



CHINA MINZHONG FOOD CORPORATION LIMITED

Add: 229 Mountbatten Road, Mountbatten Square, #02-05,
Singapore (398007)

Tel: (65) 6346 7506

Fax: (65) 6346 0787

URL: <http://www.chinaminzhong.com>

Email: ir@chinaminzhong.com

FOR IMMEDIATE RELEASE

CHINA MINZHONG 1QFY15 NET PROFIT INCREASED 18.7% TO RMB57.4 MILLION

- Net profit margin improved 4.2ppt, on lower marketing and advertising expenses.
- Branded business segment as the key growth driver, with higher sales from beverages compared to 1QFY14.
- Continued expansion into industrialised farming and growth of distribution channels for branded products to capitalize on rising domestic consumption in PRC

Singapore, 30 October 2014 – China Minzhong Food Corporation Limited (中国闽中食品有限公司) (“China Minzhong” or the “Group”) (SGX: K2N.SI; Bloomberg quote: MINZ SP), recorded a 18.7% increase in net profit to RMB57.4 million for the 3 months ended 30 September 2014 (“1QFY15”), compared to a net profit of RMB48.4 million recorded in 1QFY14.

Summary of Results

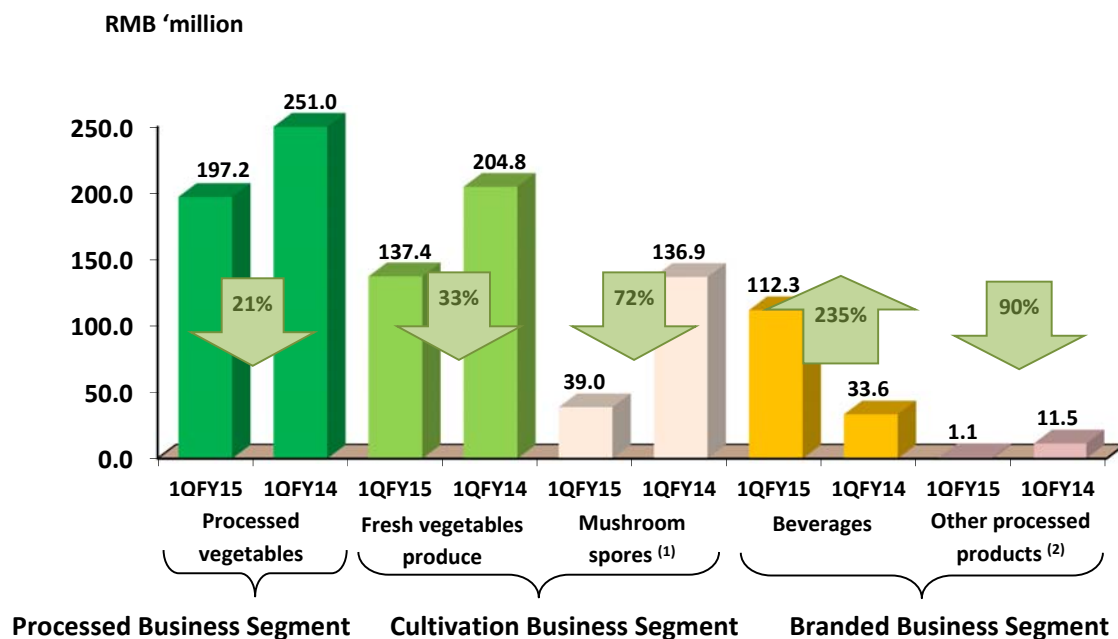
RMB 'million	1QFY15	1QFY14	% change
Revenue	487.0	637.8	(23.6%)
Gross profit	127.9	168.4	(24.1%)
Gross margin (%)	26.3%	26.4%	(0.1ppt)
EBITDA ¹	147.2	123.9	18.8%
EBITDA ¹ margin	30.2%	19.4%	10.8ppt
Profit before tax	73.7	50.0	47.5%
Net profit after tax	57.4	48.4	18.7%
Net margin	11.8%	7.6%	4.2ppt
Net operating cash flow	344.3	507.0	(32.1%)

¹EBITDA refers to earnings before interest, tax, depreciation and amortization.



Review of 1QFY15 Results

Revenue breakdown by segments

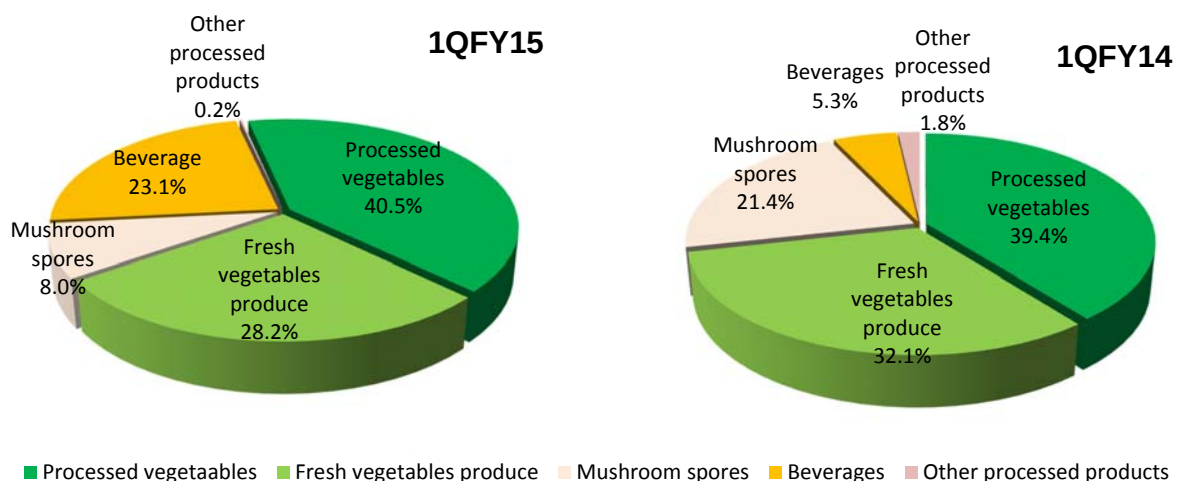


Note:-

(1) Sales of mushroom spores.

(2) Include instant food and health food products.

Revenue percentage contribution by segments





Review of Results (Continued)

Group's revenue in 1QFY15 declined by 23.6% to RMB487.0 million, mainly due to sales declines in the processed and cultivation business segments, but partly offset by an increase in sales in the branded business segment.

Revenue from the processed business segment decreased by 21.4% to RMB197.2 million, primarily due to lower sales volume as a result of a shortage of raw materials for vegetables processing and a decline in average selling prices due to a change in product mix. Revenue from the cultivation business segment also declined 48.4% to RMB176.4 million, underpinned by lower sales of fresh vegetables and mushroom spores. Fresh vegetables sales were affected by lesser availability of rural labour for cultivation activities while the slower sales of mushroom spores were due to timing sales in seasonality.

On the other hand, the branded business segment bucked the trend with a sales increase of 151.4% to RMB113.4 million. In particular, the beverage business led the growth in the segment, with sales from RMB33.6 million to RMB112.3 million as a result of the growth of domestic distribution channels and successful brand building efforts.

Gross profit in 1QFY15 declined 24.1% to RMB40.5 million in line with the lower revenue while overall gross profit margin remained stable at 26.3% (1QFY14: 26.4%). While gross margins for processed and cultivation business segments have declined due to higher raw material costs and increased wages respectively, the gross margin for beverage business have improved due to lower unit fixed costs on the back of a higher production volume.

Other income rose to RMB48.6 million, driven mainly by an increase in interest income of RMB24.5 million from bank deposits, growth in rental income of RMB4.6 million as well as a refund of property tax amounting to RMB7.5 million.



Review of Results (Continued)

Selling and distribution expenses declined by 63.8% to RMB25.3 million, mainly due to a decrease of RMB46.5 million for marketing and advertising expenses. Administrative expenses remained relatively constant while finance costs rose by RMB18.9 million to RMB31.6 million due to an increase in bank borrowings.

Profit before income tax improved by 47.5% to RMB73.7 million mainly as a result of a decrease in marketing and advertising expenses. Income tax increased by RMB14.7 million to RMB16.3 million, as a result of a higher proportion of taxable products sold, such as branded beverages. Overall net profit after tax grew 18.7% to RMB57.4 million, while net profit margin improved 4.2ppt to 11.8%. Net cash generated from operating activities remained healthy at RMB344.3 million.

Outlook

The global and domestic consumption demand for both fresh vegetables and processed vegetables remains healthy, underpinned by growing consumer affluence, rising urbanization and preferences for healthy dietary eating habits. The agriculture industry in PRC continues to be strongly supported and favoured by the PRC government, particularly in the adoption of large-scale farming and use of modern agriculture technology. At the same time, the rising domestic consumption in PRC presents many growth opportunities for the Group's branded business segment.

Group's Executive Chairman and CEO Mr. Lin Guo Rong (林国荣) said, "Our beverage business is starting to gain sales momentum, as a result of our successful marketing campaign and brand building efforts. Through targeted advertising and marketing activities, we will continue to increase the consumer awareness and enhance the branding for our products, while expanding our network of distribution channels to reach out to more consumers. For our cultivation business, we will also continue our shift from conventional open-field farming in the villages to industrialised farming located in factory spaces closer to the cities so as to have access to a larger labour pool."

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About China Minzhong Food Corporation Limited

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

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

For more information, please visit www.chinaminzhong.com

Media Contact

China Minzhong Food Corporation Limited

Dave Tan, VP- Investor Relations

Tel: +65 6346 7506

Email: dave@chinaminzhong.com