

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 2010 to 30 September 2010. The comparatives are for the quarter period from 1 July 2009 to 30 September 2009. 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		
		1.7.2010 to 30.9.2010	1.7.2009 to 30.9.2009	Change
		RMB'000	RMB'000	%
Revenue	1	264,096	223,048	18.4%
Cost of sales		(176,864)	(155,739)	13.6%
Gross profit	2	87,232	67,309	29.6%
Gross profit margin (%)		33.0%	30.2%	+2.8%
Gain on fair value of biological assets less estimated point of sales cost	3	-	5,000	nm
Other income, net	4	3,442	2,229	54.4%
Selling and distribution expenses	5	(8,468)	(1,896)	346.6%
Administrative expenses	6	(13,743)	(14,642)	(6.1%)
Other expenses, net	7	(7,943)	(475)	1572.2%
Financial expenses, net	8	(291)	(6,700)	(95.7%)
Profit before income tax	9	60,229	50,825	18.5%
Income tax expense	10	(7,862)	(7,191)	9.3%
Profit for the period		52,367	43,634	20.0%
Net profit margin (%)		19.8%	19.6%	+0.2%
Other comprehensive income				
Currency translation difference arising from consolidation		7,444	219	nm
Total comprehensive income		59,811	43,853	36.4%
Adjusted EBITDA	11	85,863	68,547	25.3%
Adjusted EBITDA margin (%)	11	32.5%	30.7%	+1.8%
Earnings per share (RMB)				
Basic ^(nm)		0.10	0.17	(41.2%)
Diluted ^(nm)		0.09	0.16	(43.8%)
Proforma basis		0.10	0.08	25.0%

nm: not meaningful

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Profit before income tax

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

	Group	
	1.7.2010 to 30.9.2010	1.7.2009 to 30.9.2009
	RMB'000	RMB'000
Depreciation of property, plant and equipment	7,277	6,909
Loss on disposal of assets	-	41
Amortisation of land use rights	267	246
Amortisation of land improvement costs	3,844	3,312
Amortisation of operating lease prepayments	6,953	6,124
Amortisation of discount on convertible bonds and loan	-	4,074
Reversal of other payables	-	(89)
Reversal of allowance for doubtful trade debts	-	(112)
Gain on fair value of biological assets less estimated point of sales cost	-	(5,000)
Amortisation of government grant	(892)	(976)
Interest income	(216)	(52)
Interest expense on bank term loans	507	2,678
Employees' share option value	-	323
Exchange loss, net	7,943	407

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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
	30.9.2010	30.06.2010	30.9.2010	30.06.2010
	RMB'000	RMB'000	RMB'000	RMB'000
Share capital and reserves				
Share capital	1,007,809	1,006,718	1007,809	1,006,718
Statutory reserve fund	39,429	36,792	-	-
Employees' share option reserve	19,447	19,447	19,447	19,447
Translation reserve/(deficit)	7,234	(210)	2,226	(5,218)
Accumulated profits/(losses)	1,273,830	1,224,100	(118,372)	(111,311)
TOTAL EQUITY	2,347,749	2,286,847	911,110	909,636
Non-current assets				
Property, plant and equipment	413,851	366,361	-	-
Land use rights	40,346	40,613	-	-
Biological assets	174,800	174,800	-	-
Land improvement costs	40,613	44,457	-	-
Investment in subsidiaries	-	-	901,927	724,799
Operating lease prepayments	167,493	154,249	-	-
Current assets				
Land use rights	984	984	-	-
Biological assets	4,780	20,500	-	-
Inventories	28,244	22,697	-	-
Trade receivables	171,632	175,768	-	-
Other receivables and prepayments	183,540	188,872	3,359	3,121
Operating lease prepayments	25,698	24,672	-	-
Cash and bank balances	1,210,559	1,170,487	17,670	201,187
	1,625,437	1,603,980	21,029	204,308
TOTAL ASSETS	2,462,540	2,384,460	922,956	929,107

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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
	30.9.2010	30.06.2010	30.9.2010	30.06.2010
	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities				
Trade payables	32,247	7,993	-	-
Other payables and accruals	40,112	44,728	7,721	15,524
Due to a subsidiary (non-trade)	-	-	4,125	3,947
Due to a related party (non-trade)	5,220	5,220	-	-
Bank term loans	10,000	10,000	-	-
Income tax liabilities	8,768	10,957	-	-
Government grants	1,290	1,302	-	-
	97,637	80,200	11,846	19,471
Non-current liabilities				
Government grants	10,700	11,010	-	-
Bank term loans	6,454	6,403	-	-
	17,154	17,413	-	-
TOTAL LIABILITIES	114,791	97,613	11,846	19,471
NET ASSETS	2,347,749	2,286,847	911,110	909,636

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

Bank term loans

	Unaudited	Audited
	30.9.2010	30.6.2010
	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	344	293
	<hr/>	<hr/>
Net carrying amount at end of period/year	3,194	3,143
Interest bearing loan, secured	3,260	3,260
	<hr/>	<hr/>
	6,454	6,403
	<hr/>	<hr/>
<u>Current</u>		
Interest bearing loans:		
- Secured	10,000	10,000
	<hr/>	<hr/>
Total bank term loans	16,454	16,403
	<hr/>	<hr/>

Interest rate for short-term bank loan is 5.31% (30 June 2010: 5.31%) per annum. This was secured by the Group's land use rights and leasehold buildings.

Interest rates for long-term bank loans range from 0% to 2.3% (30 June 2010: 0% to 2.3%) per annum. Interest bearing loan of RMB 3.26 million was secured over Group's land use rights and leasehold buildings, repayable in 2 equal installments on 30 October 2011 and 30 October 2012 respectively. Non-interest bearing loan of RMB3.83 million is carried at amortised cost and secured over the Group's land use rights and leasehold buildings, repayable on 30 October 2013.

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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	
	1.7.2010 to 30.9.2010	1.7.2009 to 30.9.2009
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before income tax	60,229	50,825
Adjustments for:		
Depreciation of property, plant and equipment	7,277	6,909
Loss on disposal of assets	-	41
Amortisation of land use rights	267	246
Amortisation of land improvement costs	3,844	3,312
Amortisation of operating lease prepayments	6,953	6,124
Amortisation of discount on convertible bonds and loan	-	4,074
Reversal of other payables	-	(89)
Reversal of allowance for doubtful trade debts	-	(112)
Gain on fair value of biological assets less estimated point of sales cost	-	(5,000)
Amortisation of government grant	(892)	(976)
Interest income	(216)	(52)
Interest expense on bank term loans	507	2,678
Employees' share option value	-	323
Translation difference	7,444	1
Operating profit before working capital changes	85,413	68,304
Inventories	(5,547)	(14,224)
Biological assets	15,720	7,190
Trade receivables	4,136	54,678
Other receivables and prepayments	5,332	(40,195)
Trade payables	24,254	15,622
Other payables and accruals	(4,616)	4,268
Cash generated from operations	124,692	95,643
Income tax paid	(10,051)	(5,417)
Interest received	216	52
Net cash generated from operating activities	114,857	90,278

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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	
	1.7.2010 to 30.9.2010	1.7.2009 to 30.9.2009
	RMB'000	RMB'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(54,767)	(859)
Additions to operating lease prepayments	(21,223)	-
Net cash used in investing activities	(75,990)	(859)
Cash flows from financing activities		
Proceeds from issuance of new shares pursuant to exercise of share options	1,091	-
Proceeds from bank loans	-	83,000
Repayment of bank loans	-	(32,948)
Government grant received	570	695
Interest paid	(456)	(2,678)
Balance received from a related party (non-trade)	-	10,218
Net cash generated from financing activities	1,205	58,287
Net increase in cash and cash equivalents	40,072	147,706
Cash and cash equivalents at beginning of period	1,170,487	203,697
Cash and cash equivalents at end of period	1,210,559	351,403
Cash and cash equivalent comprise of:		
Cash and cash balances	1,210,559	356,303
Less: restricted cash	-	(4,900)
	1,210,559	351,403

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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	Capital reserve	Employees' share option reserve	Translation reserve	Accumulated profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1.7.2009	41,768	22,305	56,772	6,493	946	871,069	999,353
Total comprehensive income for the period	-	-	-	-	219	43,634	43,853
Recognition of employees' share option value	-	-	-	323	-	-	323
Balance at 30.9.2009	41,768	22,305	56,772	6,816	1,165	914,703	1,043,529
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	-	-	-	-	7,444	52,367	59,811
Issue of ordinary shares on exercising of share options	1,091	-	-	-	-	-	1,091
Appropriation to statutory reserve fund	-	2,637	-	-	-	(2,637)	-
Balance at 30.9.2010	1,007,809	39,429	-	19,447	7,234	1,273,830	2,347,749

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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>	Statutory reserve		Employees' share		Translation reserve	Accumulated profits	Total
	Share Capital	fund	Capital reserve	option reserve			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1.7.2009	41,768	-	56,772	6,493	(4,064)	(56,230)	44,739
Total comprehensive income for the period	-	-	-	-	219	(7,817)	(7,598)
Recognition of employees' share option value	-	-	-	323	-	-	323
Balance at 30.9.2009	41,768	-	56,772	6,816	(3,845)	(64,047)	37,464
Balance at 1.7.2010	1,006,718	-	-	19,447	(5,218)	(111,311)	909,636
Total comprehensive income for the period	-	-	-	-	7,444	(7,061)	383
Issue of ordinary shares on exercising of share options	1,091	-	-	-	-	-	1,091
Balance at 30.9.2010	1,007,809	-	-	19,447	2,226	(118,372)	911,110

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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.

Exercise of Share Options

During the 3 months ended 30 September 2010, certain employees (who are not directors) had subscribed for 464,000 shares pursuant to the China Minzhong Organic Food Corporation Pte. Ltd. Employee Share Option Scheme ("2008 Option Scheme") on 12 July 2010 and 21 September 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 and 21 September 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 537,887,000 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.

	Number of new Shares issued	Resultant Issued and Paid Up Share Capital	
		Number of Shares	(\$'000)
As at 30 June 2010	-	537,423,000	197,575
Exercise of share options	464,000	537,887,000	220
As at 30 September 2010	464,000	537,887,000	197,795

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 been prepared by the management in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. The figures have neither been audited by the Group's auditors in accordance with the Singapore Standard on Auditing nor reviewed by the Group's auditors in accordance with the Singapore Standard on Review Engagement 2410.

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

Not applicable.

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

There is a change of functional currency of the Company from United States dollars ("USD") to Singapore dollars ("S\$") with effect from 1 July 2010. Effect of the change is accounted for prospectively. All items are translated into the new functional currency using the exchange rate at the date of change. The resulting translated amounts for non-monetary items are treated as their historical cost. The change effectively reflects the underlying transactions of the Company, which are mainly in Singapore dollars ("S\$"). This is because of the conversion of convertible bonds and loan on 23 March and 1 April 2010 respectively, both denominated in United States dollars ("USD"), and Singapore dollars ("S\$") raised during our Initial Public Offering ("IPO") on 15 April 2010. In the opinion of the directors, the change allows the Company's financial position and performance to be measured with greater relevance and reliability. The functional currency of its subsidiaries remains as Renminbi ("RMB").

Save as the above disclosed and Note 5 below, 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 2010.

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.

On 1 July 2009, the Group adopted the new or amended FRS that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS. The following are the new or revised FRS that are relevant to the Group:

(a) FRS 1 (revised) Presentation of financial statements

The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity. All non-owner changes in equity are shown in a performance statement but entities can choose whether to present one performance statement (the "statement of comprehensive income") or two statements (the income statement and statement of comprehensive income). The Group has chosen to adopt the former alternative. In addition, where comparative information is restated or reclassified, a restated balance sheet is required to be presented as at the beginning comparative period. There is no restatement of the balance sheet as at 1 July 2008 in the current financial year.

(b) FRS 108 Operating segments

This replaces FRS 14 Segment reporting, and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

FRS 108 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary and secondary reporting segments of the Group. The Group determined that the reportable operating segments are the same as the business segments previously identified under FRS 14 Segment Reporting.

The adoption of the above FRS did not result in any substantial change to the Group's accounting policies nor any significant impact on the financial statements.

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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.**

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.

The weighted average numbers of shares for the financial period ended 30 September 2009 are computed by adjusting the effect of share split occurred on 31 March 2010 to ordinary shares issued and fully paid up prior to 31 March 2010.

	1.7.2010 to 30.9.2010	1.7.2009 to 30.9.2009
Based on weighted average number of ordinary shares on issue (RMB)	0.10	0.17
Weighted average number of shares (in thousands)	537,754	254,040

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.

The weighted average numbers of shares for the respective periods are computed in accordance with the computation of basic earnings per share, plus adjusting for the potential dilutive effect in ordinary shares due to the employees' share options granted in Financial Year 2008. The potential ordinary shares (i.e. share options) are assumed to have been converted into ordinary shares at the beginning of the respective periods.

	1.7.2010 to 30.9.2010	1.7.2009 to 30.9.2009
On a fully diluted basis (RMB)	0.09	0.16
Weighted average number of shares (in thousands)	550,579	267,169

Proforma basis earnings per share

For comparative purposes, proforma basis earnings per share are calculated by dividing the profit attributable to equity holders of the Company for the respective periods and share capital of the Company as at 30 September 2010, plus the dilutive potential ordinary shares in ordinary shares and were assumed to be in issued throughout the entire periods presented.

	1.7.2010 to 30.9.2010	1.7.2009 to 30.9.2009
On a proforma basis (RMB)	0.10	0.08
Proforma number of shares (in thousands)	550,712	550,712

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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	
	30.9.2010	30.6.2010	30.9.2010	30.6.2010
Net asset value per ordinary share based on issued share capital at the end of the respective periods (RMB):	4.36	4.26	1.69	1.69
No. of shares in computing NAV (in thousands)	537,887	537,423	537,887	537,423

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

(1QFY2011 vs 1QFY2010)

Our revenue increased by 18.4% or RMB41.1 million, to RMB264.1 million (1QFY2010: RMB223.0 million). This was due to the increase in sales of our processed vegetables and fresh vegetables produce.

Revenue from processed vegetables increased by 33.2% or RMB27.8 million, to RMB111.8 million (1QFY2010: RMB84.0 million). This was due to the shift towards a portfolio of higher-value processed vegetables, which increased average selling prices by 52.5%.

Revenue from fresh vegetables produce, excluding mushroom spores, increased by 33.5% or RMB20.3 million, to RMB80.7 million (1QFY2010: RMB60.4 million), due to the increase in our cultivation volume by 33.5% or 6,763 tonnes, to 26,940 tonnes (1QFY2010: 20,177 tonnes). Revenue from trading mushroom spores decreased by 9.0% or RMB7.0 million to RMB71.7 million (1QFY2010: RMB78.7 million) as we are shifting some of our resources in cultivating mushrooms to black fungus. The shift is to achieve increased sales by entering new product market, for instance the high yield black fungus market. The shift will not affect our growth opportunity in our processed mushrooms business in our coming peak period, as we have established strong network of qualified suppliers for our processing needs.

2. Gross Profit

(1QFY2011 vs 1QFY2010)

Our gross profit increased by 29.6% or RMB19.9 million, to RMB87.2 million (1QFY2010: RMB67.3 million), in tandem with the increase in revenue. Our overall gross profit margin also improved by 2.8% to 33.0% (1QFY2010: 30.2%).

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REVIEW OF PERFORMANCE

(A) Consolidated Income Statement (Continued)

2. Gross Profit (Continued)

(1QFY2011 vs 1QFY2010)

Both increases were attributable to (i) an increase in our cultivation volume from our existing farmland, and (ii) an improvement in gross profit margins of processed vegetables and our fresh vegetables produce, to 30.9% and 34.6% respectively (1QFY2010: 26.2% and 32.5% respectively), boosted by the shift towards a portfolio of higher-value processed vegetables and the lower cultivation costs as more bases reaches maturity.

3. Gain on fair value of biological assets less estimate point of sales cost

(1QFY2011 vs 1QFY2010)

We experienced no changes to the fair value of biological assets for 1QFY2011, as compared to gain on fair value of biological assets for 1QFY2010, amounting to RMB5.0 million. This was due to the actual bamboo material harvested and prices during 1QFY2011 fall in line with the projected yields.

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

	As at 30.9.2010	As at 30.6.2010
	RMB'000	RMB'000
At beginning of year	195,300	201,449
Increase due to plantation	83,893	211,349
Decrease due to harvest	(99,613)	(202,298)
Gain arising from changes in fair value less estimated point-of-sale costs	-	(15,200)
At end of period/year	179,580	195,300

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 30.6.2010			
Non-current portion	174,800	-	174,800
Current portion	-	20,500	20,500
Total	174,800	20,500	195,300
As at 30.9.2010			
Non-current portion	174,800	-	174,800
Current portion	-	4,780	4,780
Total	174,800	4,780	179,580

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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

4. Other income, net

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 following table provides a breakdown of our net other income:

Other income, net	1.7.2010 to 30.9.2010	1.7.2009 to 30.9.2009
	RMB'000	RMB'000
Rental income	2,436	931
Government grants	892	976
Reversal of other payables	-	89
Gain in disposal of assets	99	50
Other income, net	15	183
Total	3,442	2,229

5. Selling and distribution expenses

(1QFY2011 vs 1QFY2010)

Selling and distribution expenses increased by 346.6% or RMB6.6 million, to RMB8.5 million (1QFY2010: RMB1.9 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; (ii) an increase in transportation and travelling cost as a result of our increased business activities; and (iii) an increase in marketing and advertising expenses related to promotion of our brand domestically.

6. Administrative expenses

(1QFY2011 vs 1QFY2010)

Administrative expenses decreased by 6.1% or RMB0.9 million, to RMB13.7 million (1QFY2010: RMB14.6 million) which was mainly due to lower professional cost incurred during 1QFY2011.

7. Other expenses, net

Other expenses comprised mostly net exchange loss, which was attributed mainly to translation differences on our last tranche of IPO proceeds before conversion to RMB and is non-recurring in nature.

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

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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

7. Other expenses, net (Continued)

Other expenses, net	1.7.2010 to 30.9.2010	1.7.2009 to 30.9.2009
	RMB'000	RMB'000
Exchange loss, net	7,894	407
Other expenses, net	49	68
Total	7,943	475

8. Financial Expenses, Net

(1QFY2011 vs 1QFY2010)

Our finance cost decreased by 95.7% or RMB6.4 million, to RMB0.3 million (1QFY2010: RMB6.7 million). This was due to the amortised interest on convertible bonds and loan, amounting to RMB4.1 million during 1QFY2010 (1QFY2011: NIL), which resulted from the conversion of convertible bonds and loan on 23 March and 1 April 2010 respectively; and decrease in interest expense on bank term loans due to lower bank borrowings during 1QFY2011.

9. Profit before income tax

(1QFY2011 vs 1QFY2010)

Profit before income tax increased by 18.5% or RMB9.4 million, to RMB60.2 million (1QFY2010: RMB50.8 million) in tandem with higher gross profit. The profit before income tax margin remained stable at 22.8% for both 1QFY2011 and 1QFY2010. Excluding the effect on the changes in fair value of biological assets and non-recurring net exchange losses, our profit before income tax margin would have been 25.8% in 1QFY2011 (1QFY2010: 20.7%).

10. Income tax expense

(1QFY2011 vs 1QFY2010)

Income tax expense increased by 9.3% or RMB0.7 million, to RMB7.9 million (1QFY2010: RMB7.2 million) in line with the increase in profit before income tax. Our effective tax rate decreased to 13.1% in 1QFY2011 (1QFY2010: 14.1%), due to a higher proportion of fresh vegetables produce sales during 1QFY2011 which was tax-exempted.

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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

11. Adjusted EBITDA

(1QFY2011 vs 1QFY2010)

Our adjusted EBITDA increased by 25.3% or RMB17.4 million, to RMB85.9 million (1QFY2010: RMB68.5 million). A reconciliation of the net income and adjusted EBITDA is as follows:

	1.7.2010 to 30.9.2010	1.7.2009 to 30.9.2009
	RMB'000	RMB'000
Net income	52,367	43,634
Add / (Less):		
Interest expenses	507	2,678
Interest income	(216)	(52)
Amortisation of discount on convertible bonds and loan	-	4,074
Income tax expense	7,862	7,191
Depreciation of property, plant and equipment	7,277	6,909
Amortisation of land use right	267	246
Amortisation of land improvement costs	3,844	3,312
Amortisation of operating lease prepayments	6,953	6,124
Gain on fair value of biological assets	-	(5,000)
Amortisation of government grant	(892)	(976)
EBITDA (excluding changes in fair value of biological assets)	77,969	68,140
EBITDA margin (%)	29.5%	30.5%
Exchange loss, net	7,894	407
Adjusted EBITDA⁽¹⁾	85,863	68,547
Adjusted EBITDA margin (%)	32.5%	30.7%

Note (1): A 'management approach' under which adjusted EBITDA is computed on the same basis as that used for internal reporting purposes, which excludes the net exchange loss mainly arises from our IPO proceeds.

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REVIEW OF PERFORMANCE (Continued)

(B) Consolidated Balance Sheet (30 June 2010 vs 30 September 2010)

Non-current assets

Non-current assets increased by approximately 7.3% or RMB56.6 million, to RMB837.1 million (30 June 2010: RMB780.5 million). This was largely attributable to capital expenditure on operating lease prepayments and property, plant and equipment for further expansion of our production capacity, net of amortisation and depreciation of non-current assets.

Current assets

Current assets increased by 1.3% or RMB21.4 million, to RMB1,625.4 million (30 June 2010: RMB1,604.0 million). This was largely attributable to the increase in cash and bank balances by RMB40.1 million as result of our increasing revenue, net of decrease in biological assets (being the harvesting of biological assets for sales).

Non-current liabilities

Non-current liabilities comprised government grants and long term bank loans, which remained relatively stable at RMB17.2 million as at 30 September 2010 (30 June 2010: RMB17.7 million).

Current liabilities

Current liabilities comprised mainly bank term loans, income tax liabilities and trade and non-trade payables. Current liabilities increased by 21.7% or RMB17.4 million, to RMB97.6 million (30 June 2010: RMB80.2 million). This was largely attributable to increase in trade and other payables and accruals due to increased business activities.

Working capital days

	1QFY2011	1QFY2010	FY2010
<u>Working Capital Days</u>	(Days)	(Days)	(Days)
Trade Receivables Turnover Days	59	72	49
Trade Payables Turnover Days	10	8	3
Inventory Turnover Days	37	52	15

The increasing trend of trade receivables, trade payables and inventory turnover in days against FY2010, was mainly due to the seasonality of our industry.

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(C) Consolidated Cash Flow Statement

1QFY2011

For the 3 months ended 30 September 2010, we recorded a net cash inflow from operating activities of RMB114.9 million. This comprised cash generated from operating activities before changes in working capital of RMB85.4 million, working capital inflow of RMB39.3 million, and net of cash outflow amounting to RMB9.8 million from interest and income tax paid. The net working capital inflow was a result of:

- (a) a decrease in trade and non-trade receivables of RMB9.5 million mainly due to collection of our trade receivables during 1QFY2011 on the sales in Q4FY2010;
- (b) an increase in trade and non trade payables of RMB19.6 million;
- (c) a decrease in biological assets of RMB15.7 million; and
- (d) net of an increase in inventory of RMB5.5 million.

For the 3 months ended 30 September 2010, net cash used in investing activities of RMB76.0 million was mainly for purchasing of property, plant and equipment, and leasing of farmlands.

For the 3 months ended 30 September 2010, net cash inflows from financing activities was RMB1.2 million, which was mainly due to proceeds from issuance of new shares pursuant to exercise of share options.

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.

Coming into the new financial year, the global and domestic demand for vegetables continues to be on an uptrend, underpinned by population growth, rising urbanization as well as preferences for healthy dietary eating habits. The increasing needs for cost-competitive and consistent raw material food supplies by overseas food manufacturers has continued to benefit our Group, especially as weather adversities has resulted in a series of crop failures and supply shortages across the agricultural landscape recently. The Group remains better sheltered against unpredicted weather calamities due to our choice of premium farmland and land improvement infrastructure put in place.

Tapping on these growth opportunities, the Group is on track to deliver its growth plans announced during its IPO earlier this year. The Group will expand its own cultivation bases by an additional 90,000 mu over the next three years and has currently added 8300 mu of farmland Putian since end June 2010.

The Group has also acquired the land use rights for a plot of land covering approximately 287 mu in Putian City, Fujian Province, PRC for the construction of a new processing facility. The first phase of the new processing facility is expected to be completed by June 2011, which will further strengthen the Group's processing capabilities.

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- 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. (Continued)**

On top of that, the Group will continue to maintain its reputable track record and build on its established customer base, certified product quality and extensive product portfolio and processing capabilities. With its strong cash position, the Group is well-positioned to fund its expansion plans and take advantage of this growth trend. Meanwhile, the Group will also continue to closely monitor its key business risks such as RMB appreciation.

Barring any unforeseen circumstances, the Board of Directors is optimistic of the Group's performance in FY2011.

- 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 several personal guarantees to secure banking facilities extended to our Group, namely our Fujian Minzhong Organic Food Co., Ltd. by the Agricultural Bank of China and OCBC Bank (China) Limited, Xiamen Branch, details as set out below:

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13. Present on-going interested person transactions (Continued)

Expiry date of the guarantee	Amount Guaranteed ('million)	Drawdown as of 30.09.2010 ('million)	Lender
11 June 2011	RMB32.0	-	Agricultural Bank of China
Till the termination of the credit facilities granted commencing from 16 May 2008	RMB82.0	-	OCBC Bank (China) Limited, Xiamen Branch
Total	RMB114.0	-	

BY ORDER OF THE BOARD

LIN GUO RONG
Chief Executive Officer
12 November 2010

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

**FINANCIAL RESULTS OF THE COMPANY AND THE GROUP FOR THE FINANCIAL PERIOD
ENDED 30 SEPTEMBER 2010**

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 2010 to be false or misleading in any material aspect.

For and on behalf of the Board

LIN GUO RONG
Director

LIM YEOW HUA
Director