



## CHINA MINZHONG FOOD CORPORATION LIMITED

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### For Immediate Release

## CHINA MINZHONG 1Q FY2011 NET INCOME ROSE 20.0% TO RMB52.4 MILLION

- Revenue rose 18.4% to RMB264.1 million, with higher sales across both processed vegetables and fresh vegetables produce segments.
- Gross profit margin improved from 30.2% to 33.0% on improved yield, lower cultivation costs and shift towards higher value product portfolio
- Net operating cash inflow up 27.2% to RMB114.9 million
- Remains on track to deliver IPO expansion plans

**Singapore, 12 November 2010** – China Minzhong Food Corporation Limited (中国闽中食品有限公司) (“China Minzhong” or the “Group”) (SGX: K2N.SI), today announced a 20.0% rise in its 1Q FY2011 net income to RMB52.4 million for the 3 months ended 30 September 2010. Revenue increased 18.4% to RMB264.1 million, underpinned by sales growth across both processed vegetables and fresh vegetables produce segments.

### Summary of Results

RMB 'million	1Q FY2011	1Q FY2010	% Change
Revenue	264.1	223.0	18.4%
Gross profit	87.2	67.3	29.6%
Gross margin (%)	33.0%	30.2%	+2.8ppt
Profit before tax	60.2	50.8	18.5%
Net income	52.4	43.6	20.0%
Adjusted EBITDA	85.9	68.5	25.3%
Proforma net income	60.3	39.0	54.4%
Net cash from operating activities	114.9	90.3	27.2%



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### **1Q FY2011 Results Review**

Revenue from processed vegetables increased by 33.2% to RMB111.8 million, on the back of continued strong demand from overseas food manufacturers. Average selling prices for the processed vegetables rose 52.5% as the Group shifted towards a portfolio of higher-value processed vegetables.

Revenue from fresh vegetables produce increased by 9.5% to RMB152.3 million. This growth was partly offset by the 9% (or RMB7.0 million) decline in sales of mushroom spores to RMB71.7 million as the Group shifted more resources to the cultivation of higher-yield black fungus. Excluding sales of mushroom spores, revenue in the fresh vegetables segment grew 33.5% to RMB80.7 million, which was driven mainly by a 33.5% increase in cultivation volume to 26,940 tonnes on the back of new farmland and better yields from existing farmland.

In line with the higher revenue, gross profit increased by 29.6% to RMB87.2 million. Gross profit margin also saw an improvement from 30.2% in 1QFY2010 to 33.0% in 1QFY2011, boosted by higher cultivation volume, shift towards higher value vegetables and lower cultivation costs as more bases reached maturity.

Earnings before interest, tax, depreciation and amortization (EBITDA) also grew 14.4% to RMB78.0 million. Excluding net exchange loss (mainly arising from translation differences on our last tranche of IPO proceeds before conversion to 'RMB') and changes in fair value of biological assets, adjusted EBITDA would have increased 25.3% to RMB85.9 million and proforma net income would have increased 54.4% to RMB60.3 million. Adjusted EBITDA margin would also have seen a corresponding increase from 30.7% in 1Q FY2010 to 32.5% in 1Q FY2011.

Commenting on the Group's financial performance, Chief Executive Officer and Executive Director of China Minzhong, Mr Lin Guo Rong (林国荣) said, "We are pleased to kick-start the new financial year with another set of growth for our shareholders. Besides benefiting from our focus on higher value products and established track record, our strategy of diversified cultivation bases and land improvement infrastructure put in place have also sheltered us from



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the series of weather calamities over the recent few months. The 1<sup>st</sup> quarter is traditionally a low season for us and we will expect to garner more momentum as we move into our peak seasons in the second and third quarters.”

### **Strong Cash Flow**

For the 3 months ended 30 September 2010, the Group recorded a 27.2% increase in net cash generated from operations to RMB114.9 million, mainly due to higher sales and better working capital management. As at 30 September 2010, the Group was in a net cash position with cash and bank balances amounting to RMB1.21 billion and total bank borrowings of only RMB16.5 million.

### **Outlook**

The global consumption demand for both fresh vegetables and processed vegetables remains on the uptrend, buoyed by positive factors such as population growth, increased urbanization and rising affluence as well as preferences for healthy dietary eating habits. China Minzhong will continue to benefit from the rising domestic consumption in the PRC, and its emergence as an increasingly important vegetables supplier to the world.

Tapping on the growth opportunities, the Group is on track to expand its own cultivation bases by an additional 90,000 mu over the next three years as part of its growth strategies announced during IPO. Since end June 2010, the Group has added 8,300 mu of farmland to its own cultivation bases.

The Group has also reaped its first significant harvest of organic vegetables in October and also kick-started sales of its fresh organic vegetables in two major supermarkets in Fujian Province, PRC under the brandname ‘ZhenTian (真田)’.

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### **About China Minzhong Food Corporation Limited**

Listed on the Mainboard of the Singapore Exchange in April 2010, China Minzhong is a leading, internationally accredited, integrated vegetables processor in the People's Republic of China ("PRC"). Operating since 1971, China Minzhong has numerous cultivation bases in the PRC and since inception, has distributed its products to over 25 different countries around the world. Its key products consist of fresh vegetables produce and more than 100 types of processed vegetables, which include air-dried, freeze-dried, fresh-packed and brined products. China Minzhong's products have been awarded numerous international and domestic awards and certifications, including the ISO22000 (which incorporates the HACCP standards) and ISO 9001 standards, a testament to China Minzhong's high quality standards. Some of Minzhong's fresh produce have been certified "Organic" by BCS Oko-Garantie GmbH, the German body which certifies organic standards imposed by the European Union.

For more information, please visit [www.chinaminzhong.com](http://www.chinaminzhong.com)

*The initial public offering of the Company was sponsored by J.P. Morgan (S.E.A.) Limited Kim Eng Corporate Finance Pte. Ltd. and Macquarie Capital (Singapore) Pte. Limited (the 'Joint Issue Managers'). The Joint Issue Managers assume no responsibility for the contents of this announcement.*

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