



Since 1971

CHINA MINZHONG FOOD
CORPORATION LIMITED

China Minzhong

Earnings Presentation 3Q FY2015

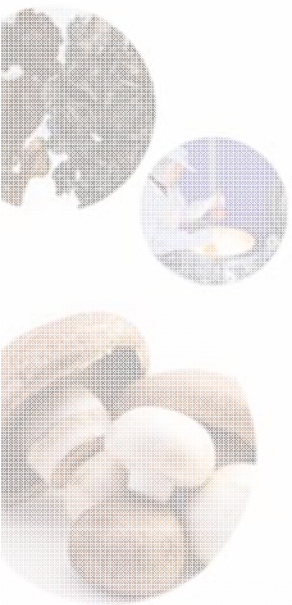
24 April 2015



Agenda

Financial Performance Review

Outlook & Growth Strategies



Income Statement Highlights

Financial Summary (Profitability)						
(RMB'million)	9 months ended 31 Mar			3 months ended 31 Mar		
	9M FY15	9M FY14	% Change	3Q FY15	3Q FY14	% Change
Revenue	1,507.3	2,233.0	(32.5%)	485.8	690.3	(29.6%)
Cost of sales	(1,073.4)	(1,501.3)	(28.5%)	(323.9)	(445.4)	(27.3%)
Gross Profit	433.9	731.7	(40.7%)	162.0	244.9	(33.9%)
<i>Gross profit margin</i>	28.8%	32.8%	(4.0ppt)	33.3%	35.5%	(2.2ppt)
Loss on fair value of biological assets	(4.9)	-	n.m.	-	-	n.m.
Other income	153.7	92.0	67.1%	50.0	35.1	42.5%
Selling and distribution expenses	(73.8)	(119.7)	(38.3%)	(11.7)	(11.4)	2.8%
Administrative expenses	(122.1)	(117.3)	4.1%	(46.8)	(45.7)	2.3%
Other expenses	(27.0)	(66.1)	(59.2%)	(2.2)	(21.8)	(89.9%)
Finance cost	(82.4)	(49.6)	66.2%	(30.4)	(19.2)	58.1%
Profit before income tax (PBT)	277.4	471.1	(41.1%)	120.9	181.9	(33.5%)
<i>PBT margin</i>	18.4%	21.1%	(2.7ppt)	24.9%	26.4%	(1.5ppt)
Income tax	(39.9)	(87.5)	(54.4%)	(12.9)	(48.6)	(73.5%)
Net profit	237.5	383.6	(38.1%)	108.0	133.3	(19.0%)
<i>Net income margin</i>	15.8%	17.2%	(1.4ppt)	22.2%	19.3%	2.9ppt
EBITDA⁽¹⁾	484.4	682.1	(29.0%)	190.8	245.8	(22.4%)
<i>EBITDA margin⁽¹⁾</i>	32.1%	30.5%	1.6ppt	39.3%	35.6%	3.7ppt

Footnote:

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

Notes on Income Statement (9M analysis)

Revenue

✓ Revenue for 9MFY2015 declined by 32.5% to RMB1,507.3 million (9MFY2014: RMB2,233.0 million). The decline was mainly due to a decrease in sales of RMB380.0 million from the processed business segment and RMB326.0 million from the cultivation business segment.

Gross profit and margin

✓ Gross profit for 9MFY2015 decreased by 40.7% to RMB433.9 million (9MFY2014: RMB731.7 million). Overall gross profit margin decreased by 4.0ppt to 28.8% (9MFY2014: 32.8%).

Other income

✓ Other income increased by 67.1% to RMB153.7 million (9MFY2014: RMB92.0 million), mainly due to increase in interest income of RMB53.1 million from bank deposits, increase in rental income of RMB19.2 million, refund of property tax of RMB7.5 million offset by decrease in government grants of RMB20.3 million received.

Selling & distribution expenses

✓ Selling and distribution expenses decreased by 38.3% to RMB73.8 million (9MFY2014: RMB119.7 million), mainly due to decrease of RMB45.5 million in marketing and advertising expenses.

Administrative expenses

✓ Administrative expenses increased by 4.1% to RMB122.1 million (9MFY2014: RMB117.3 million), mainly due to increase in depreciation expenses of RMB12.8 million, offset by decrease in professional fees of RMB6.5 million.

Other expenses

✓ Other expenses decreased by 59.2% to RMB27.0 million (9MFY2014: RMB66.1 million), mainly due decrease in exchange loss of RMB38.0 million.

Finance cost

✓ Finance cost increased by 66.2% to RMB82.4 million (9MFY2014: RMB49.6 million) due to increased bank borrowings.

Income tax

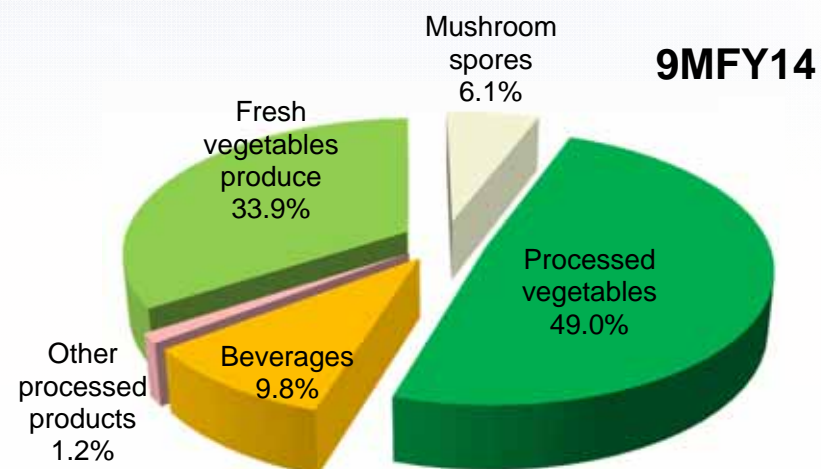
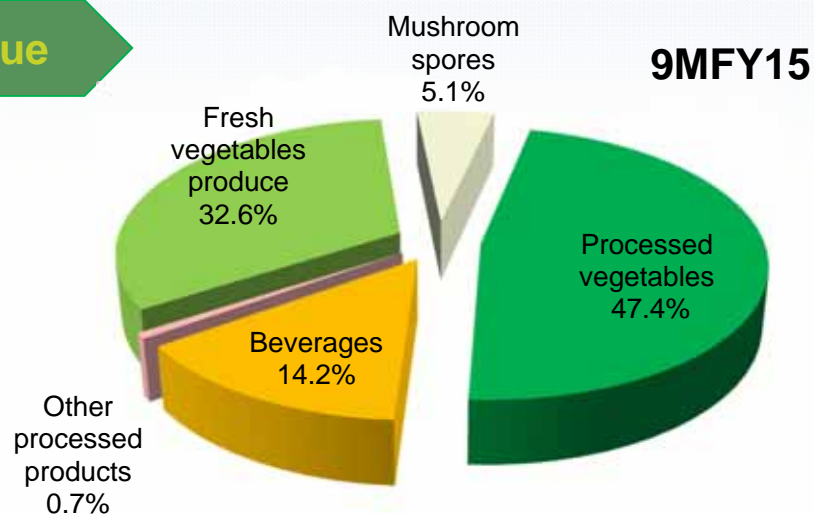
✓ Income tax expense decreased by 54.4% or RMB47.6 million, to RMB39.9 million (9MFY2014: RMB87.5 million), in tandem with the decrease of profit before tax.

Revenue and Gross Profit breakdown across business segments

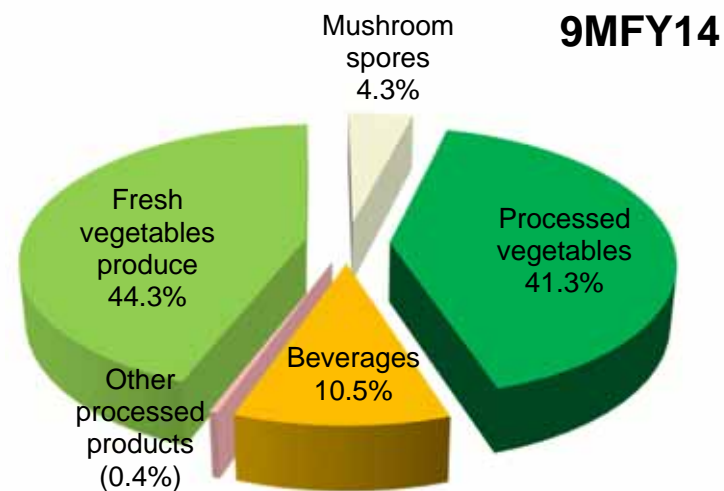
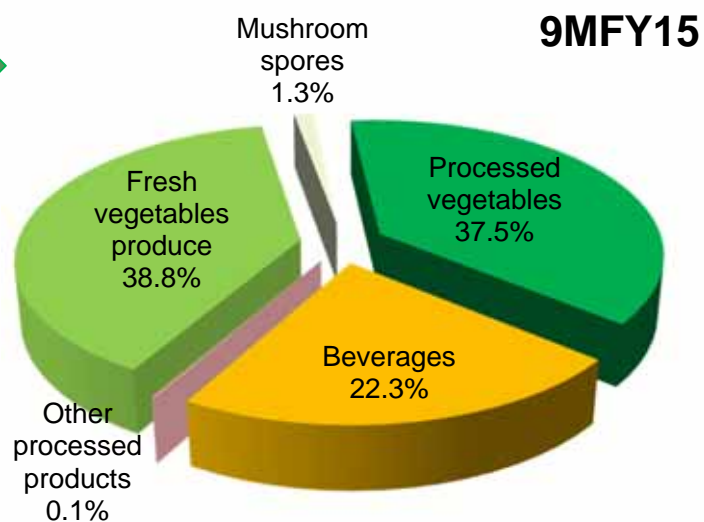
(RMB'million)	9 months ended 31 Mar			3 months ended 31 Mar		
	9M FY15	9M FY14	% Change	3Q FY15	3Q FY14	% Change
Revenue	1,507.3	2,233.0	(32.5%)	485.8	690.3	(29.6%)
Processed Business Segment	713.7	1093.7	(34.7%)	257.3	366.6	(29.8%)
Processed vegetables	713.7	1093.7	(34.7%)	257.3	366.6	(29.8%)
Cultivation Business Segment	568.4	894.4	(36.4%)	179.7	229.0	(21.5%)
Fresh vegetables produce	491.1	757.5	(35.2%)	179.7	229.0	(21.5%)
Mushroom spores	77.3	136.9	(43.5%)	-	-	N.A.
Branded Business Segment	225.3	244.9	(8.0%)	48.8	94.8	(48.5%)
Beverages	214.7	219.5	(2.2%)	45.1	88.1	(48.8%)
Others	10.5	25.4	(58.7%)	3.7	6.7	(44.8%)
Gross Profit	433.9	731.7	(40.7%)	162.0	244.9	(33.9%)
Processed Business Segment	162.6	302.2	(46.2%)	64.4	96.5	(33.3%)
Processed vegetables	162.6	302.2	(46.2%)	64.4	96.5	(33.3%)
Cultivation Business Segment	174.1	355.3	(51.0%)	77.5	111.7	(30.6%)
Fresh vegetables produce	168.5	323.9	(48.0%)	77.5	111.7	(30.6%)
Mushroom spores	5.6	31.4	(82.2%)	-	-	N.A.
Branded Business Segment	97.3	74.2	31.1%	20.0	36.8	(45.7%)
Beverages	97.0	77.3	25.5%	19.7	37.8	(47.9%)
Others	0.3	(3.1)	N.M.	0.3	(1.0)	(130.0%)
Gross Margin	28.8%	32.8%	(4.0ppt)	33.3%	35.5%	(2.2ppt)
Processed Business Segment	22.8%	27.6%	(4.8ppt)	25.0%	26.3%	(1.3ppt)
Processed vegetables	22.8%	27.6%	(4.8ppt)	25.0%	26.3%	(1.3ppt)
Cultivation Business Segment	30.6%	39.7%	(9.1ppt)	43.1%	48.8%	(5.7ppt)
Fresh vegetables produce	34.3%	42.8%	(8.5ppt)	43.1%	48.8%	(5.7ppt)
Mushroom spores	7.2%	23.0%	(15.8ppt)	-	-	N.A.
Branded Business Segment	43.2%	30.3%	12.9ppt	41.0%	38.8%	2.2ppt
Beverages	45.2%	35.2%	10.0ppt	43.7%	42.9%	0.8ppt
Others	2.9%	N.A.	N.A.	8.1%	N.A.	N.A.

Segmental Revenue by Proportion

Revenue



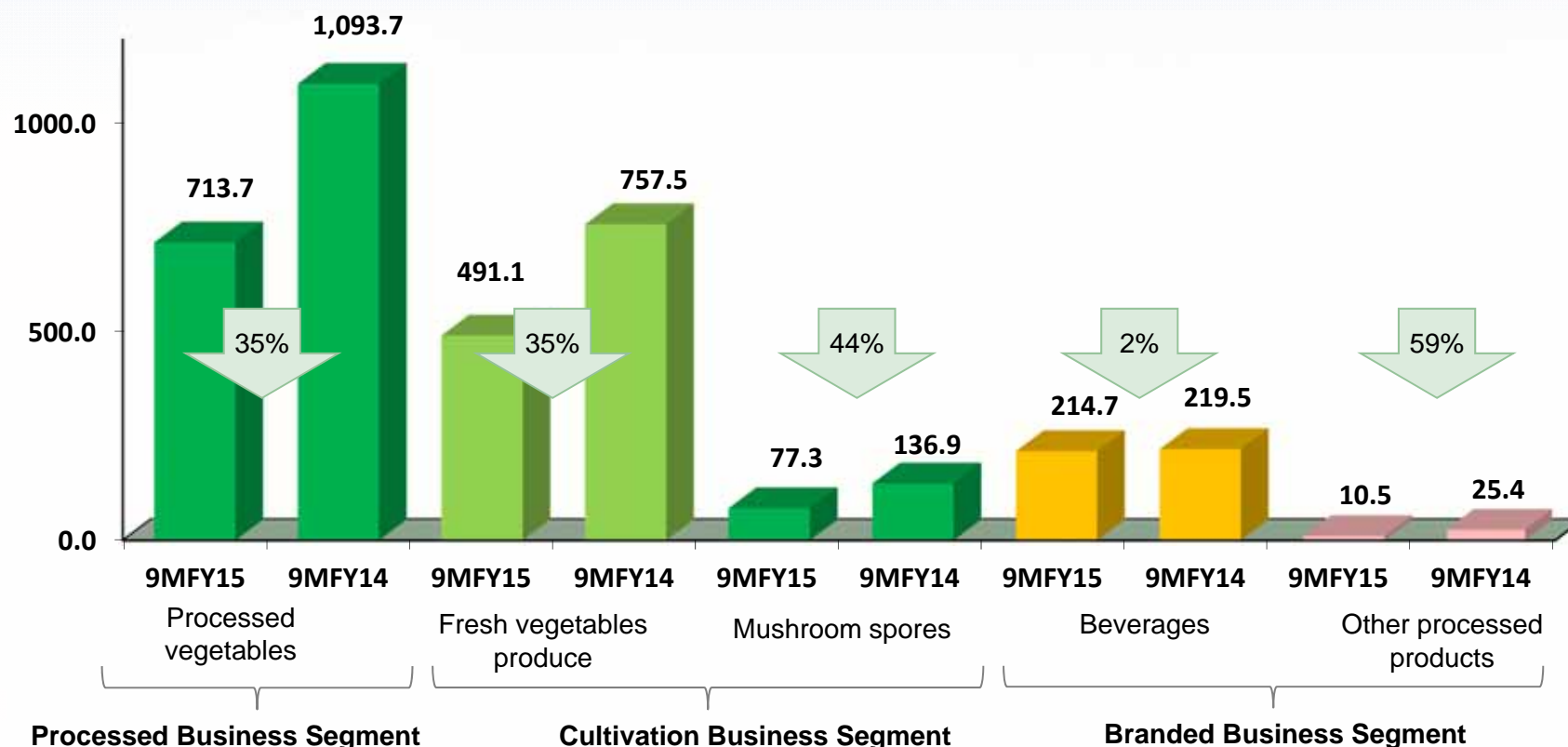
Gross Profit



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

Revenue breakdown across segments

RMB' million



■ Processed vegetables:

- ✓ Revenue of processed business segment decreased by 34.7% to RMB713.7 million, as a result of weakened demand for processed vegetables in the South American and European region.

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

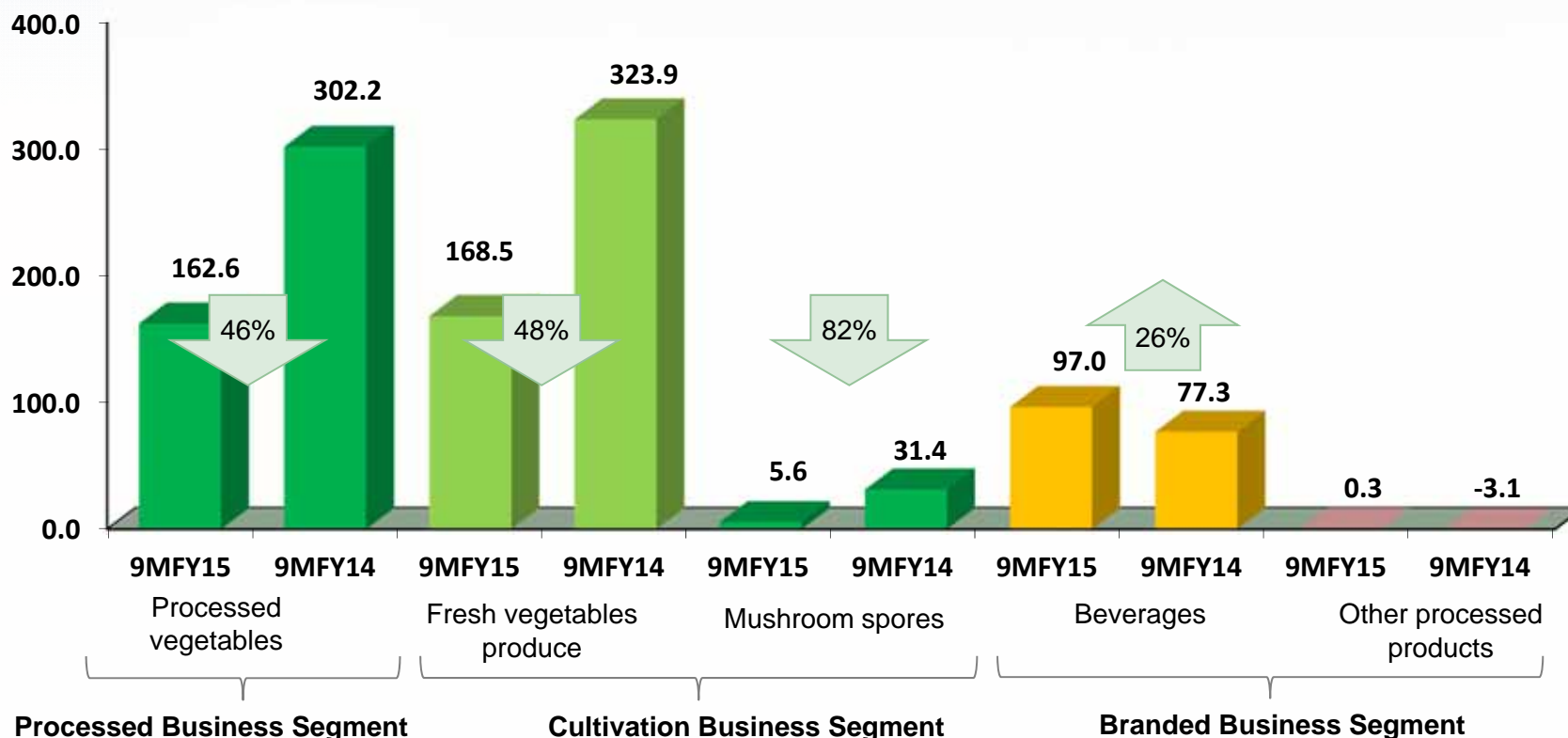
- ✓ Revenue from fresh vegetables produce decreased by 35.2% to RMB491.1 million, mainly due to the scarcity of rural labour resulting in the decline of fresh vegetables volume output.
- ✓ Mushroom spores sales decreased by 43.6% to RMB77.3 million as a result of shortage of rural labour for cultivation activities

■ Branded business (Beverages, other processed products):

- ✓ Revenue from beverages remained fairly constant at RMB214.7 million.

Gross profit breakdown across segments

RMB' million



■ Processed vegetables:

- ✓ Gross profit from processed vegetables decreased by 46%, while gross margin declined by 4.8ppt to 22.8% due to increases in raw material costs.

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

- ✓ Gross profit from fresh vegetables produce declined 48% while gross margin is lower due to rising labour costs.

■ Branded business (Beverages, other processed products):

- ✓ Gross profit from beverages grew 26% while gross margin improved 10.0ppt to 45.2% primarily due to lower unit fixed costs.

ASP and Sales Volume Breakdown

	9MFY15 ASP/ RMB per kg	9MFY14 ASP/ RMB per kg	% Change	9MFY15 Sales volume/ '000 tonnes	9MFY14 Sales volume/ '000 tonnes	% Change
Processed vegetables ⁽¹⁾	36.99	37.16	(0.5%)	19.3	29.4	(34.4%)
Fresh vegetables produce	3.29	2.91	12.9%	149.4	260.2	(42.6%)

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

Processed vegetables:

- ✓ Decrease in sales volume by 34.4%
- ✓ ASP maintained relatively constant.

Fresh vegetables produce

- ✓ Decrease in sales volume by 42.6%.
- ✓ Increase in ASP by 12.9%

Financial Summary

Balance Sheet (Key Highlights)			
(RMB'million)	As at 31 Mar 2015 (unaudited)	As at 30 June 2014 (audited)	% Change
Total Assets	7,427.6	7,021.9	5.8%
Non-current assets	2,702.8	2,934.0	(7.9%)
Property, plant and equipment	2,047.4	2,130.4	(3.9%)
Land use rights	132.4	134.7	(1.7%)
Land improvement costs	107.5	175.2	(38.6%)
Operating lease prepayments	255.5	328.8	(22.3%)
Current assets	4,724.8	4,087.9	15.6%
Inventories	56.9	106.6	(46.6%)
Trade receivables	403.8	476.6	(15.3%)
Other receivables and prepayments	141.1	149.9	(5.9%)
Cash and bank balances	4,040.4	3,267.4	23.7%
Total Liabilities	2,118.7	1,802.1	17.6%
Non-current liabilities	975.8	976.3	(0.1%)
Government grants	16.4	18.5	(11.4%)
Bank term loans	903.3	903.6	0.0%
Current liabilities	1,142.9	825.9	38.4%
Trade Payables	150.6	103.5	45.5%
Bank term loans	831.7	593.7	40.1%
Other payables and accruals	152.2	124.6	22.2%
Shareholders' equity	5,308.9	5,219.8	1.7%
Net Assets Value per share (RMB)	8.10	7.96	1.8%

Notes to Balance Sheet

Assets

- ❑ Non-current assets decreased by approximately 7.9% to RMB2,702.8 million (30 June 2014: RMB2,934.0 million), primarily due to disposal of operating lease prepayments and land improvement costs of RMB43.0 million and the result of amortisation and depreciation expenses.
- ❑ Current assets increased by 15.6% to RMB4,724.8 million (30 June 2014: RMB4,087.9 million), primarily due to increase in cash and bank balances of RMB773.0 million offset by a decline in trade and other receivables and inventories of RMB81.6 million and RMB49.7 million respectively.
- ❑ Increase in cash and bank balances was mainly due to collections from trade debtors over the period.

Liabilities

- ❑ Non-current liabilities remained relatively constant at RMB975.8 million (30 June 2014: RMB976.3 million).
- ❑ Current liabilities increased by 38.4% or RMB317.0 million, to RMB1,142.9 million (30 June 2014: RMB825.9 million). This was largely attributable to increase in short term bank financing of RMB238.0 million and increase in trade and other payables and accruals of RMB74.7 million.

Financial Summary

Cash Flow Highlights						
(RMB'million)	For 9 months ended 31 Mar			For 3 months ended 31 Mar		
	9MFY15	9MFY14	% Change	3QFY15	3QFY14	% Change
Net cash from operating activities	704.4	1,239.5	(43.2%)	197.7	505.4	(60.9%)
Net cash generated from/ (used in) investing activities	57.0	237.9	(76.0%)	(6.0)	(49.9)	(88.0%)
Net cash generated from/ (used in) financing activities	39.5	794.0	(95.0%)	31.6	268.0	(88.2%)
Net increase / (decrease) in cash and cash equivalents	800.9	2,271.4	(64.7%)	223.3	723.4	(69.1%)
Cash and cash equivalents at beginning of financial period	3,267.4	785.2	316.1%	3,830.7	2,328.7	64.5%
Effect of exchange rate changes	(27.9)	2.8	N.M	(13.6)	7.3	N.M.
Cash and cash equivalents at the end of financial year	4,040.4	3,059.4	32.1%	4,040.4	3,059.4	32.1%

- Net cash from operating activities amounted to RMB197.7 million in 3QFY15 and RMB704.4 million in 9MFY15.
- Net cash generated from investing activities amounted to RMB57.0 million in 9MFY15, attributable to proceeds from disposal of operating lease prepayments of RMB44 million, refund of deposits for land use right and construction of an aggregate amount of RMB28.8 million, and offset by property, plant and equipment additions of RMB15.8 million.
- Net cash generated from financing activities of RMB39.5 million in 9MFY15, mainly attributable to net proceeds from bank loans of RMB251.7 million offset by dividend payment and interest expenses of RMB136.2 million and RMB82.4 million respectively.

Key Financial Indicators

Key Financial Indicators		
	For trailing 12 months ended	
	31 Mar 2015 (unaudited)	30 Jun 2014 (audited)
Working Capital Days		
Trade Receivable Turnover Days ^(1a)	78	99
Trade Payable Turnover Days ^(1b)	(36)	(38)
Inventory Turnover Days ^(1c)	28	25
Cash Conversion Days	70	86
Liquidity Ratios		
Total Debt (RMB 'mil)	1,735.0	1,497.3
Net Gearing Ratio ⁽²⁾	Net cash	Net cash
Current Ratio ⁽³⁾	4.1	4.9

- Cash conversion days improved from 86 days to 70 days, mainly due to an improvement in trade receivable turnover from 99 days to 78 days.
- Group's net gearing remained at net cash level.

Footnote:

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

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

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

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

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

Agenda

Financial Performance Review




Outlook & Growth Strategies



Favorable industry conditions and strong government support

World's top producer of vegetables

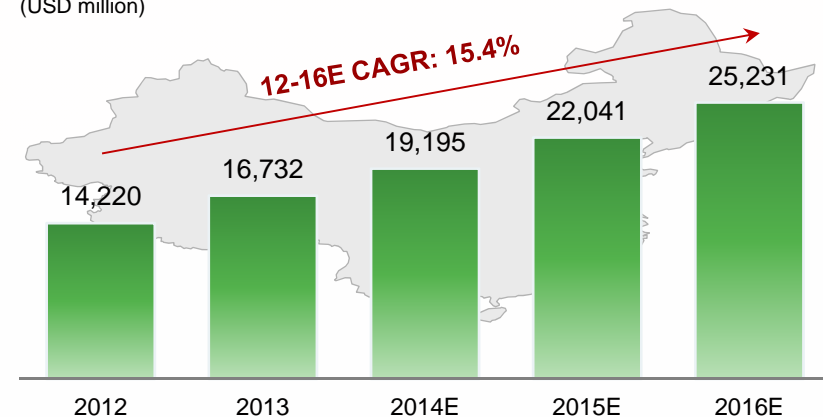
Estimated breakdown of production volume of fresh vegetables produce and processed vegetables by nations (2011)

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

PRC vegetables export market poised for continued strong growth

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

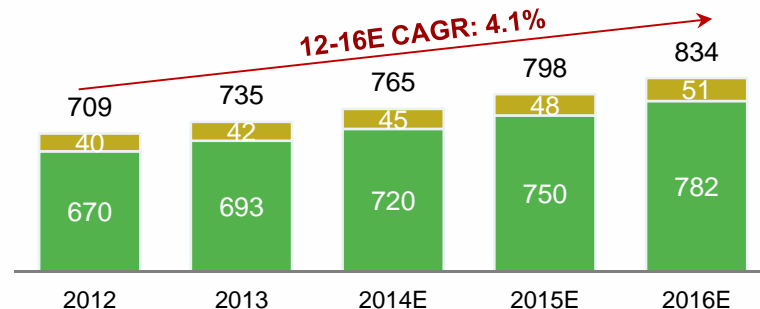
(USD million)



Robust PRC vegetables consumption

Market size of vegetables consumption (PRC), 2012–2016E

■ Fresh (million MT) ■ Processed (million MT)



Positive industry fundamentals

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

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

PRC government's supportive initiatives

PRC's 12th Five Year Plan continues to support large-scale farming

1 Food security / ensuring food supply

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

3 Improve farmers' living standards

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

2 Food safety

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

4 Development of modern agriculture

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

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

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

PRC's No. 1 Central Document focuses on agriculture for 12th consecutive year



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China's No.1 Central Document focuses on agriculture for 12th consecutive year

DATE:2015-02-03 SOURCE:MOA

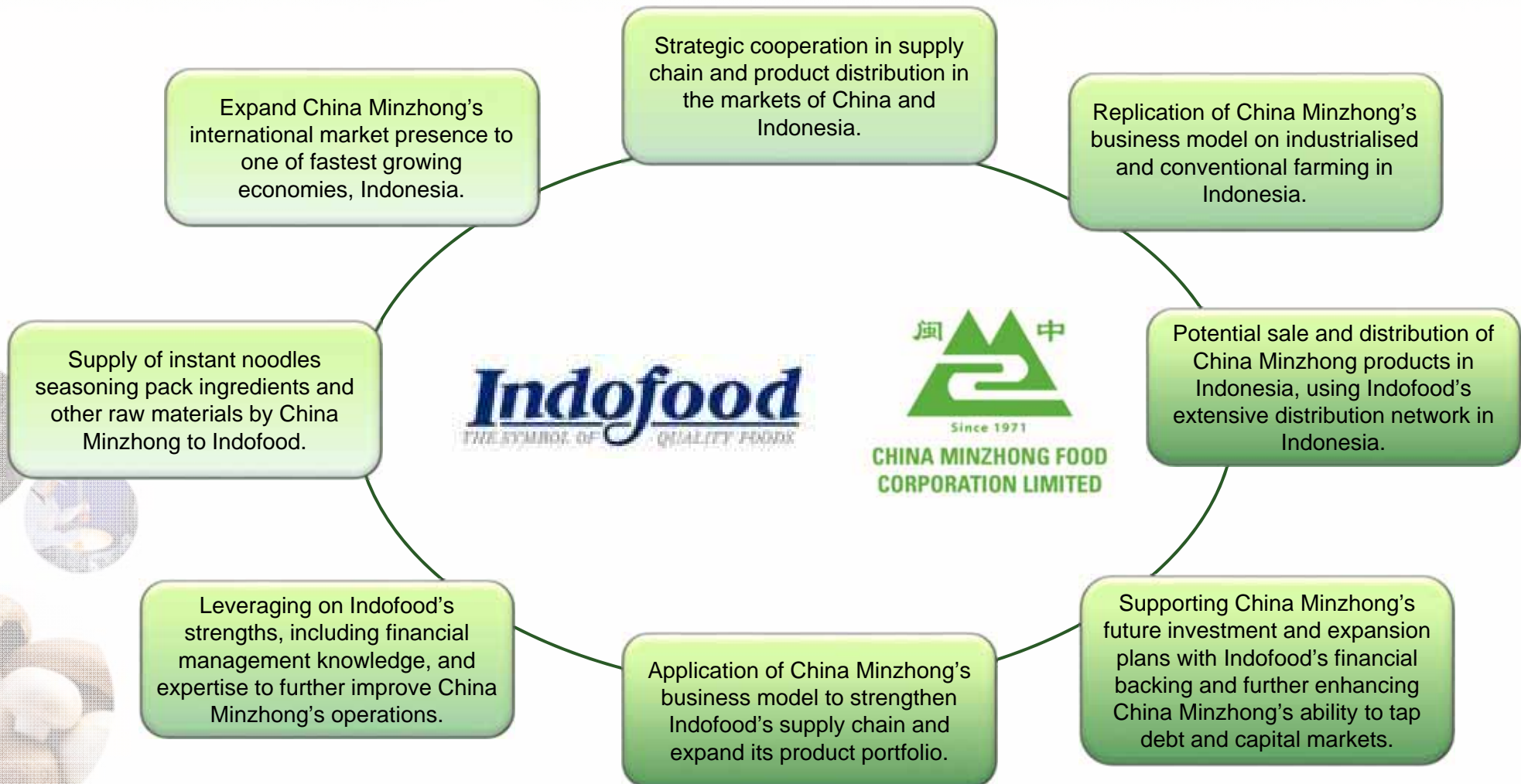
Agriculture, rural community and farmer related issues are once again the topic of China's "No. 1 Central Document" this year, the first policy document jointly released by the Central Committee of the Communist Party of China and the State Council on Feb. 1, 2015.

The Document calls for reforms and innovation in agriculture to speed up the modernization drive in this sector. It marks the 12th consecutive year that the "No. 1 Central Document" has focused on agricultural issues.

Source:
Ministry of Agriculture, PRC

Strategic investment by Indofood

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



Key growth strategies

1

Continued shift of product mix towards higher value products

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



3

Expansion of sales and distribution networks

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

2

Continued expansion of industrialized farming operations

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



Cultivation of champignon mushrooms using industrialized farming



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

Strategy

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

Advantages of Industrialized farming

What is industrialized farming?

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



Fermentation of mushroom substrate



Introduction of mushroom spores into substrate



Quality Control Process



Packaging

Advantages of industrialized farming

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

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