

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 2010 to 31 December 2010 and the results for the financial period from 1 July 2010 to 31 December 2010. The comparatives are for the quarter period from 1 October 2009 to 31 December 2009 and the financial period from 1 July 2009 to 31 December 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.

	Group					
	1.7.2010 to 31.12.2010	1.7.2009 to 31.12.2009	Change	1.10.2010 to 31.12.2010	1.10.2009 to 31.12.2009	Change
	RMB '000	RMB '000	%	RMB '000	RMB '000	%
Revenue	809,168	612,263	32.2%	545,072	389,215	40.0%
Cost of sales	(504,489)	(381,631)	32.2%	(327,625)	(225,892)	45.0%
Gross profit	304,679	230,632	32.1%	217,447	163,323	33.1%
Gross profit margin (%)	37.7%	37.7%	-	39.9%	42.0%	(2.1 ppt)
(Loss) / Gain on fair value of biological assets less estimated point of sales cost	(200)	(7,600)	nm	(200)	(12,600)	nm
Other income, net	9,427	4,416	nm	5,985	2,187	nm
Selling and distribution expenses	(19,912)	(7,154)	178.3%	(11,444)	(5,258)	117.6%
Administrative expenses	(37,513)	(33,928)	10.6%	(23,770)	(19,286)	23.3%
Other expenses, net	(9,111)	(489)	nm	(1,168)	(14)	nm
Financial expenses, net	(397)	(13,772)	(97.1%)	(106)	(7,072)	(98.5%)
Profit before income tax	246,973	172,105	43.5%	186,744	121,280	54.0%
Income tax expense	(38,316)	(26,470)	44.8%	(30,454)	(19,279)	58.0%
Profit for the period	208,657	145,635	43.3%	156,290	102,001	53.2%
Net Profit margin (%)	25.8%	23.8%	2.0 ppt	28.7%	26.2%	2.5 ppt
Other comprehensive income:						
Currency translation difference arising from consolidation	7,512	230	nm	68	11	nm
Total comprehensive income	216,169	145,865	48.2%	156,358	102,012	53.3%
Earnings per share (RMB)						
Basic ^(nm)	0.39	0.57	(31.6%)	0.29	0.40	(27.5%)
Diluted ^(nm)	0.38	0.54	(29.6%)	0.28	0.38	(26.3%)
Proforma basis	0.38	0.26	46.2%	0.28	0.19	47.4%

nm: not meaningful

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Profit before income tax

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

	Group			
	1.7.2010 to 31.12.2010	1.7.2009 to 31.12.2009	1.10.2010 to 31.12.2010	1.10.2009 to 31.12.2009
	RMB '000	RMB '000	RMB '000	RMB '000
Depreciation of property, plant and equipment	14,887	13,947	7,610	7,038
Plant and equipment written off	-	41	-	-
Amortisation of land use right	535	536	268	290
Amortisation of land improvement costs	9,820	6,589	5,976	3,277
Amortisation of operating lease prepayments	15,571	12,246	8,618	6,122
Amortisation of discount on convertible bonds and loan	-	8,225	-	4,151
Reversal of other payables	-	(89)	-	-
Reversal of allowance for doubtful trade debts	-	(112)	-	-
Loss on fair value of biological assets less estimated point of sales cost	200	7,600	200	12,600
Amortisation of government grant	(2,489)	(2,205)	(1,597)	(1,229)
Interest income	(314)	(99)	(98)	(47)
Interest expenses	711	5,646	204	2,968
Employees' share option value	-	646	-	323
Translation differences	7,512	-	68	(1)

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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
	31.12.2010	30.06.2010	31.12.2010	30.06.2010
	RMB'000	RMB'000	RMB'000	RMB'000
Share capital and reserves				
Share capital	1,009,335	1,006,718	1,009,335	1,006,718
Statutory reserve fund	48,170	36,792	-	-
Employees' share option reserve	19,447	19,447	19,447	19,447
Translation reserve/ (deficit)	7,302	(210)	2,294	(5,218)
Accumulated profits/ (losses)	1,421,379	1,224,100	(123,059)	(111,311)
TOTAL EQUITY	2,505,633	2,286,847	908,017	909,636
Non-current assets				
Property, plant and equipment	385,765	366,361	-	-
Land use right	40,208	40,613	-	-
Biological assets	174,600	174,800	-	-
Land improvement costs	163,954	44,457	-	-
Investment in subsidiaries	-	-	905,266	724,799
Operating lease prepayments	243,381	154,249	-	-
Current assets				
Land use right	984	984	-	-
Biological assets	21,632	20,500	-	-
Inventories	35,056	22,697	-	-
Trade receivables	413,801	175,768	-	-
Other receivables and prepayments	214,797	188,872	423	3,121
Operating lease prepayments	34,092	24,672	-	-
Cash and bank balances	1,015,739	1,170,487	14,200	201,187
	1,736,101	1,603,980	14,623	204,308
TOTAL ASSETS	2,744,009	2,384,460	919,889	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
	31.12.2010	30.06.2010	31.12.2010	30.06.2010
	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities				
Trade payables	56,784	7,993	-	-
Other payables and accruals	48,232	44,728	7,720	15,524
Due to a subsidiary (non-trade)	-	-	4,152	3,947
Due to a related party (non-trade)	5,220	5,220	-	-
Bank term loans	79,600	10,000	-	-
Income tax liabilities	30,302	10,957	-	-
Government grants	1,356	1,302	-	-
	221,494	80,200	11,872	19,471
Non-current liabilities				
Government grants	10,376	11,010	-	-
Bank term loans	6,506	6,403	-	-
	16,882	17,413	-	-
TOTAL LIABILITIES	238,376	97,613	11,872	19,471
NET ASSETS	2,505,633	2,286,847	908,017	909,636

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

Bank term loans

	Unaudited	Audited
	31.12.2010	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	396	293
	<hr/>	<hr/>
Net carrying amount at end of period	3,246	3,143
Interest bearing loan, secured	3,260	3,260
	<hr/>	<hr/>
	6,506	6,403
	<hr/>	<hr/>
<u>Current</u>		
Interest bearing loans:		
- Secured	10,000	10,000
- Unsecured	69,600	-
	<hr/>	<hr/>
Total bank term loans	86,106	16,403
	<hr/>	<hr/>

Interest rates for short-term bank loans range from 5.31% to 6.153% (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 RMB 3.83 million is carried at amortised cost and secured over the Group's land use rights and leasehold building, 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 31.12.2010	1.7.2009 to 31.12.2009	1.10.2010 to 31.12.2010	1.10.2009 to 31.12.2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Profit before income tax	246,973	172,105	186,744	121,280
Adjustments for:				
Depreciation of property, plant and equipment	14,887	13,947	7,610	7,038
Plant and equipment written off	-	41	-	-
Amortisation of land use right	535	536	268	290
Amortisation of land improvement costs	9,820	6,589	5,976	3,277
Amortisation of operating lease prepayments	15,571	12,246	8,618	6,122
Amortisation of discount on convertible bonds and loan	-	8,225	-	4,151
Reversal of other payables	-	(89)	-	-
Reversal of allowance for doubtful trade debts	-	(112)	-	-
Biological assets	200	7,600	200	12,600
Amortisation of government grant	(2,489)	(2,205)	(1,597)	(1,229)
Interest income	(314)	(99)	(98)	(47)
Interest expense	711	5,646	204	2,968
Employees' share option value	-	646	-	323
Translation difference	7,512	-	68	(1)
Operating profit before working capital changes	293,406	225,076	207,993	156,772
Inventories	(12,359)	(4,193)	(6,812)	10,031
Biological assets	(1,132)	(16,224)	(16,852)	(23,414)
Trade receivables	(238,033)	(115,899)	(242,169)	(170,577)
Other receivables and prepayments	29,967	8,406	24,635	48,601
Trade payables	48,791	16,464	24,537	842
Other payables and accruals	3,504	25,426	8,120	21,158
Cash generated from operations	124,144	139,056	(548)	43,413
Income tax paid	(18,971)	(14,143)	(8,920)	(8,726)
Interest received	314	99	98	47
Net cash generated from operating activities	105,487	125,012	(9,370)	34,734

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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 31.12.2010	1.7.2009 to 31.12.2009	1.10.2010 to 31.12.2010	1.10.2009 to 31.12.2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from investing activities				
Purchase of property, plant and equipment	(66,337)	(5,586)	(11,570)	(4,727)
Purchase of land use right	(130)	-	(130)	-
Land improvement costs	(60,788)	(3,640)	(39,565)	(3,640)
Prepayment for property, plant and equipment	(44,953)	(58,500)	(44,953)	(58,500)
Prepayment for land use right	(47,422)	-	(47,422)	-
Additions to operating lease prepayments	(114,123)	-	(114,123)	-
Net cash used in investing activities	(333,753)	(67,726)	(257,763)	(66,867)
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	69,600	119,000	69,600	36,000
Repayment of bank loans	-	(48,770)	-	(15,822)
Government grant received	1,909	2,165	1,339	1,470
Interest paid	(608)	(5,543)	(152)	(2,865)
Balance received from a related party	-	10,218	-	-
Net cash generated from financing activities	73,518	77,070	72,313	18,783
Net increase/(decrease) in cash and cash equivalents	(154,748)	134,356	(194,820)	(13,350)
Cash and cash equivalents at beginning of period	1,170,487	203,697	1,210,559	351,403
Cash and cash equivalents at end of period	1,015,739	338,053	1,015,739	338,053
Cash and bank balances				
Cash and bank balances	1,015,739	342,953	1,015,739	342,953
Less: restricted cash	-	(4,900)	-	(4,900)
Cash and cash equivalents	1,015,739	338,053	1,015,739	338,053

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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	-	-	-	-	230	145,635	145,865
Recognition of employees' share option value	-	-	-	646	-	-	646
Balance at 31.12.2009	<u>41,768</u>	<u>22,305</u>	<u>56,772</u>	<u>7,139</u>	<u>1,176</u>	<u>1,016,704</u>	<u>1,145,864</u>
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	2,617	-	-	-	-	-	2,617
Appropriation to statutory reserve fund	-	11,378	-	-	-	(11,378)	-
Balance at 31.12.2010	<u>1,009,335</u>	<u>48,170</u>	<u>-</u>	<u>19,447</u>	<u>7,302</u>	<u>1,421,379</u>	<u>2,505,633</u>

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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	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	-	56,772	6,493	(4,064)	(56,230)	44,739
Total comprehensive income for the period	-	-	-	-	230	(16,568)	(16,338)
Recognition of employees' share option value	-	-	-	646	-	-	646
Balance at 31.12.2009	<u>41,768</u>	<u>-</u>	<u>56,772</u>	<u>7,139</u>	<u>(3,834)</u>	<u>(72,798)</u>	<u>29,047</u>
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	2,617	-	-	-	-	-	2,617
Balance at 31.12.2010	<u>1,009,335</u>	<u>-</u>	<u>-</u>	<u>19,447</u>	<u>2,294</u>	<u>(123,059)</u>	<u>908,017</u>

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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 6 months ended 31 December 2010, 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.

	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	1,119,000	538,542,000	520
As at 31 December 2010	1,119,000	538,542,000	198,095

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.

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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.**

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. With the conversion of our USD-denominated convertible bonds and loans on 23 March and 1 April 2010 respectively, and S\$ raised during our Initial Public Offering ("IPO") on 15 April 2010, our underlying transactions are now mainly denominated in S\$. 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, 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.**

Not Applicable.

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 periods ended 31 December 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 31.12.2010	1.7.2009 to 31.12.2009	1.10.2010 to 31.12.2010	1.10.2009 to 31.12.2009
Based on weighted average number of ordinary shares on issue (RMB)	0.39	0.57	0.29	0.40
Weighted average number of shares	537,930	254,040	538,105	254,040

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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.

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. outstanding share options) are assumed to have been converted into ordinary shares at the beginning of the respective periods.

	1.7.2010 to 31.12.2010	1.7.2009 to 31.12.2009	1.10.2010 to 31.12.2010	1.10.2009 to 31.12.2009
On a fully diluted basis (RMB)	0.38	0.54	0.28	0.38
Weighted average number of shares (in thousands)	550,404	267,252	550,579	267,252

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 31 December 2010, plus the dilutive potential ordinary shares in ordinary shares (i.e. outstanding share options) and were assumed to be in issued throughout the entire periods presented.

	1.7.2010 to 31.12.2010	1.7.2009 to 31.12.2009	1.10.2010 to 31.12.2010	1.10.2009 to 31.12.2009
On a proforma basis (RMB)	0.38	0.26	0.28	0.19
Proforma number of shares (in thousands)	551,016	551,016	551,016	551,016

**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	
	31.12.2010	30.6.2010	31.12.2010	30.6.2010
Net asset value per ordinary share based on issued share capital at the end of the respective periods (RMB):	4.65	4.26	1.69	1.69
No. of shares in computing NAV (in thousands)	538,542	537,423	538,542	537,423

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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

1.1 Revenue (1HFY2011 vs 1HFY2010)

Our revenue increased by 32.2% or RMB196.9 million, to RMB809.2 million (1HFY2010: RMB612.3 million). This was due to the increase in our processed vegetables and fresh vegetables produce sales.

Revenue from processed vegetables increased by 48.5% or RMB177.4 million, to RMB543.3 million (1HFY2010: RMB365.9 million). The increase in our processed vegetables revenue was attributable to (i) increase in our sales volume by 17.9% or 6,671 tonnes, to 43,868 tonnes (1HFY2010: 37,197 tonnes), and (ii) shift towards a higher value processed vegetables portfolio, which increased average selling prices by 25.9%.

Revenue from fresh vegetables produce, excluding mushroom spores, increased by 15.1% or RMB23.2 million, to RMB177.2 million (1HFY2010: RMB154.0 million), due to the increase in our cultivation volume by 19.2% or 8,150 tonnes, to 50,698 tonnes (1HFY2010: 42,548 tonnes). Our overall average selling price for fresh vegetables (excluding mushroom spores) dipped by 4% due to a change in vegetable mix - there were increased sales of certain vegetables species with lower average selling prices but with higher gross profit margins. Our overall gross profit margin for fresh vegetables produce improved to 47.4% (1HFY2010: 46.0%). Revenue from trading mushroom spores decreased by 4.0% or RMB3.7 million to RMB88.6 million (1HFY2010: RMB92.3 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. Our black fungus sales constituted 9.1% of our total revenue for 1HFY2011. 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. For instance, our brined mushrooms sales continue to achieve growth of 22.9% for 1HFY2011.

1.2 Revenue (2QFY2011 vs 2QFY2010)

Our revenue increased by 40.0% or RMB155.9 million, to RMB545.1 million (2QFY2010: RMB389.2 million). This was due to the increase in our processed vegetables and fresh vegetables produce sales.

Revenue from processed vegetables increased by 53.0% or RMB149.5 million, to RMB431.5 million (2QFY2010: RMB282.0 million). The increase in our processed vegetables revenue was attributable to (i) increase in our sales volume by 31.1% or 8,013 tonnes, to 33,753 tonnes (2QFY2010: 25,740 tonnes), and (ii) shift towards a higher value processed vegetables portfolio, which increased average selling prices by 16.7%.

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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

1.2 Revenue (2QFY2011 vs 2QFY2010) Continued

Revenue from fresh vegetables produce, excluding mushroom spores, increased by 6.1% or RMB5.6 million, to RMB96.6 million (2QFY2010: RMB91.0 million), due to the increase in our cultivation volume by 7.3% or 1,607 tonnes, to 23,758 tonnes (2QFY2010: 22,151 tonnes). Revenue from trading mushroom spores increased by 4.7% or RMB0.8 million to RMB17.0 million (2QFY2010: RMB16.2 million).

2.1 Gross Profit (1HFY2011 vs 1HFY2010)

Our gross profit increased by 32.1% or RMB74.1 million, to RMB304.7 million (1HFY2010: RMB230.6 million), in tandem with the increase in our revenue. Our overall gross profit margin remained relatively stable during the period.

Our gross profit from processed vegetables increased by 52.2% or RMB61.3 million, to RMB178.6 million (1HFY2010: RMB117.3 million). The increase in our processed vegetables gross profit was attributable to both increased in our sales volume and average selling prices.

Our gross profit from fresh vegetables produce increased by 11.3% or RMB12.8 million, to RMB126.1 million (1HFY2010: RMB113.3 million). The increase in our fresh vegetables produce gross profit was attributable to (i) increase in revenue due to increase in our cultivation volume, and (ii) improve in gross profit margins of our fresh vegetables produce to 47.4% (1HFY2010: 46.0%).

2.2 Gross Profit (2QFY2011 vs 2QFY2010)

Our gross profit increased by 33.1% or RMB54.1 million, to RMB217.4 million (2QFY2009: RMB163.3 million), in tandem with the increase in our revenue. Our overall gross profit margin remained relatively stable during the period.

Our gross profit from processed vegetables increased by 51.2% or RMB48.7 million, to RMB144.0 million (2QFY2010: RMB95.3 million). The increase in our processed vegetables gross profit was attributable to both increased in our sales volume and average selling prices.

Our gross profit from fresh vegetables produce increased by 7.9% or RMB5.4 million, to RMB73.4 million (2QFY2010: RMB68.0 million). The increase in our fresh vegetables produce gross profit was attributable to (i) increase in revenue due to increase in our cultivation volume, and (ii) improve in gross profit margins of our fresh vegetables produce to 64.6% (2QFY2010: 63.5%).

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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

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

We experienced loss on fair value of biological assets for 1HFY2011, amounting to RMB0.2 million (1HFY2010: RMB7.6 million). The actual operational result from July 2010 to December 2010 was approximate to the projections of revenue and anticipated costs associated with the biological assets as projected in FY2010. Therefore, we do not experience material change in the carrying amount of biological assets as at 31 December 2010.

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

	Financial Period Ended 31.12.2010 (2QFY2011)	Financial Period Ended 30.9.2010 (1QFY2011)	Financial Year Ended 30.6.2010 (FY2010)
	RMB'000	RMB'000	RMB'000
At beginning of period/year	179,580	195,300	201,449
Increase due to plantation	56,997	83,893	211,349
Decrease due to harvest	(40,145)	(99,613)	(202,298)
(Loss) / gain arising from changes in fair value less estimated point-of-sale costs	(200)	-	(15,200)
At end of period/year	196,232	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
As at 31.12.2010			
Non-current portion	174,600	-	174,600
Current portion	-	21,632	21,632
Total	174,600	21,632	196,232

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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

4.1 Other income, net (1HFY2011 vs 1HFY2010)

Other income, which comprises mainly government grants amortisation (which was mainly received as a subsidy to our capital expenditure) and rental income from leasing farmlands to third parties, increased by RMB5.0 million, to RMB9.4 million (1HFY2010: RMB4.4 million). The increase was mainly due to increased in rental income from leasing farmlands to third parties.

4.2 Other income, net (2QFY2011 vs 2QFY2010)

Other income increased by RMB3.8 million, to RMB6.0 million (2QFY2010: RMB2.2 million). The increase was mainly due to increased in rental income from leasing farmlands to third parties.

5.1 Selling and distribution expenses (1HFY2011 vs 1HFY2010)

Selling and distribution expenses increased by 178.3% or RMB12.8 million, to RMB19.9 million (1HFY2010: RMB7.1 million). The increase was mainly due to (i) an increase in payroll cost, amounting to RMB3.3 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 RMB6.8 million; and (iii) an increase in shipping and transportation expenses, amounting to RMB3.0 million.

5.2 Selling and distribution expenses (2QFY2011 vs 2QFY2010)

Selling and distribution expenses increased by 117.6% or RMB6.2 million, to RMB11.4 million (2QFY2010: RMB5.2 million). The increase was mainly due to (i) an increase in payroll cost, amounting to RMB1.5 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 RMB3.0 million; and (iii) an increase in shipping and transportation expenses, amounting to RMB2.2 million.

6.1 Administrative expenses (1HFY2011 vs 1HFY2010)

Administrative expenses increased by 10.6% or RMB3.6 million, to RMB37.5 million (1HFY2010: RMB33.9 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 (2QFY2011 vs 2QFY2010)

Administrative expenses increased by 23.3% or RMB4.5 million, to RMB23.8 million (2QFY2010: RMB19.3 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.

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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

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:

Other expenses, net	1.7.2010 to 31.12.2010	1.7.2009 to 31.12.2009	1.10.2010 to 31.12.2010	1.10.2009 to 31.12.2009
Exchange loss, net	9,029	358	1,135	(49)
Other expenses, net	82	131	33	63
Total	9,111	489	1,168	14

8.1 Financial expenses, net (1HFY2011 vs 1HFY2010)

Our finance cost decreased by 97.1% or RMB13.4 million, to RMB0.4 million (1HFY2010: RMB13.8 million). This was due to the amortised interest on convertible bonds and loan, amounting to RMB8.2 million during 1HFY2011 (1HFY2010: 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 1HFY2011.

8.2 Financial expenses, net (2QFY2011 vs 2QFY2010)

Our finance cost decreased by 98.5% or RMB7.0 million, to RMB0.1 million (2QFY2010: RMB7.1 million). This was due to the amortised interest on convertible bonds and loan, amounting to RMB4.1 million during 2QFY2011 (2QFY2010: 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 2QFY2011.

9.1 Profit before income tax (1HFY2011 vs 1HFY2010)

Profit before income tax increased by 43.5% or RMB74.9 million, to RMB247.0 million (1HFY2010: RMB172.1 million) in tandem with higher gross profit. The profit before income tax margin increased from 28.1% in 1HFY2010 to 30.5% in 1HFY2011.

9.2 Profit before income tax (2QFY2011 vs 2QFY2010)

Profit before income tax increased by 54.0% or RMB65.5 million, to RMB186.8 million (2QFY2010: RMB121.3 million) in tandem with higher gross profit. The profit before income tax margin increased from 31.2% in 2QFY2010 to 34.3% in 2QFY2011.

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REVIEW OF PERFORMANCE (Continued)

(A) Consolidated Income Statement (Continued)

10.1 Income tax expense (1HFY2011 vs 1HFY2010)

Income tax expense increased by 44.8% or RMB11.8 million, to RMB38.3 million (1HFY2010: RMB26.5 million) in line with the increase in profit before income tax. Our effective tax rate remained relatively stable at 15.5% in 1HFY2011, as compared to 15.4% in 1HFY2010.

10.2 Income tax expense (2QFY2011 vs 2QFY2010)

Income tax expense increased by 58.0% or RMB11.2 million, to RMB30.5 million (2QFY2010: RMB19.3 million) in line with the increase in profit before income tax. Our effective tax rate remained relatively stable at 16.3% in 2QFY2011, as compared to 15.9% in 2QFY2010. A slight increase in our effective tax rate was due to a higher proportion of processed vegetables sales during the periods.

11.1 EBITDA (1HFY2011 vs 1HFY2010)

Our EBITDA increased by 31.7% or RMB68.7 million, to RMB285.7 million (1HFY2010: RMB217.0 million).

11.2 EBITDA (2QFY2011 vs 2QFY2010)

Our EBITDA increased by 44.4% or RMB63.9 million, to RMB207.7 million (2QFY2010: RMB143.8 million).

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

	Group			
	1.7.2010 to 31.12.2010	1.7.2009 to 31.12.2009	1.10.2010 to 31.12.2010	1.10.2009 to 31.12.2009
	RMB'000	RMB'000	RMB'000	RMB'000
Net income	208,657	145,635	156,290	102,001
Add / (Less):				
Interest expenses	711	5,646	204	2,968
Interest income	(314)	(99)	(98)	(47)
Amortisation of discount on convertible bonds and loan	-	8,225	-	4,151
Income tax expense	38,316	26,470	30,454	19,279
Depreciation of property, plant and equipment	14,887	13,947	7,610	7,038
Amortisation of land use right	535	536	268	290
Amortisation of land improvement costs	9,820	6,589	5,976	3,277
Amortisation of operating lease prepayments	15,571	12,246	8,618	6,122
Amortisation of government grant	(2,489)	(2,205)	(1,597)	(1,229)
EBITDA	285,694	216,990	207,725	143,850
EBITDA margins	35.3%	35.4%	38.1%	37.0%

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REVIEW OF PERFORMANCE (Continued)

(B) Consolidated Balance Sheet (30 June 2010 vs 31 December 2010)

Non-current assets

Non-current assets increased by approximately 29.1% or RMB227.5 million, to RMB1,007.9 million (30 June 2010: RMB780.4 million). This was mainly attributable to capital expenditure on operating lease prepayments for farmlands and associated land improvement costs 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 8.2% or RMB132.1 million, to RMB1,736.1 million (30 June 2010: RMB1,604.0 million). This was mainly attributable to (i) the increase in trade receivables by RMB238.0 million, a result of our increasing revenue during 2QFY2011; (ii) the increase in non-trade receivables and prepayments by RMB25.9 million, and (iii) the increase in inventories and biological assets by RMB13.5 million, net of decrease in cash and bank balances by RMB154.7 million, due to capital expenditure.

Non-current liabilities

Non-current liabilities comprises government grants and long term bank loans, which remained relatively stable at RMB16.9 million as compared to RMB17.4 million as at 30 June 2010.

Current liabilities

Current liabilities comprise mainly bank term loans, income tax liabilities, trade and non-trade payables, and convertible bonds and loan. Current liabilities increased by 176.2% or RMB141.3 million, to RMB221.5 million (30 June 2010: RMB80.2 million). This was largely attributable to the increase in bank term loans, income tax liabilities and trade and other payables and accruals by RMB69.6 million, RMB19.3 million and RMB52.3 million respectively.

Working capital days

	1HFY2011	1HFY2010	2QFY2011	2QFY2010
<u>Working Capital Days</u>	(Days)	(Days)	(Days)	(Days)
Trade Receivables Turnover Days	66	77	23	25
Trade Payables Turnover Days	12	7	12	9
Inventory Turnover Days	14	22	4	18
Cash Conversion Days	68	93	14	34

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REVIEW OF PERFORMANCE (Continued)

(C) Consolidated Cash Flow Statement

1HFY2010

For the 6 months ended 31 December 2010, we recorded a net cash inflow from operating activities of RMB105.5 million. This comprises cash generated from operating activities before changes in working capital of RMB293.4 million, net working capital outflow of RMB169.3 million, and net cash outflow amounting to RMB18.6 million from interest and income tax paid. The net working capital outflow was a result of:

(a) an increase in trade receivables of RMB238.0 million and inventories and biological assets of RMB13.5 million; and

(b) offset by an increase in trade and non-trade payables of RMB52.3 million and an increase in non-trade receivables of RMB29.9 million.

For the 6 months ended 31 December 2010, net cash used in investing activities of RMB333.8 million was mainly due to the following:

(a) purchase of new property, plant and equipment amounting to RMB111.3 million, which was mainly for the expansion of our processing facilities; and

(b) capital expenditure on leasing of cultivation bases and associated cost incurred on land improvement for cultivation bases in Fujian Province amounting to RMB174.9 million; and

(c) capital expenditure on acquiring of land use rights amounting to RMB47.4 million in Fujian Province.

For the 6 months ended 31 December 2010, net cash inflows from financing activities was RMB73.5 million, which was mainly attributable to the net proceeds from short term bank loans, amounting to RMB69.6 million, obtained from Bank of China and OCBC Bank (China) Limited, Xiamen Branch, for the purpose of financing our working capital needs.

2QFY2010

For the 3 months ended 31 December 2010, we recorded a net cash outflow from operating activities of RMB9.4 million. This comprises cash generated from operating activities before changes in working capital of RMB208.0 million, net working capital outflow of RMB208.6 million, and net cash outflow amounting to RMB8.8 million from interest and income tax paid. The net working capital outflow was a result of:

(a) an increase in trade receivables of RMB242.2 million and inventories and biological assets of RMB23.7 million; and

(b) offset by an increase in trade and non-trade payables of RMB32.7 million and an increase in non-trade receivables of RMB24.6 million.

For the 3 months ended 31 December 2010, net cash used in investing activities of RMB257.8 million was mainly due to the following:

(a) purchase of new property, plant and equipment amounting to RMB56.5 million, which was mainly for the expansion of our processing facilities; and

(b) capital expenditure on leasing of cultivation bases and associated cost incurred on land improvement for cultivation bases in Fujian Province amounting to RMB153.7 million; and

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REVIEW OF PERFORMANCE (Continued)

(C) Consolidated Cash Flow Statement (Continued)

2QFY2010 (Continued)

(c) capital expenditure on acquiring of land use rights amounting to RMB47.4 million in Fujian Province.

For the 3 months ended 31 December 2010, net cash inflows from financing activities was RMB72.3 million, which was mainly attributable to the net proceeds from short term bank loans, amounting to RMB69.6 million, obtained from Bank of China and OCBC Bank (China) Limited, Xiamen Branch, for the purpose of financing our working capital needs.

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.

China Minzhong continues to benefit from strong global demand for both fresh vegetables and processed vegetables, fuelled by population growth, increased urbanization and rising affluence as well as unforeseen supply disruptions. Tapping on the growth opportunities, the Group will leverage on its capabilities as an integrated vegetables producer to maximize its upstream cultivation yield and capitalize on the growing downstream demand.

Tapping on the above growth opportunities, the Group remains on track to expand its cultivation and processing capabilities according to its IPO plans. Since the last update on 15 November 2010, the Group has added approximately 5,600 mu of farmland to its cultivation bases in Fujian province. Currently, the Group's own cultivation bases stretches across 66,582 mu.

On the processing front, the first production line of the Group's new production facilities in Putian is on track to be completed in June 2011. Meanwhile, new equipment will also be added at the Group's processing facilities in Hubei, Sichuan and Yunnan to enhance the Group's production capabilities and capitalize on the rising consumer demand.

Underlying the expansions, the Group continues its shift towards a higher value product portfolio. While champignon mushrooms, capsicums and German chives continue to be the Group's key products by revenue, the Group targets to have other higher margin products such as organic vegetables, king oyster mushrooms and black fungus to contribute a significant portion of total revenue in the next three to five years. The Group is currently expanding its king oyster mushroom cultivation capacity in Tianjin City and allocating more resources for the cultivation of black fungus in Sichuan. On the back of strong demand for its organic vegetables, the Group will also be expanding its points of sales.

Barring any unforeseen circumstances, the Board of Directors remains optimistic on the Group's performance in the second half of the financial year.

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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 banking facilities 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 31.12.2010 ('million)	Lender
11 June 2011	RMB32.0	-	Agricultural Bank of China
Total	RMB32.0	-	

BY ORDER OF THE BOARD

LIN GUO RONG
Chief Executive Officer
14 February 2011

CHINA MINZHONG FOOD CORPORATION LIMITED
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**FINANCIAL RESULTS OF THE COMPANY AND THE GROUP FOR THE FINANCIAL PERIOD
ENDED 31 DECEMBER 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 Second Quarter financial results of the Company and the Group for the financial period ended 31 December 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