

CHINA MINZHONG FOOD CORPORATION LIMITED

(Registration No. 200402715N)

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

The directors are pleased to announce the results for the quarter period from 1 October 2011 to 31 December 2011 and the results for the financial period from 1 July 2011 to 31 December 2011. The comparatives are for the quarter period from 1 October 2010 to 31 December 2010 and the financial period from 1 July 2010 to 31 December 2010. These figures have not been audited.

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Note 8(A)	Group					
		1.7.2011 to 31.12.2011	1.7.2010 to 31.12.2010	Change	1.10.2011 to 31.12.2011	1.10.2010 to 31.12.2010	Change
		RMB '000	RMB '000	%	RMB '000	RMB '000	%
Revenue	1	1,012,167	809,168	25.1%	650,787	545,072	19.4%
Cost of sales		(626,997)	(504,489)	24.3%	(412,616)	(327,625)	25.9%
Gross profit	2	385,170	304,679	26.4%	238,171	217,447	9.5%
Gross profit margin (%)		38.1%	37.7%	0.4 ppt	36.6%	39.9%	(3.3 ppt)
Loss on fair value of biological assets less estimated point of sales cost	3	(4,400)	(200)	>100%	(4,400)	(200)	>100%
Other income, net	4	12,565	4,660	>100%	6,018	2,858	>100%
Selling and distribution expenses	5	(40,415)	(19,912)	>100%	(19,876)	(11,444)	73.7%
Administrative expenses	6	(49,044)	(32,746)	49.8%	(26,061)	(20,643)	26.2%
Other expenses, net	7	(1,761)	(9,111)	(80.7%)	(901)	(1,168)	(22.9%)
Financial expenses, net	8	(14,187)	(397)	>100%	(8,618)	(106)	>100%
Profit before income tax	9	287,928	246,973	16.6%	184,333	186,744	(1.3%)
Income tax expense	10	(20,116)	(38,316)	(47.5%)	(9,663)	(30,454)	(68.3%)
Profit for the period		267,812	208,657	28.4%	174,670	156,290	11.8%
Net Profit margin (%)		26.5%	25.8%	0.7 ppt	26.8%	28.7%	(1.9 ppt)
Other comprehensive income:							
Currency translation difference arising from consolidation		(2,135)	7,512	nm	(376)	68	nm
Total comprehensive income		265,677	216,169	22.9%	174,294	156,358	11.5%
Earnings per share (RMB)							
Basic		0.48	0.39	23.9%	0.31	0.29	7.9%
Diluted		0.48	0.38	26.7%	0.31	0.28	10.4%

nm: not meaningful

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Profit before income tax

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

	Group			
	1.7.2011 to 31.12.2011	1.7.2010 to 31.12.2010	1.10.2011 to 31.12.2011	1.10.2010 to 31.12.2010
	RMB '000	RMB '000	RMB '000	RMB '000
Depreciation of property, plant and equipment	24,086	14,887	12,395	7,610
Amortisation of land use rights	1,418	535	713	268
Amortisation of land improvement costs	28,386	9,820	14,077	5,976
Amortisation of operating lease prepayments	33,846	15,571	16,923	8,618
Loss on fair value of biological assets less estimated point of sales cost	4,400	200	4,400	200
Amortisation of government grants	(8,903)	(2,489)	(4,194)	(1,597)
Interest income	(120)	(314)	(63)	(98)
Interest expense on bank term loans	14,307	711	8,681	204
Employees' share option value	1,740	-	-	-
Exchange loss/(gain), net	614	9,029	(213)	1,135

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

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31.12.2011	30.06.2011	31.12.2011	30.06.2011
	RMB'000	RMB'000	RMB'000	RMB'000
Share capital and reserves				
Share capital	1,072,268	1,072,268	1,072,268	1,072,268
Statutory reserve fund	71,329	62,497	-	-
Employees' share option reserve	1,740	-	1,740	-
Translation reserve/ (deficit)	5,657	7,792	649	2,784
Accumulated profits/ (losses)	2,024,110	1,765,130	(137,712)	(133,719)
TOTAL EQUITY	3,175,104	2,907,687	936,945	941,333
Non-current assets				
Property, plant and equipment	1,255,026	1,113,928	-	-
Land use rights	128,789	128,287	-	-
Biological assets	171,600	176,000	-	-
Land improvement costs	379,889	215,511	-	-
Investment in subsidiaries	-	-	905,230	905,230
Operating lease prepayments	482,027	515,873	-	-
Current assets				
Land use rights	2,854	2,819	-	-
Biological assets	40,660	27,547	-	-
Inventories	140,180	53,900	-	-
Trade receivables	508,638	230,061	-	-
Other receivables and prepayments	537,534	700,434	199	370
Due from a subsidiary (non-trade)	-	-	25,674	-
Operating lease prepayments	67,693	67,693	-	-
Cash and bank balances	58,287	162,431	10,647	54,387
	1,355,846	1,244,885	36,520	54,757
TOTAL ASSETS	3,773,177	3,394,484	941,750	959,987

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

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	31.12.2011	30.06.2011	31.12.2011	30.06.2011
	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities				
Trade payables	88,248	84,685	-	-
Other payables and accruals	60,033	44,781	4,805	14,408
Due to a related party (non-trade)	5,220	5,220	-	-
Due to a subsidiary (non- trade)	-	-	-	4,246
Bank term loans	405,130	322,130	-	-
Income tax liabilities	5,873	10,643	-	-
Government grants	3,506	1,856	-	-
	568,010	469,315	4,805	18,654
Non-current liabilities				
Government grants	26,611	12,503	-	-
Bank term loans	3,452	4,979	-	-
	30,063	17,482	-	-
TOTAL LIABILITIES	598,073	486,797	4,805	18,654
NET ASSETS	3,175,104	2,907,687	936,945	941,333

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

Bank term loans

	Unaudited	Audited
	31.12.2011	30.6.2011
	RMB'000	RMB'000
<u>Non-current</u>		
Non-interest bearing loan, secured	3,830	3,830
Less: Discount implicit in long-term interest free bank loan	(980)	(980)
	<hr/>	<hr/>
Fair value of interest-free bank loan at inception	2,850	2,850
Add: Amortisation of discount	602	499
	<hr/>	<hr/>
Net carrying amount at end of period/year	3,452	3,349
Interest bearing loan, secured	-	1,630
	<hr/>	<hr/>
	3,452	4,979
	<hr/>	<hr/>
<u>Current</u>		
Interest bearing loans:		
- Secured	21,630	21,630
- Unsecured	360,500	290,500
- Guaranteed	23,000 ⁽²⁾	10,000 ⁽¹⁾
	<hr/>	<hr/>
	405,130	322,130
	<hr/>	<hr/>
Total bank term loans	408,582	327,109
	<hr/>	<hr/>

Interest rates for short-term bank loans range from 5.229% to 8.528% (30 June 2011: 5.229% to 8.203%) per annum. This was secured by the Group's leasehold buildings, plant and machinery and land use rights.

Interest rates for long-term bank loans range from 0% to 2.4% (30 June 2011: 0% to 2.4%) per annum. Interest bearing loan of RMB 1.63 million was secured over Group's leasehold buildings, plant and machinery and land use rights, repayable on 30 October 2012 (current). Non-interest bearing loan of RMB 3.83 million is carried at amortised cost and secured over the Group's land use rights, plant and machinery and leasehold buildings, repayable on 30 October 2013 (non-current).

Note:-

(1) The CEO is providing a personal guarantee to secure RMB10.0 million banking facility extended to the Group.

(2) Yunnan Yuanmou Minzhong Food Co., Ltd (a subsidiary company of Fujian Minzhong Organic Food Co., Ltd) is providing guarantee to secure RMB5.0 million banking facility extended to the Group. Sichuan Minzhong Organic Food Co., Ltd (a subsidiary company of China Minzhong Food Corporation Limited) is providing guarantee to secure RMB8.0 million banking facility extended to the Group.

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

	Group			
	1.7.2011 to	1.7.2010 to	1.10.2011 to	1.10.2010 to
	31.12.2011	31.12.2010	31.12.2011	31.12.2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Profit before income tax	287,928	246,973	184,333	186,744
Adjustments for:				
Depreciation of property, plant and equipment	24,086	14,887	12,395	7,610
Amortisation of land use rights	1,418	535	713	268
Amortisation of land improvement costs	28,386	9,820	14,077	5,976
Amortisation of operating lease prepayments	33,846	15,571	16,923	8,618
Biological assets	4,400	200	4,400	200
Amortisation of government grants	(8,903)	(2,489)	(4,194)	(1,597)
Interest income	(120)	(314)	(63)	(98)
Interest expense on bank term loans	14,307	711	8,681	204
Employees' share option value	1,740	-	-	-
Operating profit before working capital changes	387,088	285,894	237,265	207,925
Inventories	(86,280)	(12,359)	(37,650)	(6,812)
Biological assets	(13,113)	(1,132)	(17,529)	(16,852)
Trade receivables	(278,577)	(238,033)	(307,446)	(242,169)
Other receivables and prepayments	129,433	29,967	106,379	24,635
Trade payables	3,563	48,791	23,753	24,537
Other payables and accruals	15,252	3,504	10,415	8,120
Cash generated from operations	157,366	116,632	15,187	(616)
Income tax paid	(24,886)	(18,971)	(4,875)	(8,920)
Interest received	120	314	63	98
Net cash generated from operating activities	132,600	97,975	10,375	(9,438)

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

	Group			
	1.7.2011 to 31.12.2011	1.7.2010 to 31.12.2010	1.10.2011 to 31.12.2011	1.10.2010 to 31.12.2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from investing activities				
Purchase of property, plant and equipment	(140,926)	(66,337)	(43,062)	(11,570)
Proceeds from disposal of property, plant and equipment	400	-	-	-
Purchase of land use rights	(1,955)	(130)	-	(130)
Land improvement costs	-	(60,788)	-	(60,788)
Prepayment for property, plant and equipment	(92,005)	(44,953)	(40,629)	(44,953)
Prepayment for land use rights	-	(47,422)	-	(47,422)
Prepayment for land improvement costs	(91,950)	-	(78,773)	-
Additions to operating lease prepayments	-	(114,123)	-	(92,900)
Net cash used in investing activities	(326,436)	(333,753)	(162,464)	(257,763)
Cash flows from financing activities				
Proceeds from issuance of new shares pursuant to exercise of share options	-	2,617	-	1,526
Proceeds from bank loans	291,000	69,600	251,000	69,600
Repayment of bank loans	(209,630)	-	(149,630)	-
Government grant received	24,661	1,909	20,395	1,339
Interest paid	(14,204)	(608)	(8,629)	(152)
Net cash generated from financing activities	91,827	73,518	113,136	72,313
Net increase/(decrease) in cash and cash equivalents	(102,009)	(162,260)	(38,953)	(194,888)
Cash and cash equivalents at beginning of periods	162,431	1,170,487	97,616	1,210,559
Effect of exchange rate changes	(2,135)	7,512	(376)	68
Cash and cash equivalents at end of periods	58,287	1,015,739	58,287	1,015,739

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

<u>Group</u>	Share Capital	Statutory reserve	Employees' share	Translation reserve	Accumulated	Total
	RMB'000	fund	option reserve	RMB'000	profits	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1.7.2010	1,006,718	36,792	19,447	(210)	1,224,100	2,286,847
Total comprehensive income for the period	-	-	-	7,512	208,657	216,169
Issue of ordinary shares on exercising of share options	2,617	-	-	-	-	2,617
Appropriation to statutory reserve fund	-	11,378	-	-	(11,378)	-
Balance at 31.12.2010	1,009,335	48,170	19,447	7,302	1,421,379	2,505,633
Balance at 1.7.2011	1,072,268	62,497	-	7,792	1,765,130	2,907,687
Total comprehensive income for the period	-	-	-	(2,135)	267,812	265,677
Recognition of employees' share option value	-	-	1,740	-	-	1,740
Appropriation to statutory reserve fund	-	8,832	-	-	(8,832)	-
Balance at 31.12.2011	1,072,268	71,329	1,740	5,657	2,024,110	3,175,104

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

<u>Company</u>	Share Capital RMB'000	Employees' share option reserve RMB'000	Translation reserve RMB'000	Accumulated profits RMB'000	Total RMB'000
Balance at 1.7.2010	1,006,718	19,447	(5,218)	(111,311)	909,636
Total comprehensive income for the period	-	-	7,512	(11,748)	(4,236)
Issue of ordinary shares on exercising of share options	2,617	-	-	-	2,617
Balance at 31.12.2010	1,009,335	19,447	2,294	(123,059)	908,017
Balance at 1.7.2011	1,072,268	-	2,784	(133,719)	941,333
Total comprehensive income for the period	-	-	(2,135)	(3,993)	(6,128)
Recognition of employees' share option value	-	1,740	-	-	1,740
Balance at 31.12.2011	1,072,268	1,740	649	(137,712)	936,945

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

1HFY2012

Granting of Share Options

Pursuant to the Board Meeting held on 24 August 2011, the Directors approved the grant of 2,462,000 share options of the Company to selected eligible employees of the Group and Director of the Company to subscribe for 2,462,000 ordinary shares in the Company at an exercise price of S\$1.26 on 21 September 2011, under the CMZ Employee Share Option Scheme 2010 which was approved on 31 March 2010. Options granted have a term of no longer than 3 years, and with 1 year vesting period from grant date. The total fair value of the options granted was estimated to be S\$339,023 (equivalent to RMB1,739,649) as at the grant date of options using Black-Scholes-Merton model.

As at 31 December 2011, none of the abovementioned share options was being exercised.

1HFY2011

Exercise of Share Options

During the 6 months ended 31 December 2011, certain employees (who are not directors) had subscribed for 1,119,000 shares pursuant to the China Minzhong Organic Food Corporation Pte. Ltd. Employee Share Option Scheme ("2008 Option Scheme") on 12 July 2010, 21 September 2010 and 16 December 2010 respectively. The 2008 Option Scheme was approved and adopted by the shareholders in June 2008.

These new shares have been listed and quoted on the Singapore Exchange Securities Trading Limited on 12 July 2010, 21 September 2010 and 16 December 2010 respectively. The new shares issued rank pari passu in all respects with the existing shares of the Company. Pursuant to the above issue and allotment of New Shares, the number of issued and paid-up shares in the capital of the Company has increased from 537,423,000 ordinary shares to 538,542,000 ordinary shares.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at end of the current financial period and as at the end of the immediately preceding year.

	Resultant Issued and Paid Up Share Capital	
	Number of new Shares issued	Number of Shares (\$\$'000)
As at 30 June and 31 December 2011	-	557,439,000 206,479

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

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

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

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those used in the audited financial statements as of 30 June 2011.

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

As per above point 4.

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

Basic earnings per share

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

	1.7.2011 to 31.12.2011	1.7.2010 to 31.12.2010	1.10.2011 to 31.12.2011	1.10.2010 to 31.12.2010
Based on weighted average number of ordinary shares on issue (RMB)	0.48	0.39	0.31	0.29
Weighted average number of shares (in thousands)	557,439	537,930	557,439	538,105

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

Diluted earnings per share

Diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company for the respective periods and the weighted average number of shares, adjusted for the effects of all dilutive ordinary shares. In the current financial period, the Company does not have any potential dilutive instruments. The corresponding period of the immediately preceding financial year has been adjusted for the potential ordinary shares (i.e. share options), assuming to have been converted into ordinary shares as at 1 July 2010.

	1.7.2011 to 31.12.2011	1.7.2010 to 31.12.2010	1.10.2011 to 31.12.2011	1.10.2010 to 31.12.2010
On a fully diluted basis (RMB)	0.48	0.38	0.31	0.28
Weighted average number of shares (in thousands)	557,439	550,404	557,439	550,579

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

	Group		Company	
	31.12.2011	30.6.2011	31.12.2011	30.6.2011
Net asset value per ordinary share based on issued share capital at the end of the period/year (RMB):	5.70	5.22	1.68	1.69
No. of shares in computing NAV (in thousands)	557,439	557,439	557,439	557,439

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

REVIEW OF PERFORMANCE

(A) Consolidated Income Statement

1. Revenue

The following table provides a breakdown of our revenue by business segments in 1HFY2012, 1HFY2011, 2QFY2012 and 2QFY2011 respectively:-

	1HFY2012		1HFY2011		2QFY2012		2QFY2011	
	RMB' mil	%	RMB' mil	%	RMB' mil	%	RMB' mil	%
Processed Business Segment:								
- Processed vegetables	552,172	54.6	505,909	62.5	419,378	64.4	400,393	73.5
- Others ⁽¹⁾	47,935	4.7	37,375	4.6	26,635	4.1	31,125	5.7
Subtotal	600,107	59.3	543,284	67.1	446,013	68.5	431,518	79.2
Cultivation Business Segment:								
- Fresh vegetables produce	297,660	29.4	177,284	21.9	141,052	21.7	96,561	17.7
- Mushroom spores ⁽²⁾	114,400	11.3	88,600	11.0	63,722	9.8	16,993	3.1
Subtotal	412,060	40.7	265,884	32.9	204,774	31.5	113,554	20.8
Total revenue	1,012,167	100.0	809,168	100.0	650,787	100.0	545,072	100.0

Note:-

(1) Include IQF processed products, vegetable and fruit beverages and other miscellaneous products.

(2) Sales of mushroom spores

1.1 Revenue (1HFY2012 vs 1HFY2011)

Our revenue increased by 25.1% or RMB203.0 million, to RMB1,012.2 million (1HFY2011: RMB809.2 million). This was due to increase in sales of our processed vegetables and fresh vegetable produce.

Revenue from processed vegetables increased by 9.2% or RMB46.3 million, to RMB552.2 million (1HFY2011: RMB505.9 million), due to shift towards a higher-value processed vegetables portfolio, resulting in higher overall selling prices.

Revenue from other processed products increased by 28.3% or RMB10.5 million, to RMB47.9 million (1HFY2011: RMB37.4 million). The increase in our other processed products was attributed to an increase in our sales volume, mainly due to strong domestic demands for our branded products such as vegetables and fruit beverages.

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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

1.1 Revenue (1HFY2012 vs 1HFY2011) (Continued)

Revenue from fresh vegetables produce increased by 67.9% or RMB120.4 million, to RMB297.7 million (1HFY2011: RMB177.3 million), due to the **(1)** newly acquired farmlands contributing during 1HFY2012, while not started contribution in 1HFY2011, hence our cultivation volume increased by 40.3% or 20,434 tonnes to 71,133 tonnes (1HFY2011: 50,699 tonnes) and **(2)** shift towards a higher-value fresh vegetables produce portfolio, resulting in higher overall selling prices.

Revenue from trading mushroom spores increased by 29.1% or RMB25.8 million, to RMB114.4 million (1HFY2011: RMB88.6 million), due to healthy order books for our champignon mushroom for our coming 2HFY2012.

1.2 Revenue (2QFY2012 vs 2QFY2011)

The arrival of the winter season (whose cool temperature is essential for the cultivation of the Group's peak season crops, such as champignon mushrooms) was delayed in this financial year, resulting in the rollover of some sales from 2QFY12 to 3QFY12. The late winter pattern this financial year was in line with the holdback for the bulk of our mushroom spores ("seeds" for mushrooms cultivation) sales till the 2nd quarter, whereas most of our mushroom spores sales were transacted during the 1st quarter in FY11. Correspondingly, the delayed winter led to a late start in the cultivation of champignon mushrooms, the Group's largest product by revenue. Nevertheless, our revenue still increased by 19.4% or RMB105.7 million, to RMB650.8 million (2QFY2011: RMB545.1 million). This was due to increase in sales of our processed vegetables and fresh vegetable produce.

Revenue from processed vegetables increased by 4.7% or RMB19.0 million, to RMB419.4 million (2QFY2011: RMB400.4 million), due to shift towards a higher-value processed vegetables portfolio, resulting in higher overall selling prices.

Revenue from other processed products decreased by 14.4% or RMB4.5 million, to RMB26.6 million (2QFY2011: RMB31.1 million). The decrease in our other processed products was attributed lower overall selling prices because of our lower sales for our health products during 2QFY2012. Health products have higher overall selling prices than our other branded products, such as instant food and beverages.

Revenue from fresh vegetables produce increased by 46.1% or RMB44.5 million, to RMB141.1 million (2QFY2011: RMB96.6 million), due to the **(1)** newly acquired farmlands contributing during 1HFY2012, while not started contribution in 1HFY2011, hence our cultivation volume increased by 38.8% or 9,214 tonnes to 32,973 tonnes (2QFY2011: 23,759 tonnes) and **(2)** shift towards a higher-value fresh vegetables produce portfolio, resulting in higher overall selling prices.

Revenue from trading mushroom spores increased by 275.0% or RMB46.7 million, to RMB63.7 million (2QFY2011: RMB17.0 million) due to the weather pattern. As a result, bulk of our mushrooms spores sales was held back till 2nd quarter, whereas most of our mushroom spores sales were transacted during the 1st quarter in FY11.

CHINA MINZHONG FOOD CORPORATION LIMITED

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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

2. Gross Profit

The following table provides a breakdown of our gross profit by business segments in 1HFY2012, 1HFY2011, 2QFY2012 and 2QFY2011 respectively:-

	1HFY2012		1HFY2011		2QFY2012		2QFY2011	
	RMB' mil	%	RMB' mil	%	RMB' mil	%	RMB' mil	%
Processed Business Segment:								
- Processed vegetables	211,797	55.0	173,138	56.8	152,144	63.9	137,028	63.0
- Others ⁽¹⁾	(1,523)	(0.4)	5,415	1.8	(719)	(0.3)	7,010	3.2
Subtotal	210,274	54.6	178,553	58.6	151,425	63.6	144,038	66.2
Cultivation Business Segment:								
- Fresh vegetables produce	157,296	40.8	105,945	34.8	76,943	32.3	69,545	32.0
- Mushroom spores ⁽²⁾	17,600	4.6	20,181	6.6	9,803	4.1	3,864	1.8
Subtotal	174,896	45.4	126,126	41.4	86,746	36.4	73,409	33.8
Total gross profit	385,170	100.0	304,679	100.0	238,171	100.0	217,447	100.0

Note:-

(1) Include IQF processed products, vegetable and fruit beverages and other miscellaneous products.

(2) Sales of mushroom spores

2.1 Gross Profit (1HFY2012 vs 1HFY2011)

Our gross profit increased by 26.4% or RMB80.5 million, to RMB385.2 million (1HFY2011: RMB304.7 million), in tandem with the increase in our revenue. Our overall gross profit margin has improved by 0.4 ppt to 38.1% (1HFY2011: 37.7%).

Our gross profit from processed vegetables increased by 22.3% or RMB38.7 million, to RMB211.8 million (1HFY2011: RMB173.1 million), in tandem with the increase in revenue. Our overall gross profit margin for processed vegetables improved by 4.2 ppt to 38.4% (1HFY2011: 34.2%).

Our gross profit from fresh vegetables produce increased by 48.5% or RMB51.4 million, to RMB157.3 million (1HFY2011: RMB105.9 million). The increase in our fresh vegetables produce gross profit was attributable to revenue growth underpinned by an increase in our cultivation volume and increased selling prices.

Our gross profit from trading mushroom spores decreased by 12.8% or RMB2.6 million, to RMB17.6 million (1HFY2011: RMB20.2 million). The decrease in our gross profit from trading mushroom spores was due higher cost of supplies, resulting in our overall gross profit margin for trading mushroom spores to decline by 7.4 ppt to 15.4% (1HFY2011: 22.8%).

CHINA MINZHONG FOOD CORPORATION LIMITED

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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

2.2 Gross Profit (2QFY2012 vs 2QFY2011)

Our gross profit increased by 9.5% or RMB20.8 million, to RMB238.2 million (2QFY2011: RMB217.4 million), in tandem with the increase in our revenue.

Our gross profit from processed vegetables increased by 11.0% or RMB15.1 million, to RMB152.1 million (2QFY2011: RMB137.0 million), in tandem with the increase in revenue. Our overall gross profit margin for processed vegetables improved by 2.1 ppt to 36.3% (2QFY2011: 34.2%).

Our gross profit from fresh vegetables produce increased by 10.6% or RMB7.4 million, to RMB76.9 million (2QFY2011: RMB69.5 million). The increase in our fresh vegetables produce gross profit was attributable to revenue growth underpinned by an increase in our cultivation volume and increased selling prices.

Our gross profit from trading mushroom spores increased by 153.7% or RMB5.9 million, to RMB9.8 million (2QFY2011: RMB3.9 million), in tandem with the increase in our revenue.

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

We experienced loss on fair value of biological assets for 1HFY2012, amounting to RMB4.4 million (1HFY2011: RMB0.2 million). The actual operational result from July 2011 to December 2011 was approximate to the projections of revenue and anticipated costs associated with the biological assets as projected in FY2011. Therefore, we do not experience material change in the carrying amount of biological assets as at 31 December 2011.

A reconciliation of the carrying amount of biological assets and loss / (gain) on fair value of biological assets is as follows:

	Financial Period Ended 31.12.2011 (2QFY2012)	Financial Year Ended 30.6.2011 (FY2011)
	RMB'000	RMB'000
At beginning of period/year	199,131	195,300
Increase due to plantation	81,639	194,404
Decrease due to harvest	(64,110)	(187,357)
(Loss) / gain arising from changes in fair value less estimated point-of-sale costs	(4,400)	1,200
At end of period/year	212,260	203,547

CHINA MINZHONG FOOD CORPORATION LIMITED

(Registration No. 200402715N)

REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

3 Loss on fair value of biological assets less estimate point of sales cost (Continued)

The analysis of the above is as follows:

Carrying value of biological assets	Bamboo shoots and trees	Vegetables	Total
	RMB'000	RMB'000	RMB'000
As at 30.6.2011			
Non-current portion	176,000	-	176,000
Current portion	-	27,547	27,547
Total	176,000	27,547	203,547
As at 31.12.2011			
Non-current portion	171,600	-	171,600
Current portion	-	40,660	40,660
Total	171,600	40,660	212,260

4. Other income, net (1HFY2012 vs 1HFY2011)

Other income comprised mainly government grants amortisation (which was mainly received as a subsidy to our capital expenditure) and rental income from leasing farmlands to third parties.

Other income, net	1HFY2012	1HFY2011	2QFY2012	2QFY2011
	RMB'000	RMB'000	RMB'000	RMB'000
Rental income, net ⁽¹⁾	3,216	1,592	1,608	796
Government grants ⁽²⁾	8,903	2,489	4,194	1,597
Gain on disposal of scrap materials, net	427	435	203	336
Other income, net	19	144	13	129
Total	12,565	4,660	6,018	2,858

Note:-

(1) Proceeds received from renting farmlands to third parties less associated depreciation and amortisation.

(2) 1HFY2012 government grants include government rewards for successfully listed in SGX and subsidies to our new capital expenditure on our New Industrial Park in Putian City, Fujian Province.

4.1 Other income, net (1HFY2012 vs 1HFY2011)

Other income increased by RMB7.9 million, to RMB12.6 million (1HFY2011: RMB4.7 million), was mainly due to increased in rental income from leasing farmlands to third parties, and higher government grants received.

4.2 Other income, net (2QFY2012 vs 2QFY2011)

Other income increased by RMB3.1 million, to RMB6.0 million (2QFY2011: RMB2.9 million), was increase was mainly due to increased in rental income from leasing farmlands to third parties, and higher government grants received.

CHINA MINZHONG FOOD CORPORATION LIMITED

(Registration No. 200402715N)

REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

5.1 Selling and distribution expenses (1HFY2012 vs 1HFY2011)

Selling and distribution expenses increased by 103.0% or RMB20.5 million, to RMB40.4 million (1HFY2011: RMB19.9 million). The increase was mainly due to (i) an increase in payroll cost, amounting to RMB2.6 million, as a result of increased staff headcount due to expansion of the Group's businesses; (ii) an increase in marketing and advertising expenses related to promotion of our brand-name domestically, amounting to RMB9.5 million; and (iii) an increase in shipping and transportation expenses, amounting to RMB7.1 million.

5.2 Selling and distribution expenses (2QFY2012 vs 2QFY2011)

Selling and distribution expenses increased by 73.7% or RMB8.5 million, to RMB19.9 million (2QFY2011: RMB11.4 million). The increase was mainly due to (i) an increase in payroll cost, amounting to RMB1.4 million, as a result of increased staff headcount due to expansion of the Group's businesses; (ii) an increase in marketing and advertising expenses related to promotion of our brand-name domestically, amounting to RMB2.4 million; and (iii) an increase in shipping and transportation expenses, amounting to RMB3.7 million.

6.1 Administrative expenses (1HFY2012 vs 1HFY2011)

Administrative expenses increased by 49.8% or RMB16.3 million, to RMB49.0 million (1HFY2011: RMB32.7 million), was mainly due to an increased in non-cash amortisation of upfront payments for the farmlands not used for own cultivation during the periods.

6.2 Administrative expenses (2QFY2012 vs 2QFY2011)

Administrative expenses increased by 26.2% or RMB5.5 million, to RMB26.1 million (2QFY2011: RMB20.6 million), was mainly due to an increased in non-cash amortisation of upfront payments for the farmlands not used for own cultivation during the periods.

7 Other expenses, net

Other expenses comprised mostly net exchange loss. Our exchange loss decreased by RMB8.4 million to RMB0.6 million (1HFY2011: RMB9.0 million) due to non-recurring exchange differences on conversion of IPO proceeds to RMB during 1HFY2011 (1HFY2012: NIL).

The following table provides a breakdown of our net other expenses:

Other expenses, net	1HFY2012	1HFY2011	2QFY2012	2QFY2011
	RMB'000	RMB'000	RMB'000	RMB'000
Exchange loss, net	614	9,029	(213)	1,135
Other expenses, net	1,147	82	1,114	33
Total	1,761	9,111	901	1,168

CHINA MINZHONG FOOD CORPORATION LIMITED

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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

8.1 Financial expenses, net (1HFY2012 vs 1HFY2011)

Our finance cost increased by RMB13.8 million, to RMB14.2 million (1HFY2011: RMB0.4 million). This was due to increased bank borrowings during the period to fund our working capital needs.

8.2 Financial expenses, net (2QFY2012 vs 2QFY2011)

Our finance cost increased by RMB8.5 million, to RMB8.6 million (2QFY2011: RMB0.1 million). This was due to increased bank borrowings during the period to fund our working capital needs.

9.1 Profit before income tax (1HFY2012 vs 1HFY2011)

Profit before income tax increased by 16.6% or RMB40.9 million, to RMB287.9 million (1HFY2011: RMB247.0 million) in tandem with higher gross profit. The profit before income tax margin declined by 2.1 ppt, to 28.4% (1HFY2011: 30.5%) was mainly attributable to **(1)** higher selling and distribution expenses as discussed in note 5 above, **(2)** higher administrative and general expenses as discussed in note 6 above and **(3)** higher financial expenses due to increased bank borrowings.

9.2 Profit before income tax (2QFY2012 vs 2QFY2011)

Profit before income tax decreased by 1.3% or RMB2.4 million, to RMB184.3 million (2QFY2011: RMB186.7 million). The profit before income tax margin declined by 6.0 ppt, to 28.3% (2QFY2011: 34.3%) was mainly attributable to **(1)** higher selling and distribution expenses as discussed in note 5 above, **(2)** higher administrative and general expenses as discussed in note 6 above and **(3)** higher financial expenses due to increased bank borrowings.

10.1 Income tax expense (1HFY2012 vs 1HFY2011)

Income tax expense decreased by 47.5% or RMB18.2 million, to RMB20.1 million (1HFY2011: RMB38.3 million) due to a higher proportion of the income being tax exempted. As a result, our effective tax rate decreased to 7.0% (1HFY2011: 15.5%).

10.2 Income tax expense (2QFY2012 vs 2QFY2011)

Income tax expense decreased by 68.3% or RMB20.8 million, to RMB9.7 million (2QFY2011: RMB30.5 million) due to a higher proportion of the income being tax exempted. As a result, our effective tax rate decreased to 5.2% (2QFY2011: 16.3%).

CHINA MINZHONG FOOD CORPORATION LIMITED
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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

11.1 EBITDA (1HFY2012 vs 1HFY2011)

Our EBITDA increased by 33.3% or RMB95.2 million, to RMB380.9 million (1HFY2011: RMB285.7 million).

11.2 EBITDA (2QFY2012 vs 2QFY2011)

Our EBITDA increased by 12.1% or RMB25.2 million, to RMB232.9 million (2QFY2011: RMB207.7 million).

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

	Group			
	1HFY2012	1HFY2011	2QFY2012	2QFY2011
	RMB'000	RMB'000	RMB'000	RMB'000
Net income	267,812	208,657	174,670	156,290
Add / (Less):				
Interest expenses	14,307	711	8,681	204
Interest income	(120)	(314)	(63)	(98)
Income tax expense	20,116	38,316	9,663	30,454
Depreciation of property, plant and equipment	24,086	14,887	12,395	7,610
Amortisation of land use rights	1,418	535	713	268
Amortisation of land improvement costs	28,386	9,820	14,077	5,976
Amortisation of operating lease prepayments	33,846	15,571	16,923	8,618
Amortisation of government grants	(8,903)	(2,489)	(4,194)	(1,597)
EBITDA	380,948	285,694	232,865	207,725
EBITDA margins	37.6%	35.3%	35.8%	38.1%

CHINA MINZHONG FOOD CORPORATION LIMITED

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REVIEW OF PERFORMANCE (Continued)

(B) Consolidated Balance Sheet (30 June 2011 vs 31 December 2011)

Non-current assets

Non-current assets increased by approximately 12.5% or RMB267.7 million, to RMB2,417.3 million (30 June 2011: RMB2,149.6 million). This was largely mainly attributable to capital expenditure on property, plant and equipment and land improvement costs for further expansion of our production capacity, net of amortisation and depreciation of non-current assets.

Current assets

Current assets increased by 8.9% or RMB110.9 million, to RMB1,355.8 million (30 June 2011: RMB1,244.9 million). This was largely attributable to the increase in trade receivables by RMB278.6 million from the increase in revenue from our peak season, and increase in inventories by RMB86.3 million to accommodate the expected increase in demand in the third quarter of our financial year, net of decrease in other receivables and prepayments by RMB162.9 million and decrease in cash and cash equivalents by RMB104.1 million.

Non-current liabilities

Non-current liabilities comprised government grants and long term bank loans increased by 72.0% or RMB12.6 million to RMB30.1 million as at 31 December 2011 (30 June 2011: RMB17.5 million). This is due to an increase in government grants received.

Current liabilities

Current liabilities comprised mainly bank term loans, income tax liabilities, trade and non-trade payables. Current liabilities increased by 21.0% or RMB98.7 million, to RMB568.0 million (30 June 2011: RMB469.3 million). This was largely attributable to the increase in bank term loans and trade and other payables and accruals by RMB83.0 million and RMB18.8 million respectively.

Working capital days

<u>Days</u>	<u>1HFY2012</u>	<u>1HFY2011</u>	<u>2QFY2012</u>	<u>2QFY2011</u>
Trade Receivables Turnover ⁽¹⁾	66	66	49	48
Trade Payables Turnover ⁽²⁾	12	12	17	12
Inventory Turnover ⁽³⁾	44	14	37	10
Cash Conversion	98	68	69	46

The increasing trend of our inventory turnover days was mainly due increase in inventories by RMB86.3 million to accommodate the expected increase in demand in the third quarter of our financial year.

Note:-

(1) Average trade receivables / revenue X 180 days

(2) Average trade payables / cost of goods sold X 180 days

(3) Average inventory balance / cost of goods sold for processed products x 180 days

CHINA MINZHONG FOOD CORPORATION LIMITED

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REVIEW OF PERFORMANCE (Continued)

(C) Consolidated Cash Flow Statement

1HFY2012

For the 6 months ended 31 December 2011, we recorded a net cash inflow from operating activities of RMB132.6 million. This comprised cash generated from operating activities before changes in working capital of RMB387.1 million, net working capital outflow of RMB229.7 million, and net cash outflow amounting to RMB24.8 million from interest and income tax paid. The net working capital outflow was a result of:

(a) an increase in trade receivables of RMB278.5 million and an increase in inventories and biological assets of RMB99.4 million; and

(b) net of an increase in trade and non-trade payables of RMB18.8 million and a decrease in non-trade receivables of RMB129.4 million.

For the 6 months ended 31 December 2011, net cash used in investing activities of RMB326.4 million was mainly for purchasing of property, plant and equipment, acquiring land use rights and incurring improvement costs on farmlands.

For the 6 months ended 31 December 2011, net cash inflows from financing activities was RMB91.8 million, which was mainly attributable to the net proceeds from short term bank loans, amounting to RMB81.4 million, obtained from Bank of China, Industrial and Commercial Bank of China and OCBC Bank (China) Limited, Xiamen Branch, for the purpose of financing our working capital needs as well as government grants received totalling RMB 24.6 million, net of interest expenses paid on the bank term loans, amounting to RMB14.2 million.

2QFY2012

For the 3 months ended 31 December 2011, we recorded a net cash inflow from operating activities of RMB10.4 million. This comprised cash generated from operating activities before changes in working capital of RMB237.3 million, net working capital outflow of RMB222.1 million, and net cash outflow amounting to RMB4.8 million from interest and income tax paid. The net working capital outflow was a result of:

(a) an increase in trade receivables of RMB307.4 million and inventories and biological assets of RMB55.2 million; and

(b) net of an increase in trade and non-trade payables of RMB34.1 million and a decrease in non-trade receivables of RMB106.4 million.

For the 3 months ended 31 December 2011, net cash used in investing activities of RMB162.5 million was mainly for purchasing of property, plant and equipment, and incurring improvement costs on farmlands.

For the 3 months ended 31 December 2011, net cash inflows from financing activities was RMB113.1 million, which was mainly attributable to the net proceeds from short term bank loans, amounting to RMB101.3 million, obtained from Bank of China, Industrial and Commercial Bank of China and OCBC Bank (China) Limited, Xiamen Branch, for the purpose of financing our working capital needs as well as government grants received totalling RMB 20.4 million, net of interest expenses paid on the bank term loans, amounting to RMB8.6 million.

CHINA MINZHONG FOOD CORPORATION LIMITED

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REVIEW OF PERFORMANCE (Continued)

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

No forecast had been issued for the financial period under review. Please refer to section "Prospects and Future Plans" on pages 166 to 170 of the Company's Prospectus dated 7 April 2010 for the Company's prospect statement.

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

The Group continues to see healthy demand for its vegetable products both domestically and overseas. This is underpinned by amongst others, rising urbanization, population growth and a shift towards preferences for healthy dietary eating habits which involve higher vegetable consumption.

The Group has also officially commenced operations at its New Industrial Park, with a processing capacity of approximately 3 times the size of China Minzhong's existing capacity in Fujian. This New Industrial Park will provide an additional engine of growth and enables the Group to capitalize on the rising demand for its processed vegetables. The Group expects the New Industrial Park to achieve full utilization within the next few years.

The agricultural sector in PRC continues to be well supported by the PRC government and food inflation trends remains one of the top priority issues to be managed. To rein in rising food inflation while protecting the incomes of the farmers, the PRC government has recently lifted the value-added tax (VAT) for the distribution of vegetables. Internally, the Group will benefit from lower transportation costs and with inflation subsiding to more comfortable levels, it will also indirectly help to ease rising wage expectations. The Group will continue its shift towards a higher value product mix to achieve higher selling prices and margin expansion in the long term.

In view of the global economic uncertainty, the Group will also continue its ongoing efforts in closely monitoring the debt and credit situation amongst the European countries and its potential impact on our operation.

CHINA MINZHONG FOOD CORPORATION LIMITED
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11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None.

(c) Date payable

Not Applicable.

(d) Books closure date

Not Applicable.

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

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

13. Present on-going interested person transactions

Our Chairman and Executive Director, Lin Guo Rong is currently providing a personal guarantee to secure a banking facility extended to our Group, namely our Fujian Minzhong Organic Food Co., Ltd. by the Agricultural Bank of China, details as set out below:

Expiry date of the guarantee	Amount Guaranteed ('million)	Drawdown as of 31.12.2011 ('million)	Lender
15 March 2013	RMB10.0	RMB10.0	Agricultural Bank of China

BY ORDER OF THE BOARD

LIN GUO RONG
Chief Executive Officer
13 February 2012

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

**FINANCIAL RESULTS OF THE COMPANY AND THE GROUP FOR THE FINANCIAL PERIOD
ENDED 31 DECEMBER 2011**

We confirmed that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the Second Quarter financial results of the Company and the Group for the financial period ended 31 December 2011 to be false or misleading in any material aspect.

For and on behalf of the Board

LIN GUO RONG
Director

LIM YEOW HUA
Director