

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 July 2012 to 30 September 2012 (“1QFY2013”). The comparatives are for the quarter period from 1 July 2011 to 30 September 2011 (“1QFY2012”). 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		
		1QFY2013	1QFY2012	Change
		RMB'000	RMB'000	%
Revenue	1	613,411	361,380	69.7%
Cost of sales		(427,540)	(214,381)	99.4%
Gross profit	2	185,871	146,999	26.4%
Gross profit margin (%)		30.3%	40.7%	(10.4ppt)
Other income	3	5,251	6,547	(19.8%)
Selling and distribution expenses	4	(24,936)	(20,539)	21.4%
Administrative expenses	5	(21,474)	(22,983)	(6.6%)
Other expenses	6	(818)	(860)	(4.9%)
Financial cost	7	(7,662)	(5,569)	37.6%
Profit before income tax	8	136,232	103,595	31.5%
Income tax	9	(14,620)	(10,453)	39.9%
Profit for the period		121,612	93,142	30.6%
Net profit margin (%)		19.8%	25.8 %	(6.0ppt)
Other comprehensive income				
Currency translation difference arising from consolidation		860	(1,759)	nm
Total comprehensive income		122,472	91,383	34.0%
Earnings per share (RMB) (Note 6)				
Basic		0.218	0.167	30.5%
Diluted		0.218	0.167	30.5%

nm: not meaningful

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Profit before income tax

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

	Group	
	1QFY2013	1QFY2012
	RMB'000	RMB'000
Depreciation of property, plant and equipment	19,470	11,691
Amortisation of land use rights	712	705
Amortisation of land improvement costs	22,467	14,309
Amortisation of operating lease prepayments	16,923	16,923
Reversal of allowance of doubtful debts	(1,201)	-
Amortisation of government grants	(2,109)	(4,709)
Interest income	(8)	(57)
Interest expense on bank term loans	7,662	5,626
Employees' share option expense	2,889	1,740

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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 30.9.2012 RMB'000	Audited 30.06.2012 RMB'000	Unaudited 30.9.2012 RMB'000	Audited 30.06.2012 RMB'000
Share capital and reserves				
Share capital	1,072,268	1,072,268	1,072,268	1,072,268
Statutory reserve fund	86,307	79,007	-	-
Employees' share option reserve	4,629	1,740	4,629	1,740
Translation reserve	6,966	6,106	51,830	14,932
Accumulated profits/(losses)	2,542,513	2,428,201	(152,072)	(150,052)
TOTAL EQUITY	3,712,683	3,587,322	976,655	938,888
Non-current assets				
Deferred tax assets	6,000	6,000	-	-
Property, plant and equipment	1,835,120	1,831,968	-	-
Land use rights	125,788	126,500	-	-
Biological assets	168,000	168,000	-	-
Land improvement costs	330,090	347,668	-	-
Subsidiaries	-	-	955,102	919,064
Operating lease prepayments	431,257	448,180	-	-
Current assets				
Land use rights	2,757	2,757	-	-
Biological assets	40,329	34,635	-	-
Inventories	86,593	104,125	-	-
Trade receivables	893,532	967,115	-	-
Other receivables and prepayments	518,914	416,645	355	364
Due from a subsidiary (non - trade)	-	-	26,890	25,567
Operating lease prepayments	67,693	67,693	-	-
Cash and bank balances	324,435	66,209	1,670	5,286
	1,934,253	1,659,179	28,915	31,217
TOTAL ASSETS	4,830,508	4,587,495	984,017	950,281

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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
	30.9.2012	30.06.2012	30.9.2012	30.06.2012
	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities				
Trade payables	254,459	216,058	-	-
Other payables and accruals	153,269	132,145	7,362	11,393
Bank term loans	677,630	612,630	-	-
Income tax liabilities	1,287	7,287	-	-
Government grants	3,501	3,501	-	-
	1,090,146	971,621	7,362	11,393
Non-current liabilities				
Government grants	24,072	24,997	-	-
Bank term loans	3,607	3,555	-	-
	27,679	28,552	-	-
TOTAL LIABILITIES	1,117,825	1,000,173	7,362	11,393
NET ASSETS	3,712,683	3,587,322	976,655	938,888

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

Bank term loans

	Unaudited	Audited
	30.9.2012	30.6.2012
	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 term loan at inception	2,850	2,850
Add: Amortisation of discount	757	705
	<hr/>	<hr/>
Net carrying amount at end of period/year	3,607	3,555
	<hr/>	<hr/>
<u>Current</u>		
Interest bearing loans:		
- Secured	37,630	29,630
- Unsecured	500,000	438,000
- Guaranteed	140,000	145,000
	<hr/>	<hr/>
	677,630	612,630
	<hr/>	<hr/>
Total bank term loans	681,237	616,185
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Interest rates for long-term bank loans range from 0% to 2.4% (30 June 2012: 0% to 2.4%) per annum. Non-interest bearing loan of RMB3.83 million (30 June 2012: RMB3.83 million) is carried at amortised cost and secured over certain land use rights, plant and machinery and leasehold buildings of the Group, and is repayable on 30 October 2013 (non-current).

Interest rates for short-term bank loans range from 5.88% to 9.184% (30 June 2012: 6.405% to 9.184%) per annum. Some of the short-term bank loans were secured by the Group's leasehold buildings, plant and machinery and land use rights.

The CEO, Lin Guo Rong together with Putian Puhua Agricultural Trading Co (a supplier) and Xia Rui Peng (legal representative of the supplier) is providing personal/corporate guarantee to this banking facility extended to the Group, amounting to RMB60.0 million (30 June 2012: RMB60.0 million), out of which RMB50.0 million (30 June 2012: RMB50.0 million) was drawn-down.

Sichuan Minzhong Organic Food Co., Ltd (a subsidiary of the Company) is providing a guarantee to secure RMB68.0 million (30 June 2012: RMB68.0 million) banking facility extended to Fujian Minzhong Organic Food Co., Ltd, out of which RMB60.0 million (30 June 2012: RMB60.0 million) was drawn-down.

A non-related Company named Tianjin Huancheng Investment Co is providing a corporate guarantee to secure a RMB30.0 million (30 June 2012: RMB30.0 million) loan to Tianjin Ecological Minzhong Organic Food Co Ltd (a subsidiary company of Fujian Minzhong Organic Food Co., Ltd), which is fully drawn-down.

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

	Group	
	1QFY2013	1QFY2012
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before income tax	136,232	103,595
Adjustments for:		
Depreciation of property, plant and equipment	19,470	11,691
Amortisation of land use rights	712	705
Amortisation of land improvement costs	22,467	14,309
Amortisation of operating lease prepayments	16,923	16,923
Amortisation of government grants	(2,109)	(4,709)
Interest income	(8)	(57)
Interest expense on bank term loans	7,662	5,626
Reversal of allowance for doubtful debts	(1,201)	-
Employees' share option expense	2,889	1,740
Operating profit before working capital changes	203,037	149,823
Inventories	17,532	(48,630)
Biological assets	(5,694)	4,416
Trade receivables	74,784	28,869
Other receivables and prepayments	(102,269)	23,054
Trade payables	38,401	(20,190)
Other payables and accruals	21,124	4,837
Cash generated from operations	246,915	142,179
Income tax paid	(20,620)	(20,011)
Interest received	8	57
Net cash generated from operating activities	226,303	122,225
Cash flows from investing activities		
Purchase of property, plant and equipment	(22,622)	(149,240)
Proceeds from disposal of property, plant and equipment	-	400
Purchase of land use rights	-	(1,955)
Land improvement costs	(4,889)	(13,177)
Net cash used in investing activities	(27,511)	(163,972)

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

	Group	
	1QFY2013	1QFY2012
	RMB'000	RMB'000
Cash flows from financing activities		
Proceeds from bank term loans	149,000	40,000
Repayment of bank term loans	(84,000)	(60,000)
Government grant received	1,184	4,266
Pledged of bank balances	1,650	-
Interest paid	(7,610)	(5,575)
Net cash generated from / (used in) financing activities	60,224	(21,309)
Net increase / (decrease) in cash and cash equivalents	259,016	(63,056)
Cash and cash equivalents at beginning of period	42,134	162,431
Effect of exchange rate changes	860	(1,759)
Cash and cash equivalents at end of period	302,010	97,616

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

	Group	
	Unaudited	Audited
	30.9.2012	30.6.2012
	RMB'000	RMB'000
Cash and bank balances as stated in the balance sheets	324,435	66,209
Less: Cash pledged to notes payables	(22,425)	(24,075)
Cash and cash equivalents per consolidated cash flows	302,010	42,134

RMB22.4 million (30 June 2012: RMB24.1 million) cash is pledged to secure RMB84.3 million (30 June 2012: RMB110.3 million) of notes payables (included in Trade Payables) issued by Agricultural Bank of China, Bank of China and China Merchants Bank as at 30 September 2012.

One of the notes payables was also guaranteed by Sichuan Minzhong Organic Food Co.,Ltd, which is a subsidiary of the Company.

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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 fund	Employees' share option reserve	Translation reserve	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1.7.2011	1,072,268	62,497	-	7,792	1,765,130	2,907,687
Total comprehensive income for the period	-	-	-	(1,759)	93,142	91,383
Grant of employee's share option	-	-	1,740	-	-	1,740
Appropriation to statutory reserve fund	-	4,420	-	-	(4,420)	-
Balance at 30.9.2011	1,072,268	66,917	1,740	6,033	1,853,852	3,000,810

<u>Group</u>	Share Capital	Statutory reserve fund	Employees' share option reserve	Translation reserve	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1.7.2012	1,072,268	79,007	1,740	6,106	2,428,201	3,587,322
Total comprehensive income for the period	-	-	-	860	121,612	122,472
Grant of employees' share option	-	-	2,889	-	-	2,889
Appropriation to statutory reserve fund	-	7,300	-	-	(7,300)	-
Balance at 30.9.2012	1,072,268	86,307	4,629	6,966	2,542,513	3,712,683

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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	Employees' share option	Translation reserve	Accumulated losses	Total
	RMB'000	reserve RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1.7.2011	1,072,268	-	2,783	(133,718)	941,333
Total comprehensive income for the period	-	-	(1,759)	(2,911)	(4,670)
Grant of employees' share option	-	1,740	-	-	1,740
Balance at 30.9.2011	1,072,268	1,740	1,024	(136,629)	938,403

<u>Company</u>	Share Capital	Employees' share option	Translation reserve	Accumulated losses	Total
	RMB'000	reserve RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1.7.2012	1,072,268	1,740	14,932	(150,052)	938,888
Total comprehensive income for the period	-	-	36,898	(2,020)	34,878
Grant of employees' share option	-	2,889	-	-	2,889
Balance at 30.9.2012	1,072,268	4,629	51,830	(152,072)	976,655

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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.

1QFY2013

Pursuant to the Board Meeting held on 24 August 2012, the Directors approved the grant of 2,678,000 share options of the Company to selected eligible employees of the Group and Director of the Company to subscribe for 2,678,000 ordinary shares in the Company at an exercise price of S\$0.74 on 4 September 2012, 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\$583,418 (equivalent to RMB2,889,496) as at the grant date of options using Black-Scholes-Merton model.

As at 30 September 2012, no share option was being exercised.

1QFY2012

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 30 September 2011, no share option was being exercised.

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.

	Number of new Shares issued	Resultant Issued and Paid Up Share Capital	
		Number of Shares	(S\$'000)
As at 30 June and 30 September 2012	-	557,439,000	219,629

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.

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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 auditor.

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 2012.

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.

	1QFY2013	1QFY2012
Based on weighted average number of ordinary shares on issue (RMB)	0.218	0.167
Weighted average number of shares (in thousands)	557,439	557,439

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 potential ordinary shares. In the current financial period, the weighted average number of shares was adjusted for the 2,678,000 share options granted on 4 September 2012.

	1QFY2013	1QFY2012
On a fully diluted basis (RMB)	0.218	0.167
Weighted average number of shares (in thousands)	557,516	557,439

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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	
	30.9.2012	30.6.2012	30.9.2012	30.6.2012
Net asset value per ordinary share based on issued share capital at the end of the period/year (RMB):	6.66	6.44	1.75	1.68
No. of shares in computing NAV (in thousands)	557,439	557,439	557,439	557,439

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

(1QFY2013 vs 1QFY2012)

Our revenue increased by 69.7% or RMB252.0 million, to RMB613.4 million (1QFY2012: RMB361.4 million). This was due to the increase in sales from both of our processed and cultivation business segments.

The following table provides a breakdown of our revenue by business segments in Q1FY2013 and 1QFY2012 respectively:-

	1QFY2013		1QFY2012	
	RMB' mil	%	RMB' mil	%
Processed Business Segment:				
- Processed vegetables	240,184	39.2	132,794	36.8
- Others ⁽¹⁾	111,098	18.1	21,300	5.9
Subtotal	351,282	57.3	154,094	42.7
Cultivation Business Segment:				
- Fresh vegetables produce	191,969	31.3	156,608	43.3
- Mushroom spores ⁽²⁾	70,160	11.4	50,678	14.0
Subtotal	262,129	42.7	207,286	57.3
Total revenue	613,411	100.0	361,380	100.0

Note:-

- (1) Include IQF processed products, vegetable and fruit beverages and other miscellaneous products.
- (2) Sales of mushroom spores

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REVIEW OF PERFORMANCE

(A) Consolidated Income Statement (Continued)

1. Revenue (Continued)

(1QFY2013 vs 1QFY2012)

Revenue from processed vegetables increased by 80.9% or RMB107.4 million, to RMB240.2 million (1QFY2012: RMB132.8 million), underpinned by new customers for the export markets and sales spill over due to the delay in the champignon mushroom harvesting season from the last financial year.

Revenue from other processed products increased by 421.6% or RMB89.8 million, to RMB111.1 million (1QFY2012: RMB21.3 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.

Revenue from fresh vegetables produce increased by 22.6% or RMB35.4 million, to RMB192.0 million (1QFY2012: RMB156.6 million), due to the newly acquired newly farmlands contributing during 1QFY2013, while not started contribution in 1QFY2012, resulting in high sales volume.

Revenue from trading mushroom spores increased by 38.4% or RMB19.5 million, to RMB70.2 million (1QFY2012: RMB50.7 million).

2. Gross Profit

(1QFY2013 vs 1QFY2012)

Our gross profit increased by 26.4% or RMB38.9 million, to RMB185.9 million (1QFY2012: RMB147.0 million), in tandem with the increase in our revenue.

The following table provides a breakdown of our gross profit by business segments in 1QFY2013 and 1QFY2012 respectively:-

	1QFY2013		1QFY2012	
	RMB' mil	%	RMB' mil	%
Processed Business Segment:				
- Processed vegetables	69,138	37.2	59,652	40.6
- Others ⁽¹⁾	30,293	16.3	(803)	(0.5)
Subtotal	99,431	53.5	58,849	40.1
Cultivation Business Segment:				
- Fresh vegetables produce	73,742	39.7	80,353	54.6
- Mushroom spores ⁽²⁾	12,698	6.8	7,797	5.3
Subtotal	86,440	46.5	88,150	59.9
Total gross profit	185,871	100.0	146,999	100.0

Note:-

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

(2) Sales of mushroom spores

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(A) Consolidated Income Statement (Continued)

2. Gross Profit (Continued)

(1QFY2013 vs 1QFY2012)

Our gross profit from processed vegetables increased by RMB9.4 million or 15.9%, to RMB69.1 million (1QFY2012: RMB59.7 million), in tandem with the increase in revenue. The lesser-than-proportion increase in gross profit was due to a YoY decline in our gross profit margin for processed vegetables by 16.1 ppt to 28.8% (1QFY2012: 44.9%), mainly attributable to higher raw materials cost. However, compared to 4QFY2012, gross margin has improved 8.9 ppt from 19.9%.

As our sales volume from other processed products (mainly comprised of our branded products) ramped up during 1QFY2013 due to strong domestic demands for our branded products, our gross profit margins for our processed products improved from break-even to 27.3%, through lowering of our cost of production.

Our gross profit from fresh vegetables produce decreased by RMB6.6 million or 8.2%, to RMB73.7 million (1QFY2012: RMB80.3 million), was due to declined gross profit margin by 12.9 ppt to 38.4% (1QFY2012: 51.3%). The declined gross profit margin was mainly due to our sales of low yield rice paddy during 1QFY2013, where rice paddy cultivation during our lull period in summer was part of our crop rotation programme to maintain the fertility of our farmlands. Our gross profit margin for fresh vegetables produce excluding rice paddy sales from our 1Q results, was 58.8% (1QFY2012: 56.9%), which was an improvement of 1.9 ppt in our gross profit margin.

Our gross profit from trading mushroom spores increased by RMB4.9 million or 62.9%, to RMB12.7 million (1QFY2012: RMB7.8 million), in tandem with the increase in revenue from sales of mushroom spores.

3. Other income

(1QFY2013 vs 1QFY2012)

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. The decrease in our other income by RMB1.3 million to RMB5.2 million (1QFY2012: RMB6.5 million), was mainly due to lesser government grant received during 1QFY2013.

Other income	1QFY2013	1QFY2012
	RMB'000	RMB'000
Rental income, net ⁽¹⁾	1,608	1,608
Government grants	2,109	4,709
Gain on disposal of scrap materials, net	139	224
Reversal of allowance for doubtful debts	1,201	-
Other income	194	6
Total	5,251	6,547

Note:-

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

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(A) Consolidated Income Statement (Continued)

4. Selling and distribution expenses

(1QFY2013 vs 1QFY2012)

Selling and distribution expenses increased by 21.4% or RMB4.4 million, to RMB24.9 million (1QFY2012: RMB20.5 million). This was attributed to **(i)** an increase in payroll costs as a result of increasing sales and distribution staff headcount from the expansion of the Group's businesses; and **(ii)** an increase in marketing and advertising expenses related to promotion of our brand domestically.

5. Administrative expenses

(1QFY2013 vs 1QFY2012)

Administrative expenses decreased by 6.6% or RMB1.5 million, to RMB21.5 million (1QFY2012: RMB23.0 million) which was mainly due to farmlands formerly not used for own cultivation during 1QFY2012, have commenced cultivation during 1QFY2013. Therefore, amortisation of upfront payments for these farmlands was charged as cost of sales, instead of administrative expenses.

6. Other expenses

(1QFY2013 vs 1QFY2012)

Other expenses comprised mostly net exchange loss.

The following table provides a breakdown of our other expenses:

Other expenses	1QFY2013	1QFY2012
	RMB'000	RMB'000
Exchange loss, net	761	827
Other expenses	57	33
Total	818	860

7. Financial Cost

(1QFY2013 vs 1QFY2012)

Our finance cost increased by RMB2.1 million or 37.6%, to RMB7.7 million (1QFY2012: RMB5.6 million). This was due to increased bank borrowings during the period to fund our working capital needs.

8. Profit before income tax

(1QFY2013 vs 1QFY2012)

Profit before income tax increased by 31.5% or RMB32.6 million, to RMB136.2 million (1QFY2012: RMB103.6 million) in tandem with higher gross profit. The profit before income tax margin declined by 6.5ppt, to 22.2% (1QFY2012: 28.7%) was attributable to declined gross profit margin.

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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

9. Income tax expense

(1QFY2013 vs 1QFY2012)

Income tax expense increased by 39.9% or RMB4.2 million, to RMB14.6 million (1QFY2012: RMB10.4 million) in line with the increase in profit before income tax. Our effective tax rate remained relatively stable at 10.7% in 1QFY2013 (1QFY2012: 10.1%).

10. EBITDA

(1QFY2013 vs 1QFY2012)

Our EBITDA increased by 36.0% or RMB53.2 million, to RMB201.3 million (1QFY2012: RMB148.1 million).

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

	1QFY2013	1QFY2012
	RMB'000	RMB'000
Net income	121,612	93,142
Add / (Less):		
Interest expenses	7,662	5,626
Interest income	(8)	(57)
Income tax expense	14,620	10,453
Depreciation of property, plant and equipment	19,470	11,691
Amortisation of land use right	712	705
Amortisation of land improvement costs	22,467	14,309
Amortisation of operating lease prepayments	16,923	16,923
Amortisation of government grant	(2,109)	(4,709)
EBITDA	201,349	148,083
EBITDA margin (%)	32.8%	41.0%

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REVIEW OF PERFORMANCE (Continued)

(B) Consolidated Balance Sheet (30 June 2012 vs 30 September 2012)

Non-current assets

Non-current assets decreased by 1.1% or RMB32.0 million, to RMB2,896.3 million (30 June 2012: RMB2,928.3 million). This was due to the depreciation of our fixed assets in 1QFY2013.

Current assets

Current assets increased by 16.6% or RMB275.1 million, to RMB1,934.3 million (30 June 2012: RMB1,659.2 million). This was largely attributable to the increase in cash and bank balances by RMB258.2 million as result of collection of trade receivables.

Non-current liabilities

Non-current liabilities comprised government grants and long term bank loan, remained relatively stable at RMB27.7 million as at 30 September 2012 (30 June 2012: RMB28.6 million).

Current liabilities

Current liabilities comprised mainly bank term loans, income tax liabilities and trade and non-trade payables. Current liabilities increased by 12.2% or RMB118.5 million, to RMB1,090.1 million (30 June 2012: RMB971.6 million). This was largely attributable to increase in **(i)** trade and non-trade payables amounting to RMB59.5 million and **(ii)** increased in short term bank loans of RMB65.0 million, **(iii)** net decreased in income tax liability amounting to RMB6.0 million.

Working capital days

<u>Days</u>	<u>1QFY2013</u>	<u>1QFY2012</u>	<u>FY2012</u>	<u>FY2011</u>
Trade Receivables Turnover ⁽¹⁾	66	145	85	38
Trade Payables Turnover ⁽²⁾	(27)	(59)	(35)	(15)
Inventory Turnover ⁽³⁾	15	98	26	16
Cash Conversion	54	184	76	39

The improved cash conversion days, was mainly due the healthy receipts of our trade receivables and better working capital management in 1QFY2013.

Note:-

(1) Average trade receivables / revenue X 90 days

(2) Average trade payables / cost of goods sold X 90 days

(3) Average inventory balance / cost of goods sold for processed products x 90 days

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(C) Consolidated Cash Flow Statement

1QFY2013

For the 3 months ended 30 September 2012, we recorded a net cash inflow from operating activities of RMB226.3 million. This comprised cash generated from operating activities before changes in working capital of RMB203.0 million, working capital inflow of RMB43.9 million, and net of cash outflow amounting to RMB20.6 million from interest income received and income tax paid. The net working capital inflow was a result of:

- (a) a decrease in inventory of RMB17.5 million from timely fulfilling customers' orders;
- (b) an increase in trade and non-trade payables of RMB59.5 million, results of our better working capital management; and
- (c) a decrease in trade receivables of RMB74.8 million, results of healthy receipts of trade receivables;
- (d) net of increase in our biological assets of RMB5.7 million, results of our increased farmlands in cultivation; and
- (e) an increase in advances to our suppliers for raw materials for processing and cultivation to fulfil our coming peak season sales order book, amounting to RMB102.2 million.

For the 3 months ended 30 September 2012, net cash used in investing activities of RMB27.5 million was mainly for purchasing of property, plant and equipment and incurring improvement costs on farmlands.

For the 3 months ended 30 September 2012, net cash received from financing activities was RMB60.2 million, was mainly due to increase in our short term bank loans, net of interest paid on these loans.

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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 global and domestic demand for vegetables continues to be strong, underpinned by population growth, rising urbanization as well as preferences for healthy dietary eating habits. Despite the global economic uncertainty, the Group continues to see steady demand for its vegetables products which is seen as a food staple. The increasing needs for cost-competitive and consistent raw material food supplies by overseas food manufacturers has also continued to benefit our Group.

Stepping into the new financial year, the Group expects to reap better cultivation yield from approximately 22,000 mu of new farmland, most of which only turned productive in the second half of last financial year. Building on the initial successes of its king oyster mushroom cultivation facilities in Shanghai and Tianjin, the Group is also looking to duplicate its high-yield industrialized farming model in other affluent cities in PRC to capitalize on the growing demand.

On the processing front, the Group is on track to complete the construction of Phase 2 of its New Industrial Park processing facilities in the coming months. With additional capacity coming on stream, the capacity constraints at the Group's existing processing facilities will be alleviated during the upcoming peak period. With new facilities and room for further expansion, the New Industrial Park will serve as the main growth driver for the Group's processing business for the next three to five years.

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, recovery of the U.S. economy and their potential impact on our operations.

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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 personal guarantee to secure banking facilities extended to a subsidiary of the Company, Fujian Minzhong Organic Food Co., Ltd., by the Industrial Bank Co.,Ltd. and Agricultural Bank of China.

Details as set out below:

Expiry date of the guarantee	Amount Guaranteed ('million)	Drawdown as of 30.09.2012 ('million)	Lender
30 December 2012	RMB60.0	RMB50.0	Industrial Bank Co.,Ltd
15 March 2013	RMB10.0	Nil	Agricultural Bank of China
Total	RMB70.0	RMB50.0	

BY ORDER OF THE BOARD

LIN GUO RONG
Chief Executive Officer
14 November 2012

CHINA MINZHONG FOOD CORPORATION LIMITED
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**FINANCIAL RESULTS OF THE COMPANY AND THE GROUP FOR THE FINANCIAL PERIOD
ENDED 30 SEPTEMBER 2012**

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 First Quarter financial results of the Company and the Group for the financial period ended 30 September 2012 to be false or misleading in any material aspect.

For and on behalf of the Board

LIN GUO RONG
Director

LIM YEOW HUA
Director