2015 Sales Breakdown by Geography




### FY2014 Sales Breakdown by Geography




PRC America Europe Asia (ex PRC) and other regions

Gross profit for FY2015 decreased by 35.8% to RMB611.4 million, while overall gross profit margin decreased by 1.9ppt to 31.0% due to higher raw material costs in the processed business segment and rising labour costs in the cultivation business segment. Gross profit margin for the beverage business bucked the trend, increasing by 6.5ppt to 45.9% while other branded products also achieved a breakeven in gross profit level.

Other income increased by 53.2% to RMB209.0 million, mainly due to increases in interest income and rental income as well as refund of property tax but partly offset by a decrease in government grants received.

Selling and distribution expenses decreased by 48.3% to RMB83.5 million, mainly due to decrease in marketing and advertising expenses. Administrative expenses, on the other hand, remained relatively constant at RMB158.1 million.

# FINANCIALS AND OPERATIONS **REVIEW**

Other expenses decreased by 29.8% to RMB59.0 million, mainly due to decrease in exchange losses but was partly offset by increase in rental expenses. Finance cost increased by 54.8% to RMB100.8 million due to increased bank borrowings.

Profit before income tax decreased by 35.3% to RMB402.4 million in tandem with lower gross profit. Income tax expense also decreased correspondingly by 27.0% to RMB81.9 million.

Overall, the Group recorded a 37.1% decrease in net profit from RMB509.5 million to RMB320.5 million, with earnings per share of RMB0.49. On a similar note, the Group also posted earnings before interest, tax, depreciation and amortization ("EBITDA") of RMB677.9 million, with an improvement in EBITDA margin from 30.5% to 34.4%.

## Balance sheet

Total assets increased 8.1% from RMB7.0 billion as at 30 June 2014 to RMB7.6 billion as at 30 June 2015. Non-current assets decreased by 10.4% to RMB2.6 billion, primarily due to amortisation and depreciation expenses.

Current assets increased by 21.4% to RMB5.0 billion, primarily due to increase in cash and bank balances offset by a decline in trade and other receivables and inventories.

The increased in cash and bank balances was mainly due to collections from trade debtors over the financial year.

Non-current liabilities decreased by 10.7% to RMB0.9 billion as a result of lower long term bank loan.

Current liabilities increased by 80.1% to RMB1.5 billion, mainly attributable to increase in short term bank borrowings and higher trade and other payables.

## Cash Flow

Net cash flow from operating activities remained healthy at RMB0.9 billion, underpinned by net working capital inflow as a result of a decrease in inventories and trade and other receivables as well as an increase in trade and other payables, but offset by an increase in biological assets.

Net cash generated from investing activities amounted to RMB76.3 million, attributable to proceeds from disposal of operating lease prepayments, refund of deposits for land use rights and construction, but offset by property, plant and equipment additions.

The Group also recorded net cash generated from financing activities of RMB52.3 million, mainly attributable to net proceeds from bank loans, offset by interest expenses and dividend payout.

| | Full Year | |
| --- | --- | --- |
| | **FY2015** | **FY2014** |
| **Working Capital Days** | | |
| Trade Receivable Turnover Days[1a] | 83 | 99 |
| Trade Payable Turnover Days[1b] | (42) | (38) |
| Inventory Turnover Days[1c] | 36 | 25 |
| Cash Conversion Days | 77 | 86 |
| **Liquidity Ratios** | | |
| Total Debt (RMB 'mil) | 1,755.2 | 1,497.3 |
| **Net Gearing Ratio**[2] | **Net cash** | **Net cash** |
| **Current Ratio**[3] | 3.3 | 5.0 |

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.

# CORPORATE SOCIAL RESPONSIBILITY

## Improving the livelihood of farmers

For many years, the Group has been making a difference to the farmers and their families in PRC. The quality of life in these farming communities was raised through greater income stability, better cultivation efficiency and improvements in living conditions.

Farmers managed under the Group's cultivation bases were paid for the leasing of their farmland (or farming rights) to the Group and their labour provided on the farmland. In times of good harvests, the Group also made voluntary contributions for infrastructure improvements in the villages, such as roads widening and renovation of the village's public facilities.

The Group's also enters into agreements with third party farmers to grow vegetables on a seasonal basis, based on pre-determined prices. Through such contracts, farmers benefit from the elimination of all market and pricing risks and are assured of a ready buyer for their crops after harvest.

## Educating the next generation

The Group recognises the important role of education in the development and progress of any society. This has been the basis behind the setting of the "Minzhong Class" scholarship since 2011 to help financially disadvantaged students realise their full potential.

Currently, the scheme is benefiting over 200 eligible needy students across three academic levels in the top two high schools in Putian City. Besides sponsorship on school fees and accommodation, each student receives RMB2,500 of allowance per annum. During school holidays, students are also encouraged to participate in internship programs with the Company to pick up relevant skill sets and earn some extra income. Priorities will also be given to these students should they wish to seek employment with the Company after their graduation. This will also ensure that the Company has access to a ready pool of talents.

Besides the award of bursaries and scholarships, the Company is also involved in other education projects, such as donations for the construction of a school's teaching block in Yuanmou County, Yunnan Province.

## Community and Social Involvement

At Minzhong, we believe that a successful enterprise should display a level of social awareness and take responsibility in its social and moral obligations to contribute back to its society. Since its inception, the Minzhong Foundation has made numerous contributions to the society, through charity events, relief donations for natural disasters, funding support for elderly activities and organization of cultural and community sports activities.

# GROWING BUSINESS
# WITH INNOVATION

# FINANCIAL CONTENTS

# CORPORATE **GOVERNANCE**

China Minzhong Food Corporation Limited (the "Company") was listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 15 April 2010.

The Company is committed to ensuring and maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group"). Good corporate governance establishes and maintains a legal and ethical environment, which helps to preserve and enhance the interests of all shareholders.

This report describes the corporate governance framework and practices of the Company with specific reference to the principles of the Code of Corporate Governance 2012 (the " Code") which forms part of the continuing obligations of the Singapore Exchange Securities Trading Limited ("SGX-ST")'s listing rules. As part of the continuous effect to improve the risk governance framework, the Risk Management Committee was established in September 2012 to oversee the adequacy and effectiveness of the Group's risk management framework and polices.

This Report should be read as a whole, instead of being read separately under the different principles of the Code.

## (A) BOARD MATTERS

### Board's Conduct of its Affairs

***Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the Company. The Board works with Management to achieve this and the Management remains accountable to the Board.***

**Role of the Board of Directors ("Board")**

The Board assumes responsibility for stewardship of the Group and is primarily responsible for the protection and enhancement of long-term value and returns for the shareholders. It supervises the management of the business and affairs of the Group, provides corporate direction, monitors managerial performance and reviews financial results of the Group. In addition, the Board is directly responsible for decision making in respect of the following matters:

a. approve the business strategies including significant acquisition and disposal of subsidiaries or assets and liabilities;

b. approve the annual budgets, major funding proposals, significant capital expenditures and investment and divestment proposals;

c. approve the release of the Group's quarterly and full year's financial results and interested person transactions;

d. oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls, as may be recommended by the Audit Committee;

e. review the performance of Management, approve the nominations to the Board of Directors and appointment of key executives, as may be recommended by the Nominating Committee;

f. review and endorse the framework of remuneration for the Board and key executives, as may be recommended by the Remuneration Committee; and

g. corporate policies in keeping with good corporate governance and business practice.

The Board provides shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a quarterly basis.

# CORPORATE GOVERNANCE

To assist in the execution of its responsibilities, the Board has established a number of Board committees which include an Audit Committee ("AC"), a Nominating Committee ("NC"), a Remuneration Committee ("RC") and a Risk Management Committee ("RMC"), each of which functions within clearly defined terms of reference and operating procedures which are reviewed on a regular basis.

**Board meetings and meetings of Board committees**

The Board meets on a quarterly basis and whenever necessary for the discharge of their duties. Dates of the Board meetings are normally set by the directors well in advance. Meetings of the Board and Board Committees may be conducted by way of telephone and video conferencing, if necessary. Decisions of the Board and Board Committees may also be obtained through circular resolutions.

The number of meetings held by the Board and Board committees and attendance thereat during the financial year ended 30 June 2015 are as follows:

| | Board | | AC | | RC | | NC | | RMC | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Directors** | **No. of meetings** | **Attended** | **No. of meetings** | **Attended** | **No. of meetings** | **Attended** | **No. of meetings** | **Attended** | **No. of meetings** | **Attended** |
| Lin Guo Rong | 4 | 1 | 4 | 1* | 1 | – | 1 | – | 1 | 1* |
| Siek Wei Ting | 4 | 4 | 4 | 4* | 1 | 1* | 1 | 1* | 1 | 1* |
| Hendra Widjaja | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 | 1 | 1 |
| Lim Yeow Hua | 4 | 4 | 4 | 4 | 1 | 1* | 1 | 1 | 1 | 1 |
| Goh Kian Chee | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 | 1 | 1 |
| Lim Gee Kiat | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1* | 1 | 1 |

Note: *attendance by invitation

*Training*

The Board will constantly examine its size and, with a view to determining the impact of its number upon effectiveness, decide on what it considers an appropriate size for itself. The composition of the Board will be reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience.

Mr Lim Yeow Hua and Mr Goh Kian Chee, have prior experience as directors of public listed companies in Singapore and are familiar with the roles and responsibilities of a director of a public listed company in Singapore. The other directors, namely, Mr Lim Gee Kiat, Mr Hendra Widjaja, Mr Kasim Rusmin, Mr Siek Wei Ting, Mr Lin Guo Rong (Executive Chairman) have many years of corporate experience and are familiar with their duties and responsibilities as directors of a company listed on the SGX-ST.

Our directors are regularly updated by the Executive Chairman and Chief Executive Officer and/or senior management of the Company on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as directors. Directors also have the opportunity to visit the Group's operational facilities and meet with the management to gain a better understanding of the Group's business operations. The directors are also briefed by professionals either during Board meetings or at separate meetings on regulatory changes which have an important bearing on the Company and the directors' obligations to the Company.

The Company welcomes Directors to seek explanations or clarifications from and/or convene informal discussions with the Management on any aspect of the Group's operations or business. Necessary arrangements will be made for the informal discussions or explanations as and when required.

# CORPORATE GOVERNANCE

The Company is responsible for arranging and funding the training for new and existing directors. The directors are provided with continuing briefings and updates in area such as relevant new laws and regulations, directors' duties and responsibilities, corporate governance, changes in financial reporting standards and issues which have a direct impact on financial statements, so as to enable them to properly discharge their duties as Board or Board committee members. The scope of such continuous briefings and updates includes overview of industry trends and developments, governance practices and developing trends, and changes in trends in governance practices and regulatory requirements pertaining to the business. Where necessary, a first-time director who has no prior experience as a director of a listed company will be provided training in areas such as accounting, legal and industry-specific knowledge as appropriate.

## Board Composition and Balance

***Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.***

The Board consists of six (6) directors of whom three (3) are independent. The list of directors is as follows:

| Executive Director(s) | |
|---|---|
| Lin Guo Rong | (Executive Chairman and Chief Executive Officer) |
| Siek Wei Ting | (Executive Director and Chief Financial Officer) |

| Non-Executive Directors | |
|---|---|
| Hendra Widjaja | (Non-Executive and Non-Independent Director) |
| Kasim Rusmin | (Alternate Director to Hendra Widjaja) |
| Lim Yeow Hua | (Non-Executive and Independent Director) |
| Goh Kian Chee | (Non-Executive and Independent Director) |
| Lim Gee Kiat | (Non-Executive and Independent Director) |

The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is conducive to effective discussions and decision making and which is of the view that the current Board size of six (6) directors of which three (3) are independent directors, is appropriate and effective, taking into account the nature and scope of the Company's operations.

The current Board comprises persons with diverse expertise and experience in accounting, business and management, finance and risk management who as a group provide core competencies necessary to meet the Company's requirements. The directors' objective judgement on corporate affairs and collective experience and knowledge are invaluable to the Group and allows for the useful exchange of ideas and views.

*Independence of directors*

The NC reviews the independence of each director on an annual basis based on the Code's definition of what constitutes an independent director. The NC is of the view that the three (3) independent directors (who represent half of the Board) are independent and that there is a strong and independent element on the Board which is able to exercise objective judgment on corporate matters independently, in particular, from Management, and that no individual or small group of individuals dominate the Board's decision-making process.

# CORPORATE GOVERNANCE

## Chairman and Chief Executive Officer

***Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.***

Mr Lin Guo Rong, the founder of the Group, is the Executive Chairman and Chief Executive Officer ("CEO") of the Company. He is responsible for the business direction, long term strategic planning and its overall management and operations of the Group.

He is also responsible for, among others, the exercise of control over quantity, quality and timeliness of the flow of information between the management of the Company and the Board. He, with the assistance of the Company Secretary, schedules Board meetings, oversees the preparation of the agenda for Board meetings and assists in ensuring compliance with the Group's guidelines on corporate governance.

Mr Lin together with the management comprising each subsidiary's general managers and key senior managers, are responsible for the day-to-day management of the Group.

Under the Code, companies may appoint an Independent Non-Executive Director to be the lead independent director where the Chairman and CEO is the same person. Accordingly, Mr Lim Yeow Hua was appointed as the Lead Independent Director on 30 June 2009.

Mr Lim Yeow Hua, being the Lead Independent Director of the Company, is available to Shareholders where they have concerns, which contact through the normal channels of the Chairman and CEO has failed to resolve or for which such contact is inappropriate.

## Board Membership

***Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.***

Currently, the NC comprises of a majority of Non-executive and Independent directors. It is chaired by Mr Goh Kian Chee (a Non-Executive and Independent director) with the following directors as members:

| | |
|---|---|
| Lim Yeow Hua | (Non-Executive Independent) |
| Hendra Widjaja | (Non-Executive Non-Independent) |

The primary functions of the NC are as follows:

- to identify candidates and review all nominations for the appointment or reappointment of members of the Board, the CEO of the Group, and to determine the selection criteria therefore;
- to ensure that all Board appointees undergo an appropriate induction programme;
- to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;

# CORPORATE GOVERNANCE

- to decide whether a director is able to and has been adequately carrying out his duties as director of the Company, particularly where the director has multiple board representations;
- to review the independence of each director annually;
- to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and
- to evaluate the effectiveness of the Board as a whole and assesses the contribution by each individual director, to the effectiveness of the Board.

The directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three (3) years. Under the Company's existing Articles of Association, one-third of the directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. In reviewing and recommending to the Board the re-nomination and re-election of existing directors, the NC takes into consideration the directors' contribution and performance at Board meetings, including attendance, preparedness, participation and candor.

Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his own performance or re-nomination as a director. The NC is satisfied that sufficient time and attention are being given by the directors to the affairs of the Company and Group, notwithstanding that some of the directors have multiple board representations.

In its search and nomination process for new directors, the NC has, at its disposal, search companies, personal contacts and recommendations, to cast its net as wide as possible for the right candidates.

Key information regarding the directors is set out on page 6 to 7 of the Annual Report.

***Directors' Principal Commitments and Multiple Directorships***

As a director's ability to commit time to the Group's affairs is essential for performance, the NC has formulated guidelines to assess each director's ability to make such a commitment. The guidelines consider the number of other board and committee memberships a director holds, as well as size and complexity of the companies in which he or she is a board member. All directors are aware of his or her time commitment obligations and have met the requirements under the guidelines. The NC conducts a review of time commitment of each director on an ongoing basis. The Board believes that each director has to personally determine the demands of his or her competing directorships and obligations and assess how much time is available to serve on the Board effectively. Accordingly, the Board is of the view that there is no necessity at this point in time to determine the maximum number of listed Company board representations which a director may hold, as each director is able to devote sufficient time and attention to the affairs of the Company.

In its search and nomination process for new directors, the NC has, at its disposal, search companies, personal contacts and recommendations, to cast its net as wide as possible for the right candidates.

The NC takes into account on each director's contribution and performance for the re-appointment of existing directors.

Key information regarding the directors is set out on page 6 to 7 of the Annual Report.

# CORPORATE GOVERNANCE

### Board Performance

***Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.***

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders' value. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board as a whole.

The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with management and standards of conduct of the directors.

In the course of the year, the NC has conducted the assessment by preparing a questionnaire to be completed by each director, of which were then collated and the findings were analyzed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board.

Notwithstanding that some of the Directors have multiple board representations, the NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group.

### Access to Information

***Principle 6: In order to fulfill their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.***

To assist the Board in fulfilling its responsibilities, the management provides the Board with a management report containing complete, adequate and timely information prior to the Board meetings. All directors have separated and independent access to the management, including the Company Secretary at all times. The Company Secretary attends all Board meetings and ensures that Board procedures and all other rules and regulations applicable to the Company are complied with.

Changes to regulations are closely monitored by Management and for changes which have an important bearing on the Company or the Directors' disclosure obligations, the Directors are briefed during Board meetings.

The directors and the chairmen of the respective committees, whether as a group or individually are able to seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such professional advisor is subject to approval by the Board.

## (B) REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

***Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.***

Currently, the RC comprises of a majority of Non-executive and Independent directors. It is chaired by Mr Goh Kian Chee (Non-Executive and Independent) with the following directors as members:

| | |
|---|---|
| Lim Gee Kiat | (Non-Executive and Independent) |
| Hendra Widjaja | (Non-Executive and Non-Independent) |

# CORPORATE GOVERNANCE

The members of the RC have many years of corporate experience and are knowledgeable in the field of executive compensation. In addition, the RC has access to expert professional advice on remuneration matters as and when necessary.

The responsibilities of the RC include the following:

- to review directors' fees to ensure that they are at sufficiently competitive levels;
- to review and approve any proposal relating to and administer the CMZ Employee Share Option Scheme 2010 ("ESOS") for directors, senior management and executives;
- to review and advise the Board on the terms of appointment and remuneration of its members, CEO, key executive officers, senior management of the Group and all managerial staff who are related to any of the directors or the CEO;
- to review the terms of the employment arrangements with management so as to develop consistent group wide employment practices subject to regional differences;
- to review the Group's obligations arising in the event of termination of the executive directors' and key Management personnel's contracts of services, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous;
- to recommend to the Board in consultation with senior management and the Chairman of the Board, any long term incentive scheme; and
- to review and approve any proposals or recommendations relating to senior management's remuneration.

The RC reviews all aspects of remuneration and compensation packages including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

No director is involved in determining his own remuneration.

**Level and Mix of Remuneration**

***Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.***

In setting remuneration packages, the RC takes into consideration the prevailing economic situation, the pay and employment conditions within the industry and in comparable companies. As part of its review, the RC ensures that the performance related elements of remuneration form a significant part of the total remuneration package of executive directors and is designed to align the directors' interests with those of shareholders and link rewards to corporate and individual performance. The RC also reviews all matters concerning the remuneration of non-executive directors to ensure that the remuneration commensurate with the contribution and responsibilities of the directors. The Company submits the quantum of directors' fees of each year to the shareholders for approval at each Annual General Meeting.

Non-executive directors have no service contracts. The executive directors have service contracts and they do not receive directors' fees for the year under review.

*Long term incentive scheme*

CMZ Employee Share Option Scheme 2010 was implemented on 31 March 2010 as a long-term incentive plan to replace the 2008 Option Scheme, which was implemented in June 2008, for executive directors, non-executive directors

# CORPORATE GOVERNANCE

and employees based on individual performance. It is administered by the RC. As at the Latest Practicable Date on 21 September 2015, an aggregate of 5,140,000 ESOS options had been granted under the CMZ Employee Share Option Scheme 2010, of which 2,462,000 ESOS options and 2,678,000 ESOS options had expired on 20 September 2014 and 3 September 2015 respectively. No options granted under the CMZ Employee Share Option Scheme 2010 have been exercised since implementation.

Details of the ESOS are set out in the Directors' Report and Note 27 to the financial statements.

**Disclosure on Remuneration**

***Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report.***

A breakdown of the remuneration of the directors and the top 6 key executives (who are not directors) for the financial year ended 30 June 2015 are set out below:

*Remuneration of the directors*

| Remuneration band and names of directors | Salary | Bonus | Directors' fees(2) | Total |
|---|---|---|---|---|
| **Between S$250,000 to S$500,000** | | | | |
| Lin Guo Rong(1) | 100% | - | - | 100% |
| Siek Wei Ting(1) | 100% | - | - | 100% |
| **Below S$250,000** | | | | |
| Hendra Widjaja | - | - | - | - |
| Kasim Rusmin | - | - | - | - |
| Lim Yeow Hua | - | - | 100% | 100% |
| Goh Kian Chee | - | - | 100% | 100% |
| Lim Gee Kiat | - | - | 100% | 100% |

*Remuneration of top 6 Key Executives (who are not directors)*

| Remuneration band and names of key executives (who are not directors) | Salary | Bonus | Directors' fees(2) | Total |
|---|---|---|---|---|
| **Below S$250,000** | | | | |
| Huang Bing Hui(1) | 100% | - | - | 100% |
| Wang Dazhang(1) | 100% | - | - | 100% |
| Professor Lin Mei Xi | 100% | - | - | 100% |
| Chen Jian Fang | 100% | - | - | 100% |
| Zheng Li Xia | 100% | - | - | 100% |
| Yu Qiu Rong | 100% | - | - | 100% |

(1) These are under the service agreements entered for a period of three years each with effect from the date of listing on 15 April 2010. Thereafter, the service agreements are being renewed on an annual basis.

(2) The directors' fees had been approved at the Company's Annual General Meeting held on 28 October 2014.

# CORPORATE GOVERNANCE

The Board was of the view that the information disclosed in the Annual Report would be sufficient for shareholders to have an adequate understanding of the Company's remuneration policies and practice. The Board believes that the disclosure provided is in the interest of the Company as it would avoid situation where the information might be exploited by the competitors, while allowing directors and key management staff to maintain some degree of their personal confidentiality on remuneration matters.

The aggregate remuneration paid to the top five key executives during the financial year ended 30 June 2015 was approximately S$455,000.

There are no employees of the Group who are immediate family members of a director or the CEO and whose remuneration exceeds S$50,000 during the financial year ended 30 June 2015.

## (C) ACCOUNTABILITY AND AUDIT

**Accountability**

***Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.***

The Board endeavors to ensure that the annual audited financial statements and quarterly announcements of the Group's results present a balanced and understandable assessment of the Group's position and prospects. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial and other price sensitive information are disseminated to shareholders through announcements via SGXNET.

## RISK MANAGEMENT AND INTERNAL CONTROLS

***Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.***

The Risk Management Committee ("RMC") is chaired by Mr Lim Gee Kiat (Non-Executive and Independent Director) with the following Directors as members:

| | |
|---|---|
| Mr Goh Kian Chee | (Non-Executive and Independent) |
| Mr Hendra Widjaja | (Non-Executive and Non-Independent) |
| Mr Lim Yeow Hua | (Non-Executive and Independent) |

The RMC and AC, with the support of internal and external auditors as well as the Enterprise Risk Management ("ERM") team, reviews and reports to the Board regularly on the effectiveness and adequacy of the internal control system. These reports cover operational, financial and compliance controls, risk management policies and systems.

The RMC assess and recommends to the Board on managing the Company's and Group's business and financial risks. The CFO reports directly to the RMC on risk management issues. He is supported by the various risk owner at each of the department.

The Company's internal and external auditors conduct an annual review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk assessment at least annually to ensure the adequacy thereof. This review will be conducted by the Company's internal and external auditors which will then present their findings to the AC. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the management on the recommendations made by the internal and external auditors in this respect.

# CORPORATE GOVERNANCE

Having considered the financial statements audit carried out by the external auditor, the internal controls in place in the Company and the reviews carried out by the internal auditor as well as the AC and RMC, the Board with the concurrence of the Audit Committee is of the opinion that the system of internal controls addressing material financial, operational, compliance and information technology risks maintained by the Group during the year are adequate in meeting the needs of the Group in its current business environment.

The Group financial risk management objectives and policies are discussed under Note 33 to the Financial Statements on pages 97 to 108 of the Annual Report.

**Audit Committee**

***Principle 12: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.***

The AC inter alia, oversees the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group. It comprises of majority of Non-executive and Independent directors which is chaired by Mr Lim Yeow Hua (a Non-Executive and Independent director) with the following directors as members:

| | |
|---|---|
| Goh Kian Chee | (Non-Executive and Independent) |
| Lim Gee Kiat | (Non-Executive and Independent) |
| Hendra Widjaja | (Non-Executive and Non- Independent) |

All members of the AC have many years of experience in senior management positions in both financial and industrial sectors. The Board is of the view that the AC members, having accounting and related financial management expertise or experience, are appropriately qualified to discharge their responsibilities.

During the past financial year, the AC had held meetings with the management, external auditors and internal auditors of the Company to discuss and review the following matters:

- the audit plans of the external and internal auditors of the Company, and their reports arising from the audit;
- the adequacy of the assistance and cooperation given by the Company's management to the external and internal auditors;
- the financial statements of the Company and the consolidated financial statements of the Group;
- the quarterly and annual announcement of the results of the Group before submission to the Board for approval;
- the adequacy of the Group's internal controls in respect of the management, business and service systems and practices;
- legal and regulatory matters that may have material impact on the financial statements, compliance policies and programmes and any reports received from regulators;
- the review of product liability insurance coverage annually;
- the cost effectiveness, independence and objectivity of the external auditors;
- the approval of compensation to the external auditors;
- the nature and extent of non-audit services provided by the external auditors;
- the recommendation to the Board for the appointment or re-appointment of the internal and external auditors of the Company;

# CORPORATE GOVERNANCE

- to report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and
- interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with.

In performing its functions, the AC:

- met twice with the external auditors (once without the presence of the Company's management) and once with the internal auditors and reviewed the overall scope of the external and internal audit and the assistance given by the management to the auditors;
- has explicit authority to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention with full access to records, resources and personnel to enable it to discharge its function properly; and
- has full access to and cooperation of the management and full discretion to invite any director or executive officer to attend its meetings.

The external and internal auditors have unrestricted access to the AC.

The AC has undertaken a review of all the non-audit services provided by the external auditors during the year under review and is satisfied that such services would not, in the AC's opinion, affect the independence of the external auditors. The AC recommends to the Board the re-appointment of Crowe Horwath First Trust LLP as the external auditors of the Company at the forthcoming Annual General Meeting. Pursuant to Rule 1207(6)(c) of the listing manual, the Company confirms that it has complied with Rules 712 and 715 in relation to its Auditors. Details of the fees paid and payable to the auditors in respect of audit and non-audit services are disclosed in the Note 23 to the financial statements.

The Company has a whistle blowing policy which provides well-defined and accessible channels in the Group through which employees may raise concerns about improper conduct within the Group. Details of the whistle blowing policy and arrangements have been made available to the employees.

The AC has reviewed on the Company's key financial risk areas and noted that save from the exchange rate differences, the Group has not entered into any financial contracts which will give rise to financial risks.

**Internal Audit**

***Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.***

Both the Board and the Audit Committee agree that it is important to have a strong professional internal audit function to enhance their ability to manage risk and safeguard shareholders' interest. It has been determined that the best approach is to engage independent professional auditors to discharge this function.

BDO Pte. Ltd. ("BDO"), a professional accounting firm was appointed to carry out the internal audit functions. As internal auditors of the Group, BDO reviews the Company's processes and procedures on a continual basis to ensure compliance with the best corporate governance practices. BDO had also carry out major internal control checks and compliance test as instructed by the AC. The AC had reviewed the internal auditors' reports to ensure that there are adequate internal controls in the Group.

# CORPORATE GOVERNANCE

BDO reports to the AC on audit matters and reports administratively to the Management. The AC also reviews annually and approves the annual internal audit plans and resources to ensure that BDO has the necessary resources to adequately perform its functions.

The internal auditors have carried out their function according to the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

**ENTERPRISE RISK MANAGEMENT ("ERM")**

In recent years, business operations have become increasingly complex due to various factors, such as regulatory changes on local, national and cross border level, political dynamics on country and regional level, security threat, pandemic risk, increasing number of natural disaster, intense public scrutiny, aggressive competition, volatile commodity prices, rising interest rates, rising electricity price and evolving consumer needs. Risk management is an integral part of the Group's overall effort to promote good corporate governance, enabling it to be more proactive and prepared in dealing and addressing the various challenges and uncertainties it faces in a tough and competitive business environment, and in the process, transforming them into business opportunities.

The Group adopts a comprehensive and systematic approach towards Enterprise Risk Management ("ERM") to help identify, measure, priorities and respond to the risks challenging its objectives, initiatives, and day-to-day operating activities.

On a bi-annual basis, the ERM team, in coordination with the respective risk owners and Heads of operating units and supporting departments, conducts an assessment of identified risks and the controls in place. The ERM team monitors the progress of the ERM action plan to mitigate risks and reports significant risks and exposures to the Board and the AC & RMC. The Management implements risk mitigation strategies and controls to address the significant risks.

## (D) COMMUNICATION WITH SHAREHOLDERS

**Communication with Shareholders**

***Principle 14: Companies should engage in regular, effective and fair communication with shareholders.***

***Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.***

The Company believes that a high standard of disclosure is key to raising the level of corporate governance. Quarterly results and news releases are published through the SGXNET. All information of the Company's new initiatives are first disseminated via SGXNET followed by a news release. In addition, the Company also holds analyst briefing of its quarterly and full year results.

The Company does not practice selective disclosure. Price sensitive information is publicly released and results and annual reports are announced or issued within the mandatory period and are available on the Company's website. All shareholders of the Company receive the annual report and notice of Annual General Meeting ("AGM"). The notice of AGM is also advertised in the newspaper.

The Company welcomes the views of the shareholders on matters concerning the Company and encourages shareholders' participation at Annual General Meetings. The chairmen of the AC, RMC, NC and RC of the Company are normally present at the general meetings to answer questions from the shareholders. The external auditors will also be present to assist the directors in addressing any relevant queries by shareholders.

# CORPORATE GOVERNANCE

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

The Company Secretary prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the board and management. These minutes are available to shareholders upon request.

## (E) DEALINGS IN SECURITIES

The Company has issued a guideline on share dealings to all directors and employees of the Group which sets out the code of conduct on transactions in the Company's shares by these persons, the implications of insider trading and general guidance on the prohibition against such dealings.

In line with Listing Rule 1207(19) issued by the SGX-ST, the Company issues a notification to all officers of the Company informing them that they should not deal in the securities of the Company during the periods commencing one month before the announcement of the Company's full-year results and two weeks before the Company's quarterly or half-year results until after the announcement. They are also discouraged from dealing in the Company's shares on short term considerations.

The Board confirms that for the financial year ended 30 June 2015, the Company has complied with Listing Rule 1207(19).

## (F) INTERESTED PERSON TRANSACTION

As a listed company on the SGX-ST, the Company is required to comply with Chapter 9 of the Listing Manual of the SGX-ST on interested person transactions. To ensure compliance with Chapter 9, the Company has taken the following steps:

- The Board meets to review if the Company will be entering into any interested person transaction. If the Company intends to enter into an interested person transaction, the Board of Directors will ensure that the Company complies with the requisite rules under Chapter 9.
- The AC has met and will meet regularly to review if the Company will be entering into an interested person transaction, and if so, the AC ensures that the relevant rules under Chapter 9 are complied with.

For the financial year ended 30 June 2015, the Group has been supplying processed vegetables to the Company's immediate holding company, PT lndofood Sukses Makmur Tbk. These sales, amounting to RMB2.5 million, were transacted on an arm's length basis in the ordinary and usual course of business.

## (G) MATERIAL CONTRACTS

In the Directors' Report and these financial statements, no material contracts to which the Company or any subsidiary, is a party or which involve the interests of the chief executive officer, directors or controlling shareholders, were subsisting at the end of the financial year.

# CORPORATE GOVERNANCE

## (H) 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 30 June 2015, the utilisation of the net proceeds is as follows:

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

# CORPORATE SOCIAL RESPONSIBILITY REPORT

The Board of Directors of the Company has established a Corporate Social Responsibility ("CSR") Policy which will include the review of the following areas of the Group's activities:

a. to review and recommend the Group's policy with regards to corporate social responsibility;
b. to review the Group's environmental policies and standards;
c. to review the social impact of the Group's business practices in the communities that it operates in;
d. to review and recommend policies and practices with regard to key stakeholders (suppliers, customers and employees); and
e. to review and recommend policies and practices with regard to regulators.

Core Values of the CSR Policy

The Company aims to be recognised as an organisation that is transparent and ethical in all its dealings as well as making a positive contribution to the community in which it operates. It is committed to the following core values in all aspects of its work, including the fulfilment of its social responsibility:

- Clear direction and strong leadership;
- Customer focus;
- Respect for people;
- Open communication;
- Working to deliver best value;
- Openness and transparency
- Equality
- Development of positive working relationships with others; and
- Valuing and harnessing the diversity of Company staff.

CSR Strategic

The Company will seek to achieve corporate and social objectives by focusing on four strategic areas:

- Equal Opportunities – emphasising our commitment to the promotion of equal opportunities and to the ethos of hiring based on merits.
- Good Relations – The Company will develop and adopt an employee relations strategy which will be reviewed annually and will be implemented and endorsed through a corporate action plan. The aim of the strategy is to enhance management and employee interactions and address the needs and aspirations of staff through the continuing development of diversity, work-life balance and health and well-being policies and initiatives.
- Community Impact – encouraging and assisting staff to greater involvement in team/individual projects in support of the wider community.
- Environment – further developing environmental management practices that minimise waste and maximise efficiencies.

CSR Activities

Please refer to page 16 of this Annual Report.

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

The directors present their report to the members together with the audited financial statements of China Minzhong Food Corporation Limited (the "Company") and subsidiaries (the "Group") for the financial year ended 30 June 2015 and the statement of financial position of the Company as at 30 June 2015.

**Directors**

The directors of the Company in office at the date of this report are as follows:

Lin Guo Rong
Siek Wei Ting
Lim Yeow Hua
Lim Gee Kiat
Goh Kian Chee
Hendra Widjaja
Kasim Rusmin (Alternate Director to Hendra Widjaja)

**Arrangements to enable directors to acquire benefits by means of the acquisition of shares or debentures**

Except as disclosed under "Share options" in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

**Directors' interests in shares or debentures**

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

| | **Direct interest** | | **Deemed interest** | |
|---|---|---|---|---|
| | **At 1 July 2014** | **At 30 June 2015** | **At 1 July 2014** | **At 30 June 2015** |
| **Company** | | | | |
| *Ordinary shares* | | | | |
| Lin Guo Rong(1) | 13,103,000 | 13,103,000 | 5,403,891 | 5,403,891 |
| Siek Wei Ting(1) | 7,989,703 | 7,989,703 | 5,403,891* | 5,403,891* |

**Note:-**

(1) China Minzhong Holdings Limited ("Minzhong (BVI)") owns 5,403,891 Shares, representing 0.82% of the issued share capital of the Company. The shares of Minzhong (BVI) are held by Mr Siek Wei Ting in trust for Mr Lin Guo Rong (as to 100%).

By virtue of Section 4 of the Securities and Futures Act, Lin Guo Rong is deemed to be interested in the Shares held by Minzhong (BVI).

* *Interest held in trust for Mr. Lin Guo Rong*

The directors' interests in the ordinary shares of the Company and its related corporations as at 21 July 2015 were the same as those of 30 June 2015.

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

### Directors' contractual benefits

Under the terms of the service agreements (which is renewed on an annual basis) entered into between the Company and Lin Guo Rong/Siek Wei Ting, for a period of three years with effect from the date of listing, they are entitled to a stipulated monthly salary. Under the service agreements, they are entitled to a basic bonus and a performance bonus as stipulated, at the end of each completed year of service. Their salaries and bonuses are subject to an annual review by the Board of Directors ("Board") and the Remuneration Committee and to be approved by the Board.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in the accompanying financial statements.

### Share options

The details of share options granted under the Scheme are as follows:

| | Number of shares under option | | | | |
|---|---|---|---|---|---|
| | Aggregate option granted in financial year ended 30 June 2015 | Aggregate granted since commencement of Scheme to 30 June 2015 | Aggregate exercised since commencement of Scheme to 30 June 2015 | Options lapsed | Aggregate outstanding as at 30 June 2015 |
| **Directors of the Company** | | | | | |
| Lin Guo Rong | - | 1,571,000 | - | 752,000 | 819,000 |
| Siek Wei Ting | - | 1,385,000 | - | 662,000 | 723,000 |
| **Director of the subsidiary** | | | | | |
| Wang Da Zhang | - | 1,092,000 | - | 524,000 | 568,000 |
| **Executive of the Company** | | | | | |
| Huang Bing Hui | - | 1,092,000 | - | 524,000 | 568,000 |
| | - | 5,140,000 | - | 2,462,000 | 2,678,000 |

During the financial year, no share options under CMZ Employee Share Option Scheme 2010 ("Scheme") were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company.

2,462,000 share options have lapsed on 20 September 2014 as the service vesting conditions were not met.

2,678,000 share options are exercisable at the exercise price of S$0.74 per share from 3 September 2013 if the service vesting conditions are met and expired on 3 September 2015.

No options have been granted to controlling shareholders of the Company or their associates (as defined in the Listing Manual of Singapore Exchange Securities Trading Limited).

No participant under the Scheme has received 5% or more of the total number of shares under option available under the Scheme.

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

**Share options** (Continued)

No options have been granted at a discount during the financial year.

No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporations have been granted.

The Scheme is administered by the Remuneration Committee comprising the following members:

| | |
|---|---|
| Goh Kian Chee | (Chairman) |
| Lim Gee Kiat | |
| Hendra Widjaja | |

**Audit committee**

The members of the Audit Committee at the end of the financial year are as follows:

| | |
|---|---|
| Lim Yeow Hua | (Chairman) |
| Lim Gee Kiat | |
| Goh Kian Chee | |
| Hendra Widjaja | |

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance. In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditors and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the statement of financial position of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2015 prior to their submission to the Board of Directors, as well as the independent auditors' report on the statement of financial position of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

The Audit Committee has recommended to the Board of Directors that the independent auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services provided by the auditors to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination.

# DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015

**Audit committee** (Continued)

In appointing the external auditors for the Company and subsidiaries, we have complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing material financial, operational and compliance risks, were adequate as at 30 June 2015.

**Independent auditors**

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

**On behalf of the Board of Directors**

**LIN GUO RONG**
Director

**SIEK WEI TING**
Director

30 September 2015

# STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 41 to 108 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2015 and of the results, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

**LIN GUO RONG**
Director

**SIEK WEI TING**
Director

30 September 2015

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CHINA MINZHONG FOOD CORPORATION LIMITED

Crowe Horwath

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

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**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditors' Responsibility***

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

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

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

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CHINA MINZHONG FOOD CORPORATION LIMITED

***Opinion***

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

**Report on Other Legal and Regulatory Requirements**

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

**Crowe Horwath First Trust LLP**
Public Accountants and
Chartered Accountants
Singapore

30 September 2015

# STATEMENTS OF FINANCIAL POSITION

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

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

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

# STATEMENTS OF FINANCIAL POSITION

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

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

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

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

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

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

| | Attributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Statutory reserve fund RMB'000 | Employees' share option reserve RMB'000 | Translation reserve/ (deficit) RMB'000 | Hedging reserve/ (deficit) RMB'000 | Retained earnings RMB'000 | Total equity RMB'000 |
| **Balance at 1.7.2014** | **1,503,789** | **114,349** | **4,629** | **806** | **(29,173)** | **3,625,355** | **5,219,755** |
| Profit for the year | - | - | - | - | - | 320,477 | 320,477 |
| Other comprehensive income/ (loss), net of tax | - | - | - | (9,296) | 28,887 | - | 19,591 |
| Total comprehensive income for the year | - | - | - | (9,296) | 28,887 | 320,477 | 340,068 |
| Contributions by and distributions to owners | | | | | | | |
| Appropriation to statutory reserve fund | - | 16,158 | - | - | - | (16,158) | - |
| Dividend declared (Note 30) | - | - | - | - | - | (326,814) | (326,814) |
| Expiry of employee's share option | - | - | (1,740) | - | - | 1,740 | - |
| Total contributions by and distributions to owners | - | 16,158 | (1,740) | - | - | (341,232) | (326,814) |
| **Balance at 30.6.2015** | **1,503,789** | **130,507** | **2,889** | **(8,490)** | **(286)** | **3,604,600** | **5,233,009** |

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

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

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

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

Note A

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

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

## 1. GENERAL INFORMATION

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

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

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

**Basis of preparation**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Adoption of new and revised standards**

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Adoption of new and revised standards** (Continued)

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

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

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

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Adoption of new and revised standards** (Continued)

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

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

FRS 115 *Revenue from Contracts with Customers*

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

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

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

FRS 109 *Financial Instruments*

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Group accounting**

Subsidiaries

*(a) Basis of consolidation*

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

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

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

*(b) Acquisition of businesses*

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Group accounting** (Continued)

Subsidiaries (Continued)

*(c) Disposals of subsidiaries or businesses*

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

**Subsidiaries**

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

**Currency translation**

**(i) Functional and presentation currency**

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

**(ii) Transactions and balances**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Currency translation** (Continued)

**(iii) Translation of the Group's financial statements**

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

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

**Property, plant and equipment**

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Property, plant and equipment** (Continued)

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

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

**Land use rights**

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

**Biological assets**

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

Vegetables are measured at cost less any accumulated impairment losses.

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

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

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

**Land improvement costs**

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Operating lease prepayments**

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

**Impairment of non-financial assets**

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial assets**

**(i) Initial recognition and measurement**

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

**(ii) Subsequent measurement**

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

Loans and receivables

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

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

**(iii) Derecognition**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Impairment of financial assets**

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

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

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

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

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

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

**Inventories**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Derivative financial instruments and hedging activities**

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

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

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

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

Cash flow hedge

*(a) Interest rate swaps*

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

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

*(b) Currency forwards*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial liabilities**

**(i) Initial recognition and measurement**

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

**(ii) Subsequent measurement**

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

**(iii) Derecognition**

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

**Fair value estimation of financial assets and liabilities**

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

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

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

**Leases**

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Leases** (Continued)

**(i) As lessor**

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

**(ii) As lessee**

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

**Provisions**

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

**Borrowings**

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

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

**Borrowing costs**

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Share capital**

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

**Revenue recognition**

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

**(i) Sale of goods**

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

**(ii) Interest income**

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

**(iii) Rental income**

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

**Employees' benefits**

**(i) Retirement benefits**

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

Singapore

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Employees' benefits** (Continued)

**(i) Retirement benefits** (Continued)

People's Republic of China ("PRC")

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

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

**(ii) Employee leave entitlement**

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

**(iii) Share-based compensation**

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Income tax**

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Value-added-tax ("VAT")**

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

**Government grants**

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

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

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

**Related parties**

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

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

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

NOTES TO THE
# FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Cash and cash equivalents**

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

**Segment reporting**

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

**Critical accounting estimates and assumptions**

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

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

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

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

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

If projected discount rate of bamboo products were 1% higher/lower than forecasted in the valuation report, the fair value of the bamboo shoots and trees as at 30 June 2015 would be lower and higher by approximately RMB11.8 million and RMB13.6 million (2014: RMB13.1 million and RMB15.0 million), respectively.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Critical accounting estimates and assumptions** (Continued)

*(b) Impairment of trade receivables*

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

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

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

*(d) Income tax*

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

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

NOTES TO THE
# FINANCIAL STATEMENTS

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

## 3. SHARE CAPITAL

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

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

## 4. STATUTORY RESERVE FUND

Statutory reserves fund comprise:

| | Percentage of contribution from profit for the year | Group | |
|---|---|---|---|
| | | 2015 | 2014 |
| | | RMB'000 | RMB'000 |
| Statutory reserve fund | 10% | **130,507** | 114,349 |

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 5. PROPERTY, PLANT AND EQUIPMENT

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

**Company**

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 6. LAND USE RIGHTS

**Group**

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

The carrying value is analysed as follows:

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

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

# NOTES TO THE FINANCIAL STATEMENTS

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

## 7. BIOLOGICAL ASSETS

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

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| At beginning of year | **179,748** | 183,641 |
| Increase due to plantation | **426,598** | 539,416 |
| Decrease due to harvest (Note 7 (c)) | **(424,437)** | (552,109) |
| (Loss)/Gain arising from changes in fair value less estimated point-of-sale cost | **(16,650)** | 8,800 |
| Net carrying amount at end of year | **165,259** | 179,748 |

(b) The analysis of the above is as follows:

| | Group | | |
|---|---|---|---|
| | **Bamboo shoots and trees RMB'000** | **Vegetables RMB'000** | **Total RMB'000** |
| As at 30.6.2014 | | | |
| Non-current portion | 158,800 | - | 158,800 |
| Current portion | - | 20,948 | 20,948 |
| | 158,800 | 20,948 | 179,748 |
| As at 30.6.2015 | | | |
| Non-current portion | **142,150** | **-** | **142,150** |
| Current portion | **-** | **23,109** | **23,109** |
| | **142,150** | **23,109** | **165,259** |

(c) The quantity and amount of agricultural produce harvested during the year were as follows:

| | Group | | | |
|---|---|---|---|---|
| | **2015 Quantity (tonnes)** | **2015 RMB'000** | **2014 Quantity (tonnes)** | **2014 RMB'000** |
| Vegetables | **184,025** | **411,562** | 324,168 | 542,002 |
| Bamboo shoots and trees | **19,103** | **12,875** | 12,440 | 10,107 |
| | **203,128** | **424,437** | 336,608 | 552,109 |

# NOTES TO THE FINANCIAL STATEMENTS

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

## 7. BIOLOGICAL ASSETS (CONTINUED)

(d) Measurement base

Bamboo shoots and trees

In accordance with the valuation report issued by an independent professional valuer, the fair values less estimated point-of-sale costs of the bamboo shoots and trees are determined using the present value of expected future net cash flows from the bamboo shoots and trees discounted at an appropriate discount rate.

In estimating the fair value for bamboo shoots and trees, the level of fair value hierarchy is Level 3.

Key assumptions used for the discounted cashflow activities:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| Discount rate | **15%** | 15% |
| Long-term growth rate of selling price | **2%** | 2% |
| Average yield in kg per mu | **772 - 1171** | 772 – 1261 |

The key assumptions used to determining the fair value also includes competitive but stable market conditions and continued acceptability of products sold. Management determined growth rates of selling prices and yield of bamboo based on past performance, its expectations of the market development and inputs from independent experts of bamboo plantations. The discount rates used were pre-tax and reflected specific risks relating the relevant segments. The higher the discount rate used, the lower the fair value of the bamboo shoots and trees. The higher the long-term growth rate of selling price, the higher the fair value of the bamboo shoots and trees.

The estimated sales revenue depends on the market prices of already harvested bamboo trees and bamboo shoots of comparable age and quality in the region where the plantations are located. All costs directly attributable to the sale of bamboo shoots and trees are included in costs to sell such as land rental costs, reclamation costs, harvesting costs and selling costs.

Vegetables

Vegetables are carried at cost less any impairment losses.

Vegetables under cultivation that has not reached the point of being harvested do not have an active market and thus market-determined prices or values are not available for fair value to be measured reliably. In the opinion of the management, estimates of fair value are determined to be unreliable.

(e) Specific risk management strategies

Currently there are no financial derivatives in the PRC to protect the future selling price of bamboo trees, bamboo shoots and vegetables.

The Group has purchased fire insurance for its bamboo plantation for an insured amount of approximately RMB5.2 million (2014: RMB5.2 million).

# NOTES TO THE FINANCIAL STATEMENTS

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

## 8. LAND IMPROVEMENT COSTS

**Group**

| | RMB'000 |
|---|---|
| **Cost** | |
| As at 1.7.2013 and 30.6.2014 | 488,058 |
| As at 1.7.2014 | 488,058 |
| Disposal | (17,861) |
| As at 30.6.2015 | 470,197 |
| **Accumulated amortisation** | |
| As at 1.7.2013 | 228,337 |
| Charge for the year | 84,472 |
| As at 30.6.2014 | 312,809 |
| As at 1.7.2014 | 312,809 |
| Charge for the year | 78,774 |
| Disposal | (9,525) |
| As at 30.6.2015 | 382,058 |
| **Net carrying amount** | |
| As at 30.6.2015 | 88,139 |
| As at 30.6.2014 | 175,249 |

## 9. SUBSIDIARIES

| | Company | |
|---|---|---|
| | 2015 RMB'000 | 2014 RMB'000 |
| Unquoted equity shares, at cost | | |
| At beginning of year | **1,300,835** | 1,293,640 |
| De-registration of a subsidiary | **-** | (9,156) |
| Translation adjustment | **(106,218)** | 16,351 |
| Net carrying amount at end of year | **1,194,617** | 1,300,835 |

NOTES TO THE
# FINANCIAL STATEMENTS

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

## 9. SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

| Name of Company | Principal activities/Country of incorporation and place of business | Ownership interest and voting power held by the Group | |
|---|---|---|---|
| | | 2015 % | 2014 % |
| Held by the Company | | | |
| Fujian Minzhong Organic Food Co., Ltd (i) | Production and sales of processed vegetables, fruits and vegetable beverages/People's Republic of China | **100** | 100 |
| Sichuan Minzhong Organic Food Co., Ltd (i) | Cultivation, processing and sales of mushrooms/People's Republic of China | **100** | 100 |
| Held by a subsidiary | | | |
| Yunnan Yuanmou Minzhong Food Co., Ltd (i) | Cultivation, processing and sales of vegetables/People's Republic of China | **100** | 100 |
| Inner Mongolia Minzhong Food Co., Ltd (i) | Cultivation, processing and sales of vegetables/People's Republic of China | **100** | 100 |
| Shanghai Pudong Xing Minzhong Agricultural Products Co., Ltd (i) | Cultivation of vegetables and sales of pre-packaged food/People's Republic of China | **100** | 100 |
| Putian Licheng Minzhong Agriculture Development Co., Ltd (i) | Cultivation, production and sales of vegetables/People's Republic of China | **100** | 100 |
| Shanghai Minzhong Organic Food Co., Ltd (i) | Cultivation, production and sales of vegetables/People's Republic of China | **100** | 100 |
| Tianjin Minzhong Ecological Agricultural Development Co., Ltd (i) | Cultivation, production and sales of vegetables/People's Republic of China | **100** | 100 |
| Tianjin Minzhong Organic Food Co., Ltd (i) | Processing and sales of vegetables and other food-related products/People's Republic of China | **100** | 100 |
| Hubei Minzhong Organic Food Co., Ltd (i) | Production and sales of vegetables and other food related products/People's Republic of China | **100** | 100 |
| Jiangsu Minzhong Organic Food Co., Ltd (i) | Production and sales of edible fungi/People's Republic of China | **100** | 100 |

(i) Audited by Crowe Horwath First Trust LLP for the purpose of expressing an opinion on the consolidated financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 10. OPERATING LEASE PREPAYMENTS

These represent prepayments of long-term leases of cultivation bases and bamboo forest under operating leases. The movements of these operating lease prepayments are summarised as follows:

**Group**

| | RMB'000 |
|---|---|
| **Cost** | |
| As at 1.7.2013 | 678,132 |
| Additions | 20,304 |
| Disposal | (4,320) |
| As at 30.6.2014 | 694,116 |
| As at 1.7.2014 | 694,116 |
| Disposal | (52,635) |
| As at 30.6.2015 | 641,481 |
| **Accumulated amortisation** | |
| As at 1.7.2013 | 242,563 |
| Charge for the year | 63,680 |
| Disposal | (4,320) |
| As at 30.6.2014 | 301,923 |
| As at 1.7.2014 | 301,923 |
| Charge for the year | 59,426 |
| Disposal | (17,984) |
| As at 30.6.2015 | 343,365 |
| **Net carrying amount** | |
| As at 30.6.2015 | 298,116 |
| As at 30.6.2014 | 392,193 |

The carrying value is analysed as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| Not more than one year, current portion | **56,518** | 63,418 |
| More than one year but not more than five years | **192,440** | 230,333 |
| More than five years | **49,158** | 98,442 |
| Non-current portion | **241,598** | 328,775 |

# NOTES TO THE FINANCIAL STATEMENTS

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

## 11. INVENTORIES

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| **At cost** | | |
| Raw materials | **12,866** | 8,536 |
| Work-in-progress | **26,487** | 75,467 |
| Finished goods | **22,154** | 22,611 |
| | **61,507** | 106,614 |

The cost of inventories recognised as an expense and included in "cost of sales" amount to approximately RMB1,332.0 million (2014: RMB1,902.8 million).

## 12. OTHER RECEIVABLES AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Other receivables [(i)] | **21,561** | 11,211 | **127** | 138 |
| Advances to suppliers | **66,982** | 48,189 | **-** | - |
| Deposit [(ii)] | **-** | 43,840 | **-** | - |
| Prepayments [(iii)] | **31,467** | 40,861 | **143** | 67 |
| | **120,010** | 144,101 | **270** | 205 |

(i) Other receivables relate mainly to value-added tax receivables amounting to RMB1.6 million (2014: RMB1.5 million), rental receivables amounting to RMB5.4 million (2014: RMB0.1 million) and interest receivables amounting to RMB14.3 million (2014: RMB9.4 million).

(ii) Deposit paid relates to an amount paid in April 2011 to the Putian City government to secure preferential rights to bid for a piece of land 700mu in size. The Group had aborted this expansion plan and had demanded for refund in 2013 from the Putian City government. During the year the Putian City government has fully refunded the remaining RMB43.8 million (2014: RMB48.2 million) to the Group.

(iii) Prepayments relate mainly to prepayment made to contractors for construction of buildings, fixtures and machinery amounting to RMB13.6 million (2014: RMB15.5 million), that have not yet commenced. Prepayments also include RMB10.8 million (2014: RMB25.4 million) of amounts prepaid to advertising agents.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 13. CASH AND BANK BALANCES

For the purpose of presenting the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the followings:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Cash at bank and on hand | **94,038** | 157,417 | **6,569** | 56,073 |
| Short-term deposits | **4,167,881** | 3,110,000 | **-** | - |
| Cash and cash equivalents per consolidated statement of financial position and statement of cash flows | **4,261,919** | 3,267,417 | **6,569** | 56,073 |

As at 30 June 2015, the Group has balances deposited with banks in the PRC denominated in RMB amounting to RMB4,127.4 million (2014: RMB3,249.7 million). The RMB is not freely convertible into foreign currencies under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Short-term deposits have maturity period ranging from 180 to 360 days (2014: 90 to 180 days), yield interest income at effective rates ranging from 2.05% to 3.05% (2014: 2.85% to 3.05%) per annum.

## 14. LOAN TO A SUBSIDIARY/DUE FROM A SUBSIDIARY (NON-TRADE)

The amount due from a subsidiary is unsecured, interest-free and repayable on demand.

In connection with the US$150 million facility agreement between the Company and Citibank N.A., Singapore Branch and Standard Chartered Bank, Singapore Branch (Note 16) dated 6 August 2013, the Company has provided the loan to a subsidiary, Fujian Minzhong Organic Food Co., Ltd with total facility amount of RMB950 million. This loan is unsecured and bears a fixed interest rate at 7.00% per annum.

The loan is repayable by 5 semi-annual instalments of 10% of principal drawdown each commencing from 25 January 2016 and a final repayment of remaining 50% on final maturity date 25 July 2018.

The breakdown of the loan to a subsidiary, as follows:

| | Company | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| Current portion | | |
| Not more than one year | **86,095** | - |
| Non-current portion | | |
| More than one year, but not more than five years | **774,853** | 860,948 |
| | **860,948** | 860,948 |

# NOTES TO THE FINANCIAL STATEMENTS

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

## 15. OTHER PAYABLES AND ACCRUALS

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Advances from customers | **23,418** | 36,611 | **-** | - |
| Other payables (i) | **205,388** | 17,683 | **189,987** | - |
| Other tax payables (ii) | **11,806** | 9,700 | **-** | - |
| Accrued expenses (iii) | **80,193** | 60,646 | **23,806** | 20,338 |
| | **320,805** | 124,640 | **213,793** | 20,338 |

(i) Other payables for the Group and the Company amounting to RMB190.0 million (2014: Nil) pertains to a short-term advance from a third party of S$42.0 million, bearing interest of 7% per annum, repayable on 25 July 2015. The Group is in the process of arranging payment as of the date of this report. Included in other payables is amount due to contractors for construction of buildings, plant and machinery amounted to RMB12.8 million (2014: RMB17.7 million).

(ii) Other tax payables relate mainly to sales related tax and value-added tax payable.

(iii) Included in accrued expenses is accrued interest on bank term loans amounting to RMB15.5 million (2014: RMB3.6 million).

## 16. BANK TERM LOANS

**Non-current portion**

On 6 August 2013, the Company entered into a syndicated loan facility agreement ("syndicated loan") in respect of a term loan facility of up to an aggregated principal amount of US$150 million. The loan bears interest at applicable USD LIBOR plus 2.6% per annum. The loan is repayable by 5 semi-annual instalments of 10% of principal drawdown each commencing from 6 February 2016 and a final repayment of remaining 50% on final maturity date 6 August 2018. Interest is payable on semi-annual basis commencing from 8 September 2014. On 15 August 2013, the Company entered into a Cross Currency Swap transaction with Citibank N.A., Singapore Branch and Standard Chartered Bank, Singapore Branch, with effective date on 16 August 2013 and termination date on 6 August 2018. The Cross Currency Swap transaction (Note 31) is designed to mirror the exact cash flow to this syndicated term loan facility, including both principal and interest.

| | Group and Company | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| Interest bearing loan, unsecured | **922,068** | 922,068 |
| Adjustment for | | |
| - Loan expenses | **(23,419)** | (23,419) |
| - Currency alignment | **(4,653)** | 1,022 |
| | **893,996** | 899,671 |
| Add: Amortisation of loan expenses | **8,450** | 3,924 |
| Net carrying amount at 30 June | **902,446** | 903,595 |
| Less: Repayable not more than one year | **(91,630)** | - |
| Total non-current portion bank loan | **810,816** | 903,595 |

# NOTES TO THE FINANCIAL STATEMENTS

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

## 16. BANK TERM LOANS (CONTINUED)

**Current portion**

| | Group | | Company | |
|---|---|---|---|---|
| | **2015 RMB'000** | **2014 RMB'000** | **2015 RMB'000** | **2014 RMB'000** |
| Syndicated loan | **91,630** | - | **91,630** | - |
| Interest bearing loans: | | | | |
| - Unsecured | **692,774** | 433,680 | **111,595** | - |
| - Guaranteed | **160,000** | 160,000 | **-** | - |
| **Total current portion bank loan** | **944,404** | 593,680 | **203,225** | - |

Interest rates for short-term bank loans range from 3.2% to 9.3% (2014: 3.3% to 8.1%) per annum.

Sichuan Minzhong Organic Food Co., Ltd (a subsidiary of the Company) is providing guarantee for RMB160.0 million (2014: RMB160.0 million) short term bank loans to the Group.

## 17. GOVERNMENT GRANTS

| **Group** | **Deferred income RMB'000** | **Government grants RMB'000** | **Total RMB'000** |
|---|---|---|---|
| As at 1.7.2013 | 69 | 25,020 | 25,089 |
| Additions | - | 27,216 | 27,216 |
| Amortisation for the year (Note 20) | (69) | (30,465) | (30,534) |
| As at 30.6.2014 | - | 21,771 | 21,771 |
| As at 1.7.2014 | - | 21,771 | 21,771 |
| Additions | - | 7,246 | 7,246 |
| Amortisation for the year (Note 20) | - | (10,475) | (10,475) |
| As at 30.6.2015 | - | 18,542 | 18,542 |

The carrying value is analysed as follows:

| | Group | |
|---|---|---|
| | **2015 RMB'000** | **2014 RMB'000** |
| Not more than one year, current portion | **2,628** | 3,265 |
| More than one year, but not more than five years | **10,816** | 10,990 |
| More than five years | **5,098** | 7,516 |
| Non-current portion | **15,914** | 18,506 |

The government grants were obtained for the sponsorship of research and development projects, production equipment subsidy and products quality awards. There are no unfulfilled conditions or contingencies attached to these grants. The remaining amortisation period range from 1 to 15 years (2014: 1 to 16 years).

The grant received during year 2014 mainly comprise an award for modernisation in agricultural production amounting to RMB20 million which has been recognised in the profit or loss as income for the previous financial year.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 18. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25% (2014: 25%).

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| Deferred tax assets: | | |
| - to be recovered within one year | **650** | 900 |
| - to be recovered after one year | **5,350** | 5,100 |
| | **6,000** | 6,000 |
| Deferred tax liabilities: | | |
| - to be settled within one year | **(45,000)** | (25,000) |

The movement in the deferred income tax account is as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| At beginning of year | **(19,000)** | 6,000 |
| Charged to consolidated statement of profit or loss (Note 25) | **(20,000)** | (25,000) |
| At end of year | **(39,000)** | (19,000) |
| Presented as follows: | | |
| Deferred tax assets | **6,000** | 6,000 |
| Deferred tax liabilities | **(45,000)** | (25,000) |
| | **(39,000)** | (19,000) |

There are no enforceable right to set off the deferred tax assets and liabilities.

The components and movement of deferred tax assets and liabilities during the financial year are as follows:

| | **Government grants** |
|---|---|
| | **RMB'000** |
| **Deferred tax assets:** | |
| As at 1 July 2013, 30 June 2014 and 30 June 2015 | 6,000 |

# NOTES TO THE FINANCIAL STATEMENTS

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

## 18. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

| | Withholding tax on undistributable profits RMB'000 |
|---|---|
| **Deferred tax liabilities:** | |
| As at 1 July 2013 | (2,650) |
| Utilised during the year | 2,650 |
| Charged to consolidated statement of profit or loss (Note 25) | (25,000) |
| As at 30 June 2014 | (25,000) |
| As at 1 July 2014 | (25,000) |
| Charged to consolidated statement of profit or loss (Note 25) | (20,000) |
| As at 30 June 2015 | (45,000) |

Temporary differences of RMB3,621.8 million (2014: RMB3,489.0 million) have not been recognised for the withholding and other taxes that will be payable on the remaining earnings of overseas subsidiaries when remitted to the Company. These undistributed profits are permanently reinvested as any future dividends will be declared out of future profits. The deferred tax liability not recognised for undistributed profits is estimated to be RMB181.1 million (2014: RMB174.4 million).

## 19. REVENUE

| | Group | |
|---|---|---|
| | **2015 RMB'000** | **2014 RMB'000** |
| Sale of processed vegetables | **904,777** | 1,435,825 |
| Sale of fresh vegetables produce | **663,664** | 956,726 |
| Beverages (ii) | **312,358** | 335,545 |
| Mushroom spores (i) | **77,268** | 136,897 |
| Others (ii) | **13,078** | 31,642 |
| | **1,971,145** | 2,896,635 |

(i) Part of Cultivation business segment (Note 32).

(ii) Part of Branded business segment (Note 32) and other miscellaneous products, such as instant food and health food products.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 20. OTHER INCOME

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| Interest income on short-term deposits | **106,614** | 46,023 |
| Rental income | **73,838** | 47,932 |
| Government grants (Note 17) | **10,475** | 30,534 |
| Reversal of allowance for doubtful trade receivables (Note 33(iii)) | **8,475** | 10,481 |
| Gain on disposal of operating lease prepayments and land improvement costs | **1,013** | - |
| Others | **8,575** | 1,433 |
| | **208,990** | 136,403 |

## 21. OTHER EXPENSES

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| Rental expenses | **60,437** | 39,502 |
| Impairment allowance for trade receivables (Note 33(iii)) | **19,330** | 19,287 |
| Exchange (gain)/loss, net | **(22,764)** | 8,022 |
| Donations and sponsorship | **-** | 7,876 |
| Loss on disposal of scrap materials | **791** | 1,578 |
| Property, plant and equipment written off | **199** | 455 |
| Others | **966** | 7,246 |
| | **58,959** | 83,966 |

## 22. FINANCE COST

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| Interest expenses on bank term loans | **71,605** | 56,110 |
| Cash flow hedges reclassified from hedging reserve | **29,173** | 8,979 |
| | **100,778** | 65,089 |

# NOTES TO THE FINANCIAL STATEMENTS

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

## 23. PROFIT BEFORE TAX

Profit before income tax is arrived at after charging the following:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| Directors' remuneration – Company's directors (i) | **3,888** | 7,614 |
| Amortisation of operating lease prepayments | **59,426** | 63,680 |
| Amortisation of land improvement costs | **78,774** | 84,472 |
| Amortisation of land use rights | **3,106** | 2,888 |
| Research and development costs | **942** | 1,022 |
| Depreciation of property, plant and equipment | **118,857** | 97,979 |
| Property, plant and equipment written off | **199** | 455 |
| Audit fees paid to auditors of the Company | **1,271** | 1,373 |
| Audit related fees paid to auditors of the Company (ii) | **817** | 1,617 |
| Non-audit fees paid to auditors of the Company | **13** | 13 |
| Staff costs (iii) (Note 24) | **249,272** | 336,854 |

(i) This includes directors' fees to Independent Directors and short term employee benefits to Executive Directors.

(ii) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the consolidated financial statements for periods other than the year end of the Group, and are not reported under the line item captioned 'Audit fees' above. Audit-related fees billed in 2015 and 2014 pertain to quarterly and half-year review of financial statements for purposes of the Company's immediate holding company's group consolidation.

(iii) This includes amounts shown as directors' remuneration.

## 24. STAFF COSTS

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| Salaries, bonuses and allowances (i) | **244,364** | 331,060 |
| Contributions to defined contribution plans | **4,908** | 5,794 |
| | **249,272** | 336,854 |

(i) This includes directors' remuneration as shown in Note 23.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 25. INCOME TAX

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| Current tax | | |
| - Corporate income tax ("CIT"): current year | **54,313** | 75,868 |
| - CIT: prior year | **1,053** | 4,524 |
| Deferred tax (Note 18) | | |
| - current year | **20,000** | 25,000 |
| Withholding tax | | |
| - current year | **6,550** | 6,807 |
| | **81,916** | 112,199 |

A reconciliation between the income tax expense and the product of accounting profit multiplied by the applicable tax rates for the respective financial year ended 30 June was as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| Profit before tax | **402,393** | 621,656 |
| Tax at the applicable statutory rate of 25% (2014: 25%) | **100,598** | 155,414 |
| Tax effects of: | | |
| Different tax rate in other countries | **(6,048)** | (717) |
| Income exempted from tax or taxed at source | **(55,678)** | (101,898) |
| Expenses that are not deductible in determining taxable profit | **15,441** | 23,069 |
| Deferred tax on withholding tax on dividend remitted by subsidiary in PRC | **20,000** | 25,000 |
| Withholding tax on interest income remitted by subsidiary in PRC | **6,550** | 6,807 |
| Under-provision of prior year's income tax | **1,053** | 4,524 |
| Tax expense | **81,916** | 112,199 |

<u>The Company:</u>

The Company has no taxable income during the financial year (2014: Nil). The statutory income tax rate applicable to the Company is 17% (2014: 17%) for the current financial year ended 30 June 2015.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 25. INCOME TAX (CONTINUED)

Subsidiaries:

On 16 March 2007, the National People's Congress promulgated the PRC Enterprise Income Tax Law (the "New Tax Law"), which became effective from 1 January 2008.

The following subsidiaries are subject to Enterprise Income Tax ("EIT") at a standard rate of 25%.

(i) Fujian Minzhong Organic Food Co., Ltd

(ii) Yunnan Yuanmou Minzhong Food Co., Ltd

(iii) Hubei Minzhong Organic Food Co., Ltd

(iv) Tianjin Minzhong Organic Food Co., Ltd

(v) Jiangsu Minzhong Organic Food Co., Ltd

The following subsidiaries enjoy full exemption of EIT in respect of income generated from cultivation of vegetables and collection of forest products.

(i) Sichuan Minzhong Organic Food Co., Ltd

(ii) Inner Mongolia Minzhong Food Co., Ltd

(iii) Shanghai Pudong Xing Minzhong Agricultural Products Co., Ltd

(iv) Shanghai Minzhong Organic Food Co., Ltd

(v) Putian Licheng Minzhong Agriculture Development Co., Ltd

(vi) Tianjin Minzhong Ecological Agricultural Development Co., Ltd

# NOTES TO THE FINANCIAL STATEMENTS

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

## 26. EARNINGS PER SHARE

### (i) Basic earnings per share

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

| | 2015 | 2014 |
|---|---|---|
| Net profit attributable to equity holders of the Company (RMB'000) | **320,477** | 509,457 |
| Weighted average number of ordinary shares outstanding for basic earnings per share ('000) | **655,439** | 655,439 |
| Basic earnings per share (RMB per share) | **0.49** | 0.78 |

### (ii) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has dilutive potential share options (Note 27).

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) since the grant of the dilutive options for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

| | 2015 | 2014 |
|---|---|---|
| Weighted average number of ordinary shares outstanding for diluted earnings per share ('000) | **655,794** | 655,951 |
| Diluted earnings per share (RMB per share) | **0.49** | 0.78 |

NOTES TO THE
# FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
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## 27. EMPLOYEES' SHARE OPTION RESERVE

Pursuant to the Board Meeting held on 24 August 2012, the Directors granted 2,678,000 share options of the Company on 4 September 2012 to selected eligible employees of the Group and an Executive Director of the Company to subscribe for 2,678,000 ordinary shares in the Company at an exercise price of S$0.74 per share, under the CMZ Employee Share Option Scheme 2010 ("Scheme") which was approved on 31 March 2010. Options granted have a term no longer than 3 years, and with 1 year vesting period from grant date. The total fair value of the options granted was estimated to be S$583,418 (equivalent to RMB2,889,496) as at the grant date of options using Black-Scholes-Merton Option Pricing Model.

The following assumptions were taken into consideration when using the model to compute the total fair value of the options granted, under the Scheme, during the financial year 2013:

(1) Current share value as at grant date

The current share value as at grant date was S$0.72 based on the Company's closing share price listed on Singapore Exchange Securities ("SGX").

(2) Expected life of options

The expected life of options is defined as the period from the time of grant to the time when the options are exercised. The Scheme has specified that holders of the options are to exercise their options by 3 September 2015 and therefore the expected life of options is assumed to be 3 years.

(3) Expected volatility

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The volatility index was 56.51% based on the volatility index of the Company as at grant date.

(4) Expected dividend

If employees were granted options and are entitled to dividends on the underlying shares between grant date and exercise date, the options granted should be valued as if no dividends will be paid on the underlying shares.

Conversely, if the employees are not entitled to dividends or dividend equivalents during the vesting period or before exercise, the grant date valuation of the options should take expected dividends into account. When the fair value of a share granted is estimated, that valuation should be reduced by the present value of dividends expected to be paid during the vesting period.

As at grant date, the Company had not declared any dividends in the past and hence, dividend yield is assumed to be zero for the purpose of computation.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 27. EMPLOYEES' SHARE OPTION RESERVE (CONTINUED)

(5) Risk-free interest rates

The Black-Scholes-Merton model assumes that the interest rate is to be constant and risk free. Given that the expected life of the options is 3 years, the risk-free rate is assumed to be the latest available yield rate of 0.21% of a 2-year Singapore government bond as there is no such bond with a 3-years maturity.

The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of options at the end of the financial year are as follows:

| | 2015 No. of options | 2014 No. of options |
|---|---|---|
| Outstanding at beginning of year | **5,140,000** | 5,140,000 |
| Expired during the year | **(2,462,000)** | - |
| Outstanding at end of year | **2,678,000** | 5,140,000 |

None of the options granted under the CMZ Employee Share Option Scheme 2010 have been exercised as at 30 June 2015.

Employee share options represent the equity-settled share option granted to employees and executive director of the Group, the details of which are disclosed in the directors' report. The reserve is made up of the cumulative value of services received from employee and executive directors recorded over the vesting period commencing from the grant date of share options, and is reduced by the expiry or exercise of the share options.

Movements in the number of share options outstanding at the end of the financial year and their exercise prices are as follows:

| | Group and Company | | | |
|---|---|---|---|---|
| | 2015 | | 2014 | |
| | No. of Shares | Weighted average exercise price (S$) | No. of Shares | Weighted average exercise price (S$) |
| Number of outstanding share options | | | | |
| At beginning of the year | **5,140,000** | **0.99** | 5,140,000 | 0.99 |
| Expired during the year | **(2,462,000)** | **1.26** | - | |
| At end of year | **2,678,000** | **0.74** | 5,140,000 | 0.99 |

Terms of the share options outstanding as at end of year:

| Expiry date | Exercise price (S$) 2015 | Exercise price (S$) 2014 | Number of options 2015 | Number of options 2014 |
|---|---|---|---|---|
| 20 September 2014 | **-** | 1.26 | **-** | 2,462,000 |
| 3 September 2015 | **0.74** | 0.74 | **2,678,000** | 2,678,000 |
| | | | **2,678,000** | 5,140,000 |

NOTES TO THE
# FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
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## 28. RELATED PARTY TRANSACTIONS

Some of the arrangements with related parties (as defined in Note 2 above) and the effects of these bases determined between the parties are reflected elsewhere in this report. Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and its immediate holding company is disclosed below.

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| Sales of goods to immediate holding company | **2,455** | 3,055 |

**Compensation of key management personnel**

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| Short-term employee benefits | | |
| - Salaries and allowances | **4,527** | 4,485 |
| - Directors' fee | **1,300** | 1,295 |
| - Performance bonus | **-** | 7,300 |
| Total | **5,827** | 13,080 |

Included in the above in salaries, allowance and performance bonus is total compensation to Executive Directors of the Company amounting to approximately RMB2.5 million (2014: RMB6.2 million).

## 29. COMMITMENTS AND CONTINGENCIES

### (i) Non-cancellable operating lease commitments

As at 30 June 2015, the Group has operating lease agreements for farmlands located in Fujian Province, Sichuan Province, Yunnan Province, Inner Mongolia, Shanghai, Hubei, Tianjin and Jiangxi Province. The leases have remaining lease term ranging from 1 to 37 years (2014: 1 to 38 years). Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Operating lease commitments – where the Group is a lessee

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| Not later than 1 year | **9,450** | 17,000 |
| 2 years through 5 years | **-*** | 9,450 |
| More than 5 years | **27,855** | 67,490 |
| | **37,305** | 93,940 |

The lease term as a lessor have remaining terms ranging from 1 to 6 years (2014: 1 to 7 years).

* Prepaid pertains to prepaid lease amounts which would not be included as part of commitments.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 29. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### (i) Non-cancellable operating lease commitments (Continued)

Operating lease commitments – where the Group is a lessor

| | Group | |
|---|---|---|
| | 2015 RMB'000 | 2014 RMB'000 |
| Not later than 1 year | **71,034** | 52,974 |
| 2 years through 5 years | **237,907** | 145,734 |
| More than 5 years | **35,183** | 48,383 |
| | **344,124** | 247,091 |

The lease receivable is the rental generated from the Group's leased lands which were on lease to third parties for plantation of vegetables.

### (ii) Capital commitments

| | Group | |
|---|---|---|
| | 2015 RMB'000 | 2014 RMB'000 |
| Capital expenditure contracted for as at the reporting date but not provided for in the financial statements – commitments in respect of property, plant and equipment and land improvement costs | **483,126** | 501,525 |

## 30. (ACCUMULATED LOSSES)/RETAINED EARNINGS/TRANSLATION DEFICIT/HEDGING DEFICIT

| | Company | |
|---|---|---|
| | 2015 RMB'000 | 2014 RMB'000 |
| **(Accumulated losses)/Retained earnings:** | | |
| At the beginning of the year | **46,509** | (112,078) |
| Total profit for the year | **191,692** | 190,613 |
| Final exempt (one-tier) dividend declared for financial year ended 30 June 2013 of S$0.010 per share | **-** | (32,026) |
| Interim exempt (one-tier) dividend declared for financial year ended 30 June 2014 of S$0.0419 per share | **(136,172)** | - |
| Interim exempt (one-tier) dividend declared for financial year ended 30 June 2015 of S$0.0643 per share | **(190,642)** | - |
| Expiry of employee's share option | **1,740** | - |
| At the end of the year | **(86,873)** | 46,509 |

NOTES TO THE
# FINANCIAL STATEMENTS

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

## 30. (ACCUMULATED LOSSES)/RETAINED EARNINGS/TRANSLATION DEFICIT/HEDGING DEFICIT (CONTINUED)

| | Company | |
|---|---|---|
| | 2015 RMB'000 | 2014 RMB'000 |
| **Translation deficit:** | | |
| At beginning of the year | **(1,207)** | (19,040) |
| Other comprehensive (loss)/income | **(115,513)** | 17,833 |
| At end of the year | **(116,720)** | (1,207) |

The translation deficit represents exchange difference arising from the translation of the Company's financial statements whose functional currency is Singapore dollars.

| | Company | |
|---|---|---|
| | 2015 RMB'000 | 2014 RMB'000 |
| **Hedging deficit:** | | |
| At beginning of the year | **(29,173)** | - |
| Fair value gain/(loss) arising from derivative financial instruments | **(286)** | (38,152) |
| Reclassification to profit or loss from cash flow hedge | **29,173** | 8,979 |
| At end of the year | **(286)** | (29,173) |

Translation deficit and hedging deficit are not distributable as dividends.

## 31. DERIVATIVE FINANCIAL INSTRUMENTS

At the reporting date, the total notional amount of outstanding forward foreign exchange contracts to which the Company is committed are as follows:

| | Group and Company | |
|---|---|---|
| **Non-current portion** | 2015 | 2014 |
| Cross Currency Swap | | |
| Notional principal (USD'000) | **150,000** | 150,000 |
| Financial liabilities (RMB'000) | **286** | 29,173 |

On 15 August 2013, the Company entered into a Cross Currency Swap transaction with Citibank N.A., Singapore Branch and Standard Chartered Bank, Singapore Branch, collectively define as "Hedge Banks", with effective date on 16 August 2013 and termination date on 6 August 2018. This was entered solely to hedge foreign currency risk and interest rate risk arising from the Company's long term loan denominated in United States dollars ("USD") (Note 16).

Under the Cross Currency Swap arrangement, (i) for interest payment, the Company shall pay fixed rate 5.96% per annum and the Hedge Banks shall pay floating rate 2.6% + USD LIBOR; (ii) for drawdown, the Company shall pay USD drawdown amount and the Hedge Banks shall pay Chinese Yuan ("CNH") converted at USDCNH rate of 6.115; and (iii) for principal repayment, the Company shall pay CNH fixed at USDCNH rate of 6.115.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 32. SEGMENT INFORMATION

**Operating segments**

Operating segments are identified on the basis of internal reports about operating divisions of the Group that are regularly reviewed by the Board of Directors for the purpose of resource allocation and performance assessment.

The Group is organised on a worldwide basis into three main operating divisions, namely:

- Processed business segment, which is the processing and sale of processed vegetables;
- Cultivation business segment, which is the production and sale of fresh vegetable produce and trading of mushroom spores;
- Branded business segment, which is the production and sale of branded beverages, instant food, and health food products.

**(i) Operating segments**

Unallocated costs represent corporate expenses. Segments assets consist primarily of property, plant and equipment, lease payments, inventories and receivables. Segments liabilities comprise payables, provisions and government grant.

**(ii) Geographical information**

The Group operates in two geographical areas:

- Singapore – the Company is headquartered and has operations in Singapore. The operations in this area is primarily the investment holding.
- People's Republic of China – the operations in this area are principally the sales of processed products and fresh produce.

Operations in People's Republic of China contributed 100% of consolidated revenue. Revenue is based on the country in which the customer is located, regardless of where the goods are delivered. Assets and additions to non-current non-financial assets are based on the location of those assets.

NOTES TO THE
# FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015
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## 32. SEGMENT INFORMATION (CONTINUED)

| 2015 | Processed business segment RMB'000 | Cultivation business segment RMB'000 | Branded business segment RMB'000 | Group RMB'000 |
|---|---|---|---|---|
| Revenue | | | | |
| External sales | 904,777 | 740,932 | 325,436 | 1,971,145 |
| **Results** | 141,609 | 200,479 | 42,640 | 384,728 |
| Unallocated expenses | | | | (14,938) |
| Operating profit | | | | 369,790 |
| Loss on fair value of biological assets less estimated point of sales costs | | (16,650) | | (16,650) |
| Other income | | | | 208,990 |
| Other expenses | | | | (58,959) |
| Finance cost | | | | (100,778) |
| **Profit before income tax** | | | | 402,393 |
| **Segment assets** | 1,690,482 | 1,104,366 | 467,156 | 3,262,004 |
| Unallocated assets | | | | |
| - Construction in progress | | | | 62,353 |
| - Cash and bank balances | | | | 4,261,919 |
| - Other receivables and prepayments | | | | 273 |
| - Deferred tax assets | | | | 6,000 |
| Total assets | | | | 7,592,549 |
| **Segment liabilities** | (200,779) | (39,454) | (85,932) | (326,165) |
| Unallocated liabilities | | | | |
| - Other payables and accruals | | | | (214,327) |
| - Government grants | | | | (18,542) |
| - Bank term loans | | | | (1,755,220) |
| - Derivative financial instruments | | | | (286) |
| - Deferred tax liabilities | | | | (45,000) |
| Total liabilities | | | | (2,359,540) |
| **Other segment items** | | | | |
| Capital expenditure | | | | |
| - Property, plant and equipment | 181,844 | 22,390 | 61,379 | 265,613* |
| - Construction in progress | - | - | - | 8,329 |
| Depreciation and amortisation | 59,602 | 178,684 | 21,877 | 260,163 |
| Impairment allowance of trade receivables | 10,466 | - | 8,864 | 19,330 |
| Reversal of impairment allowance | 2,368 | - | 6,107 | 8,475 |
| Gain on disposal of operating lease prepayments and land improvement costs | - | 1,013 | - | 1,013 |
| Amortisation of government grant | 6,628 | - | 3,847 | 10,475 |

* *Including transfer from construction in progress.*

# NOTES TO THE FINANCIAL STATEMENTS

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(Amounts in RMB'000 unless otherwise stated)

## 32. SEGMENT INFORMATION (CONTINUED)

| **2014** | **Processed business segment RMB'000** | **Cultivation business segment RMB'000** | **Branded business segment RMB'000** | **Group RMB'000** |
|---|---|---|---|---|
| Revenue | | | | |
| External sales | 1,435,825 | 1,093,623 | 367,187 | 2,896,635 |
| **Results** | 315,107 | 388,418 | (43,341) | 660,184 |
| Unallocated expenses | | | | (34,676) |
| Operating profit | | | | 625,508 |
| Gain on fair value of biological assets less estimated point of sales costs | | 8,800 | | 8,800 |
| Other income | | | | 136,403 |
| Other expenses | | | | (83,966) |
| Finance cost | | | | (65,089) |
| **Profit before income tax** | | | | 621,656 |
| **Segment assets** | 1,602,694 | 1,355,281 | 470,875 | 3,428,850 |
| Unallocated assets | | | | |
| - Construction in progress | | | | 319,400 |
| - Cash and bank balances | | | | 3,267,417 |
| - Other receivables and prepayments | | | | 220 |
| - Deferred tax assets | | | | 6,000 |
| Total assets | | | | 7,021,887 |
| **Segment liabilities** | (103,693) | (45,738) | (58,611) | (208,042) |
| Unallocated liabilities | | | | |
| - Other payables and accruals | | | | (20,871) |
| - Government grants | | | | (21,771) |
| - Bank term loans | | | | (1,497,275) |
| - Derivative financial instruments | | | | (29,173) |
| - Deferred tax liabilities | | | | (25,000) |
| Total liabilities | | | | (1,802,132) |
| **Other segment items** | | | | |
| Capital expenditure | | | | |
| - Property, plant and equipment | 316,727 | 128,802 | 78,127 | 523,656* |
| - Construction in progress | - | - | - | 119,441 |
| - Operating lease prepayments | - | 20,304 | - | 20,304 |
| - Land use rights, including transfers in from prepayments | - | 3,100 | 11,000 | 14,100 |
| Depreciation and amortisation | 49,766 | 181,669 | 17,584 | 249,019 |
| Impairment allowance of trade receivables | 2,627 | - | 5,197 | 7,824 |
| Reversal of impairment allowance | 2,246 | - | 8,235 | 10,481 |
| Amortisation of government grant | 27,357 | 3,177 | - | 30,534 |

** Including transfer from construction in progress*

# NOTES TO THE FINANCIAL STATEMENTS

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

## 32. SEGMENT INFORMATION (CONTINUED)

### Geographical information

| | Revenue | |
|---|---|---|
| | 2015 RMB'000 | 2014 RMB'000 |
| **Overseas based customers:** | | |
| America | **169,783** | 134,848 |
| Europe | **37,249** | 48,526 |
| Asia (excluding the PRC) and other regions [1] | **209,267** | 217,442 |
| **Subtotal** | **416,299** | 400,816 |
| **PRC based customers** [2] | **1,554,846** | 2,495,819 |
| **Total revenue** | **1,971,145** | 2,896,635 |

(1) These other regions include countries along the Asia-Pacific Rim and other countries such as South Africa and New Zealand.

(2) Including PRC domestic distributors and export distributors.

No customer contributed more than 10% of total group revenue for the year ended 30 June 2015 and 30 June 2014.

Non-current assets are mainly based in the PRC.

## 33. FINANCIAL INSTRUMENTS

### Financial risk management objectives and policies

The following table sets out the financial instruments as at the reporting date:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RMB'000 | 2014 RMB'000 | 2015 RMB'000 | 2014 RMB'000 |
| **Financial assets** | | | | |
| Loans and receivables | **4,702,960** | 3,797,537 | **1,387,096** | 1,201,148 |
| **Financial liabilities** | | | | |
| Financial liabilities at amortised cost | **2,253,390** | 1,679,057 | **1,227,834** | 923,933 |
| Derivative financial instruments | **286** | 29,173 | **286** | 29,173 |

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign exchange risk, interest rate risk, liquidity risk and credit risk. The Board of directors reviews and agrees policies and procedures for the management of these risks. It is the Group's policy not to trade in derivative contracts.

# NOTES TO THE FINANCIAL STATEMENTS

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(Amounts in RMB'000 unless otherwise stated)

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

**Financial risk management objectives and policies** (Continued)

**(i) Market risk**

*(a) Foreign exchange risk*

Foreign exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Other than PRC, The Group also transacts in several currencies mainly United States dollars ("USD") and others (Euro dollars ("EUR")). As a result, movements in USD and EUR exchange rates are the main foreign exchange risk which the Group is exposed to.

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions. The Group has not entered into any derivative instruments for trading purposes.

| Group<br>As at 30 June 2015 | Singapore dollars<br>RMB'000 | United States dollars<br>RMB'000 | Renminbi<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Trade receivables | - | 146,377 | 274,708 | 10 | 421,095 |
| Other receivables and deposits | 127 | - | 19,819 | - | 19,946 |
| Cash and bank balances | 2,705 | 131,802 | 4,127,412 | - | 4,261,919 |
| Intra group receivable | - | - | 1,380,400 | - | 1,380,400 |
| | 2,832 | 278,179 | 5,802,339 | 10 | 6,083,360 |
| **Financial liabilities** | | | | | |
| Trade payables | - | - | 212,589 | - | 212,589 |
| Other payables and accruals | 195,042 | 11,192 | 79,347 | - | 285,581 |
| Bank term loans | 111,595 | 929,325 | 714,300 | - | 1,755,220 |
| Derivative financial instruments | - | 286 | - | - | 286 |
| Intra group payable | - | - | 1,380,400 | - | 1,380,400 |
| | 306,637 | 940,803 | 2,386,636 | - | 3,634,076 |
| Net financial (liabilities)/assets | (303,805) | (662,624) | 3,415,703 | 10 | 2,449,284 |
| Less: Cross-currency swap | - | 902,446 | - | - | 902,446 |
| Less: Net financial liabilities/ (assets) denominated in the respective entities' functional currencies | 303,805 | - | (2,041,759) | - | (1,737,954) |
| Foreign currency exposure | - | 239,822 | 1,373,944 | 10 | 1,613,776 |

# NOTES TO THE FINANCIAL STATEMENTS

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

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

**Financial risk management objectives and policies** (Continued)

**(i) Market risk** (Continued)

*(a) Foreign exchange risk (Continued)*

| **Group**<br>**As at 30 June 2014** | **Singapore dollars**<br>**RMB'000** | **United States dollars**<br>**RMB'000** | **Renminbi**<br>**RMB'000** | **Others**<br>**RMB'000** | **Total**<br>**RMB'000** |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Trade receivables | – | 34,427 | 442,179 | 1 | 476,607 |
| Other receivables and deposits | 138 | – | 53,375 | – | 53,513 |
| Cash and bank balances | 10,379 | 6,617 | 3,250,421 | – | 3,267,417 |
| Intra group receivable | – | – | 1,144,937 | – | 1,144,937 |
| | 10,517 | 41,044 | 4,890,912 | 1 | 4,942,474 |
| **Financial liabilities** | | | | | |
| Trade payables | – | – | 103,453 | – | 103,453 |
| Other payables and accruals | 5,004 | 1,890 | 71,435 | – | 78,329 |
| Bank term loans | – | 1,000,170 | 497,105 | – | 1,497,275 |
| Derivative financial instruments | – | 29,173 | – | – | 29,173 |
| Intra group payable | – | – | 1,144,937 | – | 1,144,937 |
| | 5,004 | 1,031,233 | 1,816,930 | – | 2,853,167 |
| Net financial assets/(liabilities) | 5,513 | (990,189) | 3,073,982 | 1 | 2,089,307 |
| Less: Cross-currency swap | – | 903,595 | – | – | 903,595 |
| Less: Net financial assets denominated in the respective entities' functional currencies | (5,513) | – | (1,900,678) | – | (1,906,191) |
| Foreign currency exposure | – | (86,594) | 1,173,304 | 1 | 1,086,711 |

# NOTES TO THE FINANCIAL STATEMENTS

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

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

**Financial risk management objectives and policies** (Continued)

**(i) Market risk** (Continued)

*(a) Foreign exchange risk (Continued)*

| **Company As at 30 June 2015** | **Singapore dollars RMB'000** | **United States dollars RMB'000** | **Renminbi RMB'000** | **Total RMB'000** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Loan to a subsidiary | - | - | 860,948 | 860,948 |
| Other receivables | 127 | - | - | 127 |
| Due from a subsidiary | - | - | 519,452 | 519,452 |
| Cash and bank balances | 2,705 | 2,761 | 1,103 | 6,569 |
| | 2,832 | 2,761 | 1,381,503 | 1,387,096 |
| **Financial liabilities** | | | | |
| Other payables and accruals | 195,042 | 11,192 | 7,559 | 213,793 |
| Bank term loans | 111,595 | 902,446 | - | 1,014,041 |
| Derivative financial instruments | - | 286 | - | 286 |
| | 306,637 | 913,924 | 7,559 | 1,228,120 |
| Net financial (liabilities)/assets | (303,805) | (911,163) | 1,373,944 | 158,976 |
| Less: Cross-currency swap | - | 902,446 | - | 902,446 |
| Less: Net financial assets denominated in the Company's functional currency | 303,805 | - | - | 303,805 |
| Foreign currency exposure | - | (8,717) | 1,373,944 | 1,365,227 |

# NOTES TO THE FINANCIAL STATEMENTS

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

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

**Financial risk management objectives and policies** (Continued)

**(i) Market risk** (Continued)

*(a) Foreign exchange risk (Continued)*

| **Company As at 30 June 2014** | **Singapore dollars RMB'000** | **United States dollars RMB'000** | **Renminbi RMB'000** | **Total RMB'000** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Loan to a subsidiary | – | – | 860,948 | 860,948 |
| Other receivables | 138 | – | – | 138 |
| Due from a subsidiary | – | – | 283,989 | 283,989 |
| Cash and bank balances | 10,379 | 3,883 | 41,811 | 56,073 |
| | 10,517 | 3,883 | 1,186,748 | 1,201,148 |
| **Financial liabilities** | | | | |
| Other payables and accruals | 5,004 | 1,890 | 13,444 | 20,338 |
| Bank term loans | – | 903,595 | – | 903,595 |
| Derivative financial instruments | – | 29,173 | – | 29,173 |
| | 5,004 | 934,658 | 13,444 | 953,106 |
| Net financial assets/(liabilities) | 5,513 | (930,775) | 1,173,304 | 248,042 |
| Less: Cross-currency swap | – | 903,595 | – | 903,595 |
| Less: Net financial assets denominated in the Company's functional currency | (5,513) | – | – | (5,513) |
| Foreign currency exposure | – | (27,180) | 1,173,304 | 1,146,124 |

Foreign exchange risk sensitivity

The following details the sensitivity of a 10% increase and decrease in the RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

**Financial risk management objectives and policies** (Continued)

**(i) Market risk** (Continued)

*(a) Foreign exchange risk (Continued)*

The Group

If the following currencies changes against the RMB and SGD by 10% (2014: 10%) with all other variables including tax rates being held constant, the effects arising from the net financial assets/(liabilities) position will be as follow:

| Profit after tax | 2015 Increase/ (Decrease) RMB'000 | 2014 Increase/ (Decrease) RMB'000 |
|---|---|---|
| USD | | |
| - strengthened | 17,987 | (6,495) |
| - weakened | (17,987) | 6,495 |
| RMB | | |
| - strengthened | 103,046 | 87,998 |
| - weakened | (103,046) | (87,998) |
| Others | | |
| - strengthened | 1 | - |
| - weakened | (1) | - |

The Company

If the following currencies changes against the SGD by 10% (2014: 10%) with all other variables including tax rates being held constant, the effects arising from the net financial assets/(liabilities) position will be as follow:

| Profit after tax | 2015 Increase/ (Decrease) RMB'000 | 2014 Increase/ (Decrease) RMB'000 |
|---|---|---|
| USD | | |
| - strengthened | (724) | (2,256) |
| - weakened | 724 | 2,256 |
| RMB | | |
| - strengthened | 114,037 | 97,384 |
| - weakened | (114,037) | (97,384) |

# NOTES TO THE FINANCIAL STATEMENTS

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

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

**Financial risk management objectives and policies** (Continued)

**(i) Market risk** (Continued)

*(b) Interest rate risk*

The Group obtains additional financing through bank borrowings.

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes. As at 30 June 2015 and 30 June 2014, there were no such arrangements, except for the Cross Currency Swap arrangement disclosed in Note 31.

The following table sets out the carrying amount, by maturity, of the Group's financial liabilities, that are exposed to interest rate risk:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 RMB'000 | 2014 RMB'000 | 2015 RMB'000 | 2014 RMB'000 |
| *Within one year – fixed rates* | | | | |
| Short term bank loans | **852,774** | 593,680 | **111,595** | – |
| Other payable (Note 15(i)) | **189,987** | – | **189,987** | – |
| *Within one year – floating rates* | | | | |
| Long term bank loans – current portion | **91,630** | – | **91,630** | – |
| *2 years through 5 years – floating rates* | | | | |
| Long term bank loans | **810,816** | 903,595 | **810,816** | 903,595 |

Interests on financial liabilities at fixed rates are fixed until the maturity of the instruments. The other financial liabilities of the Group that are not included in the above table are not subject to interest rate risks.

Management is of the view that sensitivity analysis for the floating rates loan above are not necessary as the interest rates are hedged with a cross-currency swap arrangement as detailed in Note 31.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

**Financial risk management objectives and policies** (Continued)

### (ii) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

The following tables detail the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay.

| **Group** | **On demand or not later than 1 year RMB'000** | **Later than 1 year and not later than 5 years RMB'000** | **Later than 5 years RMB'000** |
|---|---|---|---|
| **2015** | | | |
| *Non-derivative instruments* | | | |
| Trade payables | **212,589** | **-** | **-** |
| Other payables and accruals | **320,805** | **-** | **-** |
| Bank term loans | **992,064** | **873,795** | **-** |
| | **1,525,458** | **873,795** | **-** |
| *Derivative instruments* | | | |
| Cross-currency swap | | | |
| – Receipts (Floating/USD) | **119,165** | **873,795** | **-** |
| – Payment (Fixed/RMB) | **(147,057)** | **(992,881)** | **-** |
| **2014** | | | |
| *Non-derivative instruments* | | | |
| Trade payables | 103,453 | – | – |
| Other payables and accruals | 124,640 | – | – |
| Bank term loans | 641,464 | 997,673 | – |
| | 869,557 | 997,673 | – |
| *Derivative instruments* | | | |
| Cross-currency swap | | | |
| – Receipts (Floating/USD) | 29,249 | 997,673 | – |
| – Payment (Fixed/RMB) | (55,427) | (1,098,826) | – |

# NOTES TO THE FINANCIAL STATEMENTS

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

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

**Financial risk management objectives and policies** (Continued)

**(iii) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The credit period on sales of goods is 90 days (2014: 90 days). No interest is imposed on overdue trade receivables.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

The Group's major classes of financial assets include bank deposits and trade receivables. The carrying amounts of cash and bank balances, trade and other receivables, including amount due from related parties, represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

Cash and bank balances are placed with local financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the statement of financial position are net of allowances for impairment of receivables, estimated by management based on prior experience and the current economic environment.

Top 5 customers, who are in the business of distributing processed food/vegetable products in PRC, accounted for approximately 38% (2014: 38%) of total trade receivable balance as at the reporting date. Included in other receivables and prepayment as at 30 June 2014 was an amount to be refunded by a PRC local government (Note 12). The Group and the Company do not have any other concentration of credit risk exposure to any other single counterparty or any other group of counterparties having similar characteristics.

The aging analysis of trade receivables is as follows:

| | Group | |
|---|---|---|
| | **2015 RMB'000** | **2014 RMB'000** |
| Not past due and not impaired | **353,370** | 470,995 |
| Past due but not impaired | | |
| – Past due not more than 3 months | **67,725** | 5,612 |
| Past due and impaired trade receivables | **13,730** | 7,824 |
| Less: Allowance for impairment loss | **(13,730)** | (7,824) |
| Net trade receivables | **421,095** | 476,607 |

# NOTES TO THE FINANCIAL STATEMENTS

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

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

**Financial risk management objectives and policies** (Continued)

**(iii) Credit risk** (Continued)

Included in the Group's trade receivables are debtors with total carrying amount of approximately RMB67.7 million (2014: RMB5.6 million) which are past due but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The amounts that are neither past due nor impaired represents balances owing from companies and established vegetables distributor sole proprietorship with good credit standing with the Group and these amounts are deemed fully recoverable.

The movements in allowance for impairment loss are as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| Balance at beginning of the year | **7,824** | 11,451 |
| Allowance utilised during the year | **(4,949)** | (12,433) |
| Allowance written back during the year | **(8,475)** | (10,481) |
| Impairment allowance for trade receivables (Note 21) | **19,330** | 19,287 |
| Balance at end of the year | **13,730** | 7,824 |

The Group has provided for trade receivables based on estimated irrecoverable amounts from the sale of goods, determined by reference to their ability to repay and repayment history.

**(iv) Fair values of financial assets and financial liabilities**

The carrying amounts of cash and bank balances, trade and other current receivables and payables, other liabilities and amounts payable approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The non-current portion of borrowings of the Group at amortised cost bear a floating interest rate calculated based on LIBOR plus a spread which is determined to approximate the market rate for borrowings of similar term, hence the carrying value approximates the fair value.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 33. FINANCIAL INSTRUMENTS (CONTINUED)

**Capital risk management policies and objectives**

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings, cash and bank balances and equity attributable to equity holders of the Company, comprising issued capital, currency translation reserve, accumulated profits and employees' share option reserve.

The Board reviews the capital structure on an annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

Management monitors capital based on an adjusted gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and bank balances. Total capital is calculated as equity plus net debt.

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **RMB'000** | **RMB'000** | **RMB'000** | **RMB'000** |
| Bank loans | **1,755,220** | 1,497,275 | **1,014,041** | 903,595 |
| Trade payables | **212,589** | 103,453 | **-** | - |
| Other payables and accruals | **320,805** | 124,640 | **213,793** | 20,338 |
| Due from a subsidiary (non-trade) | **-** | - | **(519,452)** | (283,989) |
| Loan to a subsidiary | **-** | - | **(860,948)** | (860,948) |
| Cash and bank balances | **(4,261,919)** | (3,267,417) | **(6,569)** | (56,073) |
| Net debts | **(1,973,305)** | (1,542,049) | **(159,135)** | (277,077) |
| Total equity | **5,233,009** | 5,219,755 | **1,302,799** | 1,524,547 |
| Less: Statutory reserve fund | **(130,507)** | (114,349) | **-** | - |
| Total capital | **5,102,502** | 5,105,406 | **1,302,799** | 1,524,547 |
| Capital and net debts | **3,129,197** | 3,563,357 | **1,143,664** | 1,247,470 |
| Adjusted gearing ratio (Net debts/ Capital and net debts) | **(63.1%)** | (43.3%) | **(13,9%)** | (22.2%) |

As disclosed in Note 4, subsidiaries of the Group are required by the relevant laws and regulations in the PRC to contribute to and maintain a non-distributable statutory reserve fund which utilisation is subject to the approval of the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above mentioned subsidiaries for the financial year ended 30 June 2015 and 30 June 2014.

# NOTES TO THE FINANCIAL STATEMENTS

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

## 34. FAIR VALUES OF FINANCIAL INSTRUMENTS

### (i) Fair value of financial instruments that are carried at fair value

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

| | Level 2 | |
|---|---|---|
| | **2015** | **2014** |
| | **RMB'000** | **RMB'000** |
| **Liabilities** | | |
| Derivative financial instrument – cross currency swap | **286** | 29,173 |

Determination of fair value

The fair value of cross currency swap is valued using a valuation technique with market observable inputs. The contract notional amount of these derivative instruments and the corresponding fair value are disclosed in Note 31.

### (ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and bank balances, trade and other receivables, trade and other payables, loans receivables from related parties and loans and payables to related parties are reasonable approximation of fair values due to the relatively short-term maturity of these financial instruments or that they are floating market interest rate instruments on or near the reporting date.

### (iii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

As at reporting date, there are no financial instruments in this category.

# PROPERTIES AND **FIXED ASSETS**

Our Group owns the following properties as at 30 June 2015:

| No. | Nature | Location | Area (sq m) | Use of Property |
|---|---|---|---|---|
| 1 | Land Use Right | No. 552, Ba Er Yi North Street Chang Lin Residents' Committee, Licheng District, Putian City (荔城区畅林居委会八二一北街552号) | 78,773.86 | Processing facilities and storage |
| 2 | Land Use Right | No. 128, Ba Er Yi North Street, Gong Chen Residents' Committee, Licheng District, Putian City (荔城区拱辰居委会八二一北街128号) | 15,142.59 | Processing facilities and storage |
| 3 | Building | No. 128, Ba Er Yi North Street, Gong Chen Residents' Committee (拱辰居委会八二一北街128号) | 7,150.17 | Processing facilities and storage |
| 4 | Building | No. 552, Ba Er Yi North Street, Chang Lin Residents' Committee (畅林居委会八二一北街552号) | 19,733.18 | Processing facilities and storage |
| 5 | Land Use Right | No. 20, Development Zone (East Park) Inner Mongolia (内蒙古自治开发区(东区)第二十街坊) | 33,438.00 | Processing facilities and storage |
| 6 | Land Use Right | Left Side, Jinzhan Road, Nengyu Town, Yunnan Province (云南省能禹镇进站公路左侧) | 20,000.00 | Processing facilities and storage |
| 7 | Land Use Right | Xiaonengyu Village, Mohe Villagers' Committee, Yuanma Town, Yuanmou County, Yunnan Province (云南省元谋县元马镇摩河村委会小能禹村) | 46.50 | Dormitory |
| 8 | Land Use Right | Xiaonengyu Village, Mohe Villagers' Committee, Yuanmou County, Yunnan (云南省元谋县摩河村委会小能禹村) | 17.20 | Office block |
| 9 | Land Use Right | Xiaonengyu Village, Mohe Villagers' Committee, Yuanma Town, Yuanmou County, Yunnan Province (云南省元谋县元马镇摩河村委会小能禹村) | 144.70 | Dormitory |
| 10 | Land Use Right | Railway Station, Nengyu, Yuanmou County, Yunnan Province (云南省元谋县能禹火车站) | 672.50 | Processing facilities and storage |
| 11 | Building | Living Zone, South Jinzhan Road, Railway Station, Nengyu Town, Yuanmou County (元谋县能禹镇火车站进站公路南侧 (生活区)) | 1,409.61 | Dormitory |
| 12 | Building | Living Zone, South Jinzhan Road, Railway Station, Nengyu Town, Yuanmou County (元谋县能禹镇火车站进站公路南侧 (生活区)) | 1,201.11 | Dormitory |
| 13 | Building | South Jinzhan Road, Railway Station, Nengyu Town, Yuanmou County (元谋县能禹镇火车站进站路南侧) | 2,641.73 | Processing facilities and storage |
| 14 | Building | South Jinzhan Road, Railway Station, Nengyu Town, Yuanmou County (元谋县能禹镇火车站进站路南侧) | 4,158.28 | Processing facilities and storage |

# PROPERTIES AND FIXED ASSETS

| No. | Nature | Location | Area (sq m) | Use of Property |
|---|---|---|---|---|
| 15 | Building | Office Zone, South Jinzhan Road, Nengyu Town, Yuanmou County (元谋县能禹镇进站路南侧(办公区)) | 622.51 | Office block |
| 16 | Land Use Right | Shangyou Industrial Park, Chicheng Town, Pengxi County (蓬溪县赤城镇上游工业园) | 24,605.51 | Processing facilities and storage |
| 17 | Building | Shangyou Industrial Park, Chicheng Town (赤城镇上游工业园区) | 5,420.73 | Processing facilities and storage |
| 18 | Land Use Right | Sanshan Village, Xitianwei Town, Licheng District, Putian City (荔城区西天尾镇三山村) | 191,217.02 | Processing facilities and storage, office block and dormitory |
| 19 | Land Use Right | South Nanhuan Road, Sanfutan Town, Xiantao City (仙桃市三伏潭镇南环路南侧) | 33,000.00 | Processing facilities and storage, office block and dormitory |
| 20 | Building | South Nanhuan Road, Sanfutan Town, Xiantao City (仙桃市三伏潭镇南环路南侧) | 11,104.05 | Processing facilities and storage, office block and dormitory |
| 21 | Land Use Right | Shangyou Industrial Park, Chicheng Town, Pengxi County (蓬溪县赤城镇上游工业园) | 23,273.33 | Processing facilities and storage |
| 22 | Land Use Right | Group No. 5 Nidong Village Yilin Town Funing County (阜宁县益林镇倪东村5组) | 66,666.56 | Processing facilities and storage |
| 23 | Land Use Right | West Dongdi Zhiqu Road Ganhe Office Xiantao City (仙桃市干河办事处东堤直渠路西侧) | 38,074.22 | Processing facilities and storage |
| 24 | Land Use Right | West Dongdi Zhiqu Road Ganhe Office Xiantao City (仙桃市干河办事处东堤直渠路西侧) | 57,787.34 | Processing facilities and storage |
| 25 | Building | No. 258 Sanshan Village, Xitianwei Town, Licheng District, Putian City (荔城区西天尾镇三山村258号) | 153,065.69 | Processing facilities and storage, office block and dormitory |
| 26 | Land Use Right | Group No. 5 Nidong Village Yilin Town Funing County (阜宁县益林镇倪东村5组) | 37,522.21 | Processing facilities and storage |

# PROPERTIES AND FIXED ASSETS

We currently lease the following properties as at 30 June 2015:

| No. | Location | Lessor | Land Use | Gross Area (sq m '000) | Actual Start Date/Renewal Date | Remaining Tenure |
|---|---|---|---|---|---|---|
| 1 | Gaoyang Village, Shicang Town, Xianyou District, Fujian Province (福建省仙游县石苍乡高阳村 — 东至高阳梯佛公顶，西至青龙溪，南至霞湖山界，北至赤竹坑) | Farmer-households in Gaoyang Village, Shicang Town, Xianyou County, Fujian Province (福建省仙游县石苍乡高阳村的农户) | Forest | 17,346.8 | Started on 5 September 2001 and renewed on 1 January 2008 | Ending on 31 December 2028, with an option to extend to 4 September 2051 |
| 2 | Heping Village, Huangshi Town, Licheng District, Putian City, Fujian Province (福建省莆田市荔城区黄石镇和平村 — 东至和平村村道，西至涵黄公 路，南至黄石镇，北至和平村村道的农田) | Farmer-households in Heping Village, Huangshi Town, Licheng District, Putian City, Fujian Province (福建省莆田市荔城区黄石镇和平村的农户) | Farm | 2,063.3 | Started on 22 January 2000 and renewed on 1 January 2008 and 23 January 2010 respectively | Ending on 31 December 2027, with an option to extend to 21 January 2030 |
| 3 | Xibei Village, Changtai Town, Chengxiang District, Putian City, Fujian Province (福建省莆田市城厢区常太镇溪北村 — 东至枇杷地，西至村庄，南至小溪，北至村庄) | Farmer-households in Xibei Village, Changtai Town, Chengxiang District, Putian City, Fujian Province (福建省莆田市城厢区常太镇溪北村的农户) | Farm | 686.7 | Started on 1 February 2007 and renewed on 1 January 2008 | Ending on 31 January 2017 |
| 4 | Xinan Village, Changtai Town, Chengxiang District, Putian City, Fujian Province (福建省莆田市城厢区常太镇溪南村 — 东至村道，西至枇杷地，南至小溪，北至村庄) | Farmer-households in Xinan Village, Changtai Town, Chengxiang District, Putian City, Fujian Province (福建省莆田市城厢区常太镇溪南村的农户) | Farm | 140.0 | Started on 1 October 2006 and renewed on 1 January 2008 | Ending on 30 September 2016 |
| 5 | Lilinzui Village, Sanfutan Town, Xiantao City, Hubei Province (湖北省仙桃市三伏潭镇栗林嘴村 — 东至机耕路，西至农田，南至村 道，北至农舍) | Farmer-households in Lilinzui Village, Sanfutan Town, Xiantao City, Hubei Province (湖北省仙桃市三伏潭镇栗林嘴村的农户) | Farm | 2,000.0 | Started on 1 May 2008 | Ending on 30 April 2018 |

# PROPERTIES AND FIXED ASSETS

| No. | Location | Lessor | Land Use | Gross Area (sq m '000) | Actual Start Date/Renewal Date | Remaining Tenure |
|---|---|---|---|---|---|---|
| 6 | Yongfeng Village, Caolu Town, Pudong New District, Shanghai (上海市浦东新区曹路镇永丰村 — 东至龚丰路，南至小河，西至村部，北至村民农田) | Farmer-households in Yongfeng Village, Caolu Town, Pudong New District, Shanghai (上海市浦东新区曹路镇永丰村的农户) | Farm | 556.7 | Started on 1 April 2006 and renewed on 1 January 2008 and 1 April 2014 respectively | Ending on 31 March 2022 |
| 7 | Haichao Village, Caolu Town, Pudong New District, Shanghai (上海市浦东新区曹路镇海潮村 — 东至防护林，南至村道，西至村庄，北至村民农田) | Farmer-households in Haichao Village, Caolu Town, Pudong New District, Shanghai (上海市浦东新区曹路镇海潮村的农户) | Farm | 256.7 | Started on 1 January 2006 and renewed on 1 January 2008 and 1 January 2014 respectively | Ending on 31 December 2021 |
| 8 | Xingdong Village, Caolu Town, Pudong New District, Shanghai (上海市浦东新区曹路镇兴东村 — 东至兴华路，南至灌溉水渠，西至村道，北至文东路) | Farmer-households in Xingdong Village, Caolu Town, Pudong New District, Shanghai (上海市浦东新区曹路镇兴东村的农户) | Farm | 126.7 | Started on 1 April 2006 and renewed on 1 January 2008 and 1 January 2014 respectively | Ending on 31 December 2021 |
| 9 | Airport Town, Pudong New District, Shanghai (上海市浦东新区机场镇 — 东至八一河，西至华洲路，南至交界，北至水泥路土地交界) | Shanghai Pudong Linkong Agriculture Development Co., Ltd. (上海浦东临空农业开发有限公司) | Farm | 46.7 | Started on 1 December 2005 | Ending on 30 November 2025 |
| 10 | Fendou Village, Shuanghe Town, Linhe District, Bayannaoer City, Inner Mongolia (内蒙古巴彦淖尔市临河区双河镇奋斗村 — 东至新丰村，西至跃进村，南至临新公路，北至二黄河畔) | Farmer-households in Fendou Village, Shuanghe Town, Linhe District, Bayannaoer, Inner Mongolia (内蒙古巴彦淖尔市临河区双河镇奋斗村的农户) | Farm | 2,000.0 | Started on 1 October 2007 and renewed on 1 January 2008 | Ending on 30 September 2017 |
| 11 | Niujie Village, Huangguayuan Town, Yuanmou County, Chuxiong City, Yunnan Province (云南省楚雄州元谋县黄瓜园镇牛街村 — 东至腊海金村小组河道，西至腊海金村小组村道，南至腊海金村小组村道，北至牛街村) | Farmer-households in Niujie Village, Huangguayuan Town, Yuanmou County, Chuxiong City, Yunnan Province (云南省楚雄州元谋县黄瓜园镇牛街村的农户) | Farm | 1,416.7 | Started on 1 September 2005 and renewed on 1 January 2008 | Ending on 31 December 2028, with an option to extend to 31 August 2035 |

# PROPERTIES AND **FIXED ASSETS**

| No. | Location | Lessor | Land Use | Gross Area (sq m '000) | Actual Start Date/Renewal Date | Remaining Tenure |
|---|---|---|---|---|---|---|
| 12 | Hebian Agricultural Cooperative, Yongfu Village, Ala Town, Renhe District, Panzhihua City, Sichuan Province (四川省攀枝花市仁和区啊喇乡永富村河边至村道，西至民房，南至小河，北至机耕路) | Farmer-households in Hebian Agricultural Cooperative, Yongfu Village, Ala Town, Renhe District, Panzhihua City, Sichuan Province (四川省攀枝花市仁和区啊喇乡永富村河边农业合作社的农户) | Farm | 2,000.0 | Started on 1 May 2009 | Ending on 30 April 2019 |
| 13 | Hongjiang Village, Hongjiang Town, Pengxi County, Sichuan Province (四川蓬溪县红江镇红江村 — 东至天福镇长坪坝村，西至与白坪村相连，南至红江发电厂，北至与白坪村相连) | Farmer-households in Hongjiang Village, Hongjiang Town, Pengxi County, Sichuan Province (四川蓬溪县红江镇红江村的农户) | Farm | 543.3 | Started on 1 December 2007 and renewed on 1 January 2008 | Ending on 30 November 2017 |
| 14 | Buying Village, Hongjiang Town, Pengxi County, Suining City, Sichuan Province (四川省遂宁市蓬溪县红江镇步营村 — 东至村部，西至村道，南至养殖场，北至村道) | Farmer-households in Buying Village, Hongjiang Town, Pengxi County, Suining City, Sichuan Province (四川省遂宁市蓬溪县红江镇步营村的农户) | Farm | 513.3 | Started on 1 January 2008 | Ending on 31 December 2017 |
| 15 | Baiping Village, Hongjiang Town, Pengxi County, Sichuan Province (四川蓬溪县红江镇白坪村 — 东至步云村，西至湖江河边，南至青龙村，北至青龙场) | Farmer-households in Baiping Village, Hongjiang Town, Pengxi County, Sichuan Province (四川蓬溪县红江镇白坪村的农户) | Farm | 303.3 | Started on 1 January 2008 | Ending on 31 December 2017 |
| 16 | Baihelin Village, Tianfu Town, Pengxi County, Sichuan Province (四川蓬溪县天福镇白鹤林村 — 东至常国路，西至长坪村一庄，南至马道村，北至长坪村三庄) | Farmer-households in Baihelin Village, Tianfu Town, Pengxi County, Sichuan Province (四川蓬溪县天福镇白鹤林村的农户) | Farm | 226.7 | Started on 1 January 2008 | Ending on 31 December 2017 |

# PROPERTIES AND FIXED ASSETS

| No. | Location | Lessor | Land Use | Gross Area (sq m '000) | Actual Start Date/Renewal Date | Remaining Tenure |
|---|---|---|---|---|---|---|
| 17 | Huting Village, Zhongshan Town, Xianyou District, Putian City, Fujian Province (莆田市仙游县钟山镇湖亭村 — 南至湖亭村村部, 北至钟榜公路, 东至旅游路, 西至机耕路) | Farmer-households in Huting Village, Zhongshan Town, Xianyou District, Putian City, Fujian Province (莆田市仙游县钟山镇湖亭村村的农户) | Farm | 1,333.3 | Started on 1 May 2010 | Ending on 30 April 2020 |
| 18 | Zhuangzi Village, Zhangjiawo Town, Xiqing District, Tianjin City (天津市西青区张家窝镇庄子村界内中国北方蝴蝶兰生产基地区内 — 东至智能温室西泄水沟, 西至小甸子地 界, 南至周芦跌路以北气线以内, 北至房甸路绿化带) | Tianjin Baiwei Modern Agriculture Technology Development Co., Ltd. (天津市百维现代农业技术开发有限公司) | Farm | 140.0 | Started on 1 May 2010 | Ending on 1 May 2025 |
| 19 | Huting Village, Zhongshan Town, Xianyou District, Putian City, Fujian Province (莆田市仙游县钟山镇湖亭村 — 南至湖亭村村部, 北至钟榜公路, 东至旅游路, 西至机耕路 — 扩租) | Farmer-households in Huting Village, Zhongshan Town, Xianyou District, Putian City, Fujian Province (莆田市仙游县钟山镇湖亭村的农户) | Farm | 1,200.0 | Started on 1 November 2010 | Ending on 31 October 2020 |
| 20 | Wuchun Village, Youyang Town, Xianyou District, Putian City, Fujian Province (莆田市仙游县游洋镇梧椿村 — 东至机耕路, 西至山坡地, 南至梧椿村庄, 北至小溪) | Farmer-households in Wuchun Village, Youyang Town, Xianyou District, Putian City, Fujian Province (莆田市仙游县游洋镇梧椿村的农户) | Farm | 2,333.3 | Started on 8 November 2010 | Ending on 7 November 2020 |
| 21 | Pingpan Village, Baisha Town, Hanjiang District, Putian City, Fujian Province (福建省莆田市涵江区白沙镇坪盘村 — 东至啊雄花圃, 西至陈樵猪场, 南至鸭场, 北至后溪人果园) | Farmer-households in Pingpan Village, Baisha Town, Hanjiang District, Putian City, Fujian Province (福建省莆田市涵江区白 沙镇坪盘村的农户) | Farm | 666.7 | Started on 1 November 2010 | Ending on 31 October 2030 |

# PROPERTIES AND FIXED ASSETS

| No. | Location | Lessor | Land Use | Gross Area (sq m '000) | Actual Start Date/Renewal Date | Remaining Tenure |
|---|---|---|---|---|---|---|
| 22 | Batou Village, Dayang Town, Hanjiang District, Putian, Fujian Province (福建省莆田市涵江区大洋乡坝头村 — 东至山坡地，西至坝头村村庄，南至小溪，北至大福公路) | Farmer-households in Batou Village, Dayang Town, Hanjiang District, Putian City, Fujian Province (福建省莆田市涵江区大 洋乡坝头村的农户) | Farm | 1,333.3 | Started on 8 November 2010 | Ending on 7 November 2020 |
| 23 | Baihelin Village, Tianfu Town, Pengxi County, Sichuan Province (四川省蓬溪县天福镇白鹤林村，东至常国路，西至长坪村一庄，南至马道村，北至长坪村三庄 — 扩租) | Farmer-households in Baihelin Village, Tianfu Town, Pengxi County, Sichuan Province (四川省蓬溪县天福镇白鹤林村的农户) | Farm | 400.0 | Started on 1 December 2010 | Ending on 30 November 2020 |
| 24 | Xiayang Village, Dayang Town, Hanjiang District, Putian City, Fujian Province (福建省莆田市涵江区大洋乡霞洋村 — 东至小溪，西至山坡地，北至霞洋村庄) | Farmer-households in Xiayang Village, Dayang Town, Hanjiang District, Putian City, Fujian Province (福建省莆田市涵江区大洋乡霞洋村的农户) | Farm | 2,000.0 | Started on 1 January 2011 | Ending on 1 January 2021 |
| 25 | Dayang Village, Dayang Town, Hanjiang District, Putian City, Fujian Province (福建省莆田市涵江区大洋乡大洋村 — 东至大福公路，西至大洋村庄，南至村农民农田北至山坡地) | Farmer-households in Dayang Village, Dayang Town, Hanjiang District, Putian City, Fujian Province (福建省莆田市涵江区大洋乡大洋村的农户) | Farm | 1,333.3 | Started on 1 January 2011 | Ending on 1 January 2021 |
| 26 | Dounan Village, Huangshi Town, Licheng District, Putian City, Fujian Province (福建省莆田市荔城区黄石镇斗南村 — 东至斗南村村庄，西至小河，南至斗南村道，北至机耕道) | Farmer-households in Dounan Village, Huangshi Town, Licheng District, Putian City, Fujian Province (福建省莆田市荔城区黄石镇斗南村的农户) | Farm | 3,333.3 | Started on 10 February 2011 | Ending on 9 February 2021 |
| 27 | Huangfang Village, Yuanqian Town, Taihe County, Ji-an City, Jiangxi Province (江西省吉安市泰和县苑前镇黄坊村 — 东至县道，西至黄坊村庄，南至小溪,北至黄坊村庄) | Farmer-households in Huangfang Village, Yuanqian Town, Taihe County, Ji-an City, Jiangxi Province (江西省吉安市泰和县苑前镇黄坊村的农户) | Farm | 6,666.7 | Started on 3 March 2011 | Ending on 2 March 2021 |

# PROPERTIES AND **FIXED ASSETS**

| No. | Location | Lessor | Land Use | Gross Area (sq m '000) | Actual Start Date/Renewal Date | Remaining Tenure |
|---|---|---|---|---|---|---|
| 28 | Heyuan Village, Heshi Town, Taihe County, Ji-an City, Jiangxi Province (江西省吉安市禾市镇禾院村 — 东至村道，西至禾院村部，南至公路，北至小溪) | Farmer-households in Heyuan Village, Heshi Town, Taihe County, Ji-an City, Jiangxi Province (江西省吉安市泰和县禾市镇禾院村的农户) | Farm | 2,133.3 | Started on 1 April 2011 | Ending on 31 March 2021 |
| 29 | Fenglong Village, Heshi Town, Taihe County, Ji-an City, Jiangxi Province (江西省吉安市泰和县禾市镇丰垄村 — 东至县道，西至丰垄村村庄，南至机耕路，北至村民农田) | Farmer-households in Fenglong Village, Heshi Town, Taihe County, Ji-an City, Jiangxi Province (江西省吉安市泰和县禾 市镇丰垄村的农户) | Farm | 1,666.7 | Started on 12 April 2011 | Ending on 11 April 2021 |
| 30 | Zengzhuang Village, Heshi Town, Taihe County, Ji-an City, Jiangxi Province (江西省吉安市泰和县禾市镇增庄村 — 东至增庄村村道，西至村民农田，南至增庄村村部，北至县道) | Farmer-households in Zengzhuang Village, Heshi Town, Taihe County, Ji-an City, Jiangxi Province (江西省吉安市泰和县禾市镇增庄村的农户) | Farm | 1,666.7 | Started on 12 April 2011 | Ending on 11 April 2021 |
| 31 | Agricultural and industrial development zone, Zhangjiawo Town, Xiqing District, Tianjin City (天津市西青区张家窝镇农业产业园区内 (东至规划主干路五绿线，西至规划主干路绿线，南至周芦铁路以北，北至房甸路绿化带) | Tianjin Baiwei Modern Agriculture Technology Development Co., Ltd. (天津市百维现代农业技术开发有限公司) | Farm | 103.3 | Started on 1 December 2012 | Ending on 1 April 2027 |

# STATISTICS OF SHAREHOLDINGS

AS AT 21 SEPTEMBER 2015

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 6 | 0.96 | 110 | 0.00 |
| 100 - 1,000 | 64 | 10.19 | 57,800 | 0.01 |
| 1,001 - 10,000 | 348 | 55.41 | 1,997,475 | 0.30 |
| 10,001 - 1,000,000 | 200 | 31.85 | 12,640,870 | 1.93 |
| 1,000,001 AND ABOVE | 10 | 1.59 | 640,742,745 | 97.76 |
| **TOTAL** | **628** | **100.00** | **655,439,000** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | UOB KAY HIAN PRIVATE LIMITED | 560,073,517 | 85.45 |
| 2 | CITIBANK NOMINEES SINGAPORE PTE LTD | 38,313,051 | 5.85 |
| 3 | HSBC (SINGAPORE) NOMINEES PTE LTD | 14,058,387 | 2.14 |
| 4 | RAFFLES NOMINEES (PTE) LIMITED | 8,823,123 | 1.35 |
| 5 | DB NOMINEES (SINGAPORE) PTE LTD | 7,302,258 | 1.11 |
| 6 | HL BANK NOMINEES (SINGAPORE) PTE LTD | 5,603,891 | 0.85 |
| 7 | NOMURA SINGAPORE LIMITED | 2,000,000 | 0.31 |
| 8 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 1,771,000 | 0.27 |
| 9 | OCBC SECURITIES PRIVATE LIMITED | 1,578,000 | 0.24 |
| 10 | DBS NOMINEES (PRIVATE) LIMITED | 1,219,518 | 0.19 |
| 11 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 935,900 | 0.14 |
| 12 | RIADY HARDJABRATA | 660,000 | 0.10 |
| 13 | LEE SEAK SUNG @ LEE SEAK SONG | 552,000 | 0.08 |
| 14 | OOI THEAN SENG DOUGLAS | 510,000 | 0.08 |
| 15 | WOU AH YEE OR WOO NGOO LEUR | 356,300 | 0.05 |
| 16 | BANK OF SINGAPORE NOMINEES PTE. LTD. | 341,000 | 0.05 |
| 17 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 291,000 | 0.04 |
| 18 | LEE CHOONG ONN | 277,000 | 0.04 |
| 19 | MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD | 260,070 | 0.04 |
| 20 | LEE SZE HAO | 250,000 | 0.04 |
| | **TOTAL** | **645,176,015** | **98.42** |

# STATISTICS OF SHAREHOLDINGS

AS AT 21 SEPTEMBER 2015

## SUBSTANTIAL SHAREHOLDERS AS 21 SEPTEMBER 2015

(as defined under the Singapore Companies Act, Cap. 50)
As recorded in the Register of Substantial Shareholders

| | Direct Interest | | Deemed Interest | |
|---|---|---|---|---|
| **Name of Substantial Shareholder** | **No. of Shares** | **%** | **No. of Shares** | **%** |
| PT Indofood Sukses Makmur Tbk(i) | 543,252,517 | 82.88 | - | - |
| CAB Holdings Limited(i) | - | - | 543,252,517 | 82.88 |
| First Pacific Company Limited(i) | - | - | 543,252,517 | 82.88 |
| First Pacific Investments Limited(i) | - | - | 543,252,517 | 82.88 |
| First Pacific Investments (B.V.I.) Limited(i) | - | - | 543,252,517 | 82.88 |
| Salerni International Limited(i) | - | - | 543,252,517 | 82.88 |
| Anthoni Salim(i) | - | - | 543,252,517 | 82.88 |

**Notes:-**

(i) CAB Holdings Limited ("CAB") owns 50.07% of the issued share capital of PT Indofood Sukses Makmur Tbk ("PT ISM"). First Pacific Company Limited ("First Pacific") owns 100% of the issued share capital of CAB. First Pacific Investments Limited ("FPIL"), together with First Pacific Investments (B.V.I.) Limited ("FPIL BVI"), collectively own not less than 20% of the issued share capital of First Pacific. Salerni International Limited ("Salerni") owns more than 50% of the issued share capital of FPIL BVI and not less than 20% of the issued share capital of FPIL. Mr Anthoni Salim owns 100% of the issued share capital of Salerni.

By virtue of Section 4 of the Securities and Futures Act, CAB, First Pacific, FPIL and FPIL BVI are deemed to be interested in the shares held by PT ISM. Accordingly, Salerni and Mr Anthoni Salim are deemed to be interested in the shares held by PT ISM, FPIL and FPIL BVI.

## SHAREHOLDINGS IN THE HAND OF PUBLIC

The percentage of shareholdings in the hands of the public was approximately 13.08% and hence the Company has complied with Rule 723 of the SGX-ST Listing Manual.

# NOTICE OF
# ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at M Hotel Singapore, 81 Anson Road Singapore 079908, Shenton Room, Lower Level on Friday, 30 October 2015 at 10.00 a.m., for the following purposes:

## AS ROUTINE BUSINESS:

1. To receive and adopt the Directors' Report and Audited Accounts of the Company for the year ended 30 June 2015 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect Mr Lim Gee Kiat, a Director retiring pursuant to Article 114 of the Company's Articles of Association. [See Explanatory Notes (i)] **(Resolution 2)**

3. To re-elect Mr Siek Wei Ting, a Director retiring pursuant to Article 114 of the Company's Articles of Association. [See Explanatory Notes (ii)] **(Resolution 3)**

4. To approve the payment of Directors' fees of S$277,712 for the financial year ending 30 June 2016, to be paid quarterly in arrears. **(Resolution 4)**

5. To re-appoint Messrs Crowe Horwath First Trust LLP and to authorise the Directors to fix their remuneration. **(Resolution 5)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

7. SHARE ISSUE MANDATE

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited and notwithstanding the provisions of the Articles of Association of the Company, authority be and is hereby given to the Directors of the Company to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

# NOTICE OF
# ANNUAL GENERAL MEETING

provided that:

(i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be granted other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the total number of issued shares excluding treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below):

(ii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued shares excluding treasury shares of the Company shall be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of this Resolution, after adjusting for:

1. new shares arising from the conversion or exercise of any convertible securities;

2. new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

3. any subsequent bonus issue, consolidation or subdivision of shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Notes (iii)] **(Resolution 6)**

8. CMZ EMPLOYEE SHARE OPTION SCHEME 2010

That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the CMZ Employee Share Option Scheme 2010 (the "Scheme") and pursuant to Section 161 of the Companies Act, Chapter 50, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme provided that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time.
[See Explanatory Notes (iv)] **(Resolution 7)**

By Order of the Board

Cheam Heng Haw
Company Secretary

Singapore, 15 October 2015

# NOTICE OF ANNUAL GENERAL MEETING

**Explanatory Notes:**

(i) Mr Lim Gee Kiat will, upon re-election as a Director of the Company, remain as Chairman of the Risk Management Committee, member of the Audit Committee and Remuneration Committee and will be considered independent.

(ii) Mr Siek Wei Ting will, upon re-election as a Director of the Company, remain as an Executive Director and Chief Financial Officer.

(iii) The Ordinary Resolution 6 proposed in item 7. above, if passed, is to empower the Directors to issued shares in the capital of the Company and/or instruments (as defined above). The aggregate number of shares to be issued pursuant to Resolution 6 (including shares to be issued in pursuance of instruments made or granted) shall not exceed fifty per cent. (50%) of the total number of issued shares excluding treasury shares of the Company, with a sub-limit of twenty per cent. (20%) for shares issued other than on a pro-rata basis (including shares to be issued in pursuance of instruments made or granted pursuant to this Resolution). For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding treasury shares of the Company will be calculated based on the total number of issued shares excluding treasury shares of the Company at the time of the passing of Resolution 6, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 6, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.

(iv) The Ordinary Resolution 7 proposed in item 8. above, if passed, is to authorise the Directors to offer and grant options in accordance with the provisions of the CMZ Employee Share Option Scheme 2010 (the "Scheme") and to allot and issue shares under the Scheme up to an amount not exceeding fifteen per cent. (15%) of the total number of issued shares excluding treasury shares of the Company from time to time.

**NOTES:**

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. A member of the Company which is a corporation is entitled to appoint its authorized representatives or proxies to vote on its behalf.

3. The instrument appointing a proxy must be lodged at the registered office of the Company at 9 Battery Road #15-01 Straits Trading Building Singapore 049910 not less than forty-eight (48) hours before the time fixed for the Annual General Meeting.

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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

**PROXY FORM – ANNUAL GENERAL MEETING**

**IMPORTANT:**
1. For Investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________________________ (Name)

of ______________________________________________ (Address)

being a member/members of China Minzhong Food Corporation Limited (the "Company"), hereby appoint:

| Name | Address | NRIC or Passport No. | Percentage of Shareholdings (%) |
|---|---|---|---|
| | | | |

and/or failing him/her (delete as appropriate)

| Name | Address | NRIC or Passport No. | Percentage of Shareholdings (%) |
|---|---|---|---|
| | | | |

or failing him/her the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting ("AGM") of the Company to be held at M Hotel Singapore, 81 Anson Road Singapore 079908, Shenton Room, Lower Level on Friday, 30 October 2015 at 10:00 a.m., and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

**NOTE: The Chairman of the AGM will be exercising his right under Article 85 of the Articles of Association of the Company to demand a poll in respect of the Ordinary Resolutions to be put to the vote at the AGM and at any adjournment thereof. Accordingly, the Ordinary Resolutions at the AGM will be voted on by way of a poll.**

| No. | Resolutions | For | Against |
|---|---|---|---|
| | **ORDINARY BUSINESS** | | |
| 1. | Adoption of Reports and Audited Accounts **(Resolution 1)** | | |
| 2. | Re-election of Mr Lim Gee Kiat as a Director **(Resolution 2)** | | |
| 3. | Re-election of Mr Siek Wei Ting as a Director **(Resolution 3)** | | |
| 4. | Payment of Directors' Fees for the financial year ending 30 June 2016, to be paid quarterly in arrears **(Resolution 4)** | | |
| 5. | Re-appointment of Messrs Crowe Horwath First Trust LLP as Auditors of the Company **(Resolution 5)** | | |
| 6. | Any other ordinary business | | |
| | **SPECIAL BUSINESS** | | |
| 7. | Authority for Directors to issue new shares **(Resolution 6)** | | |
| 8. | Authority for Directors to offer and grant options and to allot and issue new shares under the CMZ Employee Share Option Scheme **(Resolution 7)** | | |

* Please indicate your vote "For" or "Against" with a tick (√) within the box provided.

Dated this ______________ day of ______________ 2015

| Total Number of Shares held | |
|---|---|

______________________________
Signature(s) of member(s)
or Common Seal of Corporate Shareholder

* If no person is named in the space above, the Chairman of the Annual General Meeting shall be my/our proxy to vote, for or against the Resolutions to be proposed at the Annual General Meeting as indicated below, for me/us and on my/our behalf at the Annual General Meeting and at any adjournment thereof.

**IMPORTANT (PLEASE READ THE NOTES)**

**Notes:**

1. Please insert the total number of shares held by you. If you have shares registered in your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 9 Battery Road #15-01 Straits Trading Building, Singapore 049910 not less than 48 hours before the time set for the meeting.

4. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 15 October 2015.

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# CORPORATE **INFORMATION**

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

### Audit Committee
Mr. Lim Yeow Hua (Chairman)
Mr. Hendra Widjaja
Mr. Goh Kian Chee
Mr. Lim Gee Kiat

### Remuneration Committee
Mr. Goh Kian Chee (Chairman)
Mr. Hendra Widjaja
Mr. Lim Gee Kiat

### Nominating Committee
Mr. Goh Kian Chee (Chairman)
Mr. Hendra Widjaja
Mr. Lim Yeow Hua

### Risk Management Committee
Mr. Lim Gee Kiat (Chairman)
Mr. Hendra Widjaja
Mr. Goh Kian Chee
Mr. Lim Yeow Hua

### Company Secretary
Mr. Howard Cheam Heng Haw
LLB, Hons

### Registered Office
9 Battery Road #15-01
Straits Trading Building
Singapore 049910
Tel: (65) 6535 3600
Fax: (65) 6225 6846

### Singapore Office
229 Mountbatten Road #02-05
Mountbatten Square
Singapore 398007
Tel: (65) 6346 7506
Fax: (65) 6346 0787

### Head Office
Sanshan Village, Xitianwei Town
Licheng District, Putian City
Fujian Province
People's Republic of China (Postal Code 351131)

### Solicitors
Rajah & Tann Singapore LLP
9 Battery Road #25-01
The Straits Trading Building
Singapore 049910

### External Auditors
Crowe Horwath First Trust LLP
8 Shenton Way #05-01
AXA Tower
Singapore 068811

Partner-in-charge: Alfred Cheong Keng Chuan
(Appointed since 2011)

### Internal Auditors
BDO LLP
21 Merchant Road #05-01
Singapore 058267

Partner-in-charge: Koh Chin Beng
(Appointed since 2015)

### Principal Bankers
**Industrial and Commercial Bank of China Limited**
Singapore Branch
6 Raffles Quay #12-01
Singapore 048580

**Standard Chartered, Battery Road Branch**
6 Battery Road
Singapore 049909

**Citibank N.A. Singapore Branch**
3 Changi Business Park Crescent #07-00
Singapore 486026

**Agricultural Bank of China**
Putian Chengxiang Sub-Branch
No. 276 Hou Xiang Road
Chengxiang District
Putian City, Fujian Province
People's Republic of China

### Share Registrar
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

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Since 1971

**CHINA MINZHONG FOOD CORPORATION LIMITED**

(Company Registration Number: 200402715N)

National Leading Dragon Head Enterprise
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Web : www.chinaminzhong.com
Email : ir@chinaminzhong.com