



CULTIVATING GROWTH

CHINA MINZHONG FOOD CORPORATION LIMITED
ANNUAL REPORT 2011



Vision and Values

Our vision is to be the preferred producer of top quality fresh and processed vegetables globally. We are committed to adopting international standards of management throughout our business and aim to pursue excellence in everything that we do.

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Corporate Profile

China Minzhong is one of the leading integrated vegetable processors in the PRC, with a global customer base currently spanning over 26 countries across four continents. The Group's strategically located cultivation bases are geographically diversified across seven provinces in the PRC.



Operating since 1971, China Minzhong Food Corporation Limited ("China Minzhong") is one of the few companies in the People's Republic of China ("PRC") that possesses both processing capabilities as well as its own cultivation bases. Headquartered in Putian City, Fujian Province, PRC, China Minzhong has a diversified and complementary product portfolio and is recognised for its product quality and reliability. China Minzhong's portfolio comprises two key products: Processed Vegetables and Fresh Vegetables Produce.

Through its decades of experience, China Minzhong has developed an integrated demand-driven operation with wide-ranging cultivation and processing capabilities. China Minzhong manages and plans its cultivation and processing schedules based on advanced sales orders received from its customers. This demand-driven cultivation and production approach not only allows China Minzhong to meet its customers' requirements and market demand, it also enables the Group to achieve high productive efficiency by ensuring a stable supply of products and establishing better control over costs. This demand-driven integrated business model differentiates China Minzhong from its peers and has helped the Group develop long-term relationships with many of its key customers.

China Minzhong's global customer base currently spans over 26 countries across four continents. The Group's strategically located and geographically diversified

cultivation bases in seven provinces in the PRC, as well as its network of suppliers of fresh and semi-processed vegetables in 14 provinces throughout the country, enables the Group to employ a seasonally complementary approach to cultivation and leverage on favourable climatic conditions to secure fresh vegetables produce for its processing needs throughout the year. China Minzhong has an extensive processing platform that encompasses processing methods such as air-drying, freeze-drying, fresh-packing and brining, which allows the Group to offer more than 100 types of processed vegetables to its customers.

Celebrating its 40th anniversary this year, China Minzhong has obtained several international and domestic awards as well as certifications for its quality management system and food safety standards. China Minzhong has also been named a "National Leading Dragon Head Enterprise" by the PRC Government since December 2002 in recognition of its status as a leading agricultural enterprise.

The Group is well poised for further growth and success under the helm of a group of experienced industry veterans with over 26 years of experience in their respective fields. In particular, our Executive Chairman and CEO Mr Lin Guo Rong, Chief Operations Officer Mr Wang Da Zhang and Chief Technology Officer Mr Huang Bing Hui have been working together for more than 36 years in our Group and its predecessors and have vast experience in the vegetables cultivation and processing industry.

Letter To Shareholders

“Over the past financial year, our net profit attributable to shareholders rose 54.2% to RMB566.7 million on the back of a 35.6% revenue growth to RMB1,929.2 million.”



Dear Shareholders,

On behalf of the Board of Directors and management, I am pleased to present to you our audited financial results for the 12 months ended 30 June 2011. Over the past financial year, our net profit attributable to shareholders rose 54.2% to RMB566.7 million on the back of a 35.6% revenue growth to RMB1,929.2 million. Gross margin improved from 40.4% in FY2010 to 41.5% in FY2011, driven by an improved yield and better product mix. Riding on the robust demand for vegetables, we continue to maintain our strategic focus on quality assurance and higher value products and fortify our market position as one of the leading integrated vegetables processor in the PRC. The management's strategy to have significant market share in price competitive (versus international suppliers) vegetables such as champignon mushrooms, capsicums and German chives have continued to work well for us.

The year in review was marked with significant milestones and major breakthroughs for China Minzhong. Subsequent to our Initial Public Offering ("IPO"), we made our expansions into Tianjin City and Jiangxi Province, which extended our cultivation foothold to seven provinces (namely Fujian, Hubei, Inner Mongolia, Sichuan, Shanghai, Tianjin and Jiangxi). While having specific product focus in each province, we maintained our diversified and seasonally complementary approach in our cultivation expansion strategy.

Our new cultivation base in Tianjin leverages on our existing technical expertise in the cultivation of high value king oyster mushrooms and caters to the growing affluence in Beijing and Tianjin cities. Our indoor cultivation environment for king oyster mushrooms, equipped with good control of temperature

and humidity conditions, has enabled us to optimize our cultivation yield and produce even during the offpeak seasons. Our new cultivation base in Jiangxi, on the other hand, will start contributing by the end of 2011 and complement our headquarters in neighbouring Fujian to capitalize on the demand for other higher value crops.

In addition to the above expansions, we have also reaped our first significant harvest of organic vegetables in November last year. This initial success and the organic certification by German certification body BCS Oko-Garantie GmbH, are of great significance to the Group as we aim to be a major producer of organic vegetables in the long run. At present, our organic vegetables are sold in a local supermarket chain and six organic specialty stores located across Fujian province. In the midst of broadening our domestic sales channels and creating more brand awareness for our organic vegetables, we will also be working towards our longer term target to eventually export processed organic vegetables overseas.

Industry Outlook

Food inflation has taken the hot seat in the past financial year amidst a rising costs environment and unforeseen supply disruptions. To manage the food inflation issues, the PRC government has announced 16 measures which are targeted at lowering the costs of production and distribution costs, so as to cushion the full impact to the end consumers. For instance, subsidies are introduced for farmers to lower their costs of production and highway toll charges are waived for trucks carrying agriculture produce to reduce transportation costs. Firm steps were also being taken to curb any speculative



Site visit to New Industrial Park by Provincial Officials. Foreground (From left to right): Vice-Mayor of Putian City Mr. Fu Dong Yang; Mayor of Putian City Mr. Liang Jian Yong, Fujian Provincial Governor Mr. Su Shu Lin; Fujian Provincial Party Secretary Mdm. Sun Chun Lan; Putian City Party Secretary Mr Yang Gen Sheng; China Minzhong Executive Chairman and CEO Mr. Lin Guo Rong

activities on vegetable prices and supplies. While we saw a temporary blip in vegetable prices after a bountiful harvest in April 2011, vegetable prices have since rebounded in May and June after supply disruptions caused by a series of droughts and floods in Central China.

Moving forward, the PRC government continues to be supportive of the agriculture sector, particularly large-scale farming and has emphasized the acceleration of the development of "Modern Agriculture" in its latest 12th Five Year Plans. The economies of scale and higher productivity brought about by large scale farming will help address the food security concerns posed by the rising PRC population and increasing urbanization. At the same time, social problems such as the growing rural-urban income gaps will also be alleviated when farmers are paid for the leasing of their farming rights to the corporations and for providing labour on the farmland.

The emergence of PRC as a global vegetables supplier to food manufacturers and the underlying demand for vegetable continue to fuel optimism for the Group's business prospects in the new financial year. Food manufacturers worldwide continue to source for price-competitive food ingredients from different countries as a means of diversification and placing orders before actual cultivation to secure their upstream supplies. Despite the prevailing global recession fears, we believe the demand for vegetables products to remain resilient.

Future Plans

Capitalizing on the strong demand for vegetables, we will continue to build upon our established track record and further strengthening our cultivation and processing capabilities. We have already doubled our Own Bases area from 27,961 mu (1 mu is equivalent to 666.67 square metres) at end FY2010 to 59,437 mu as at end FY2011. Out of the newly added, 9,300 mu is already productive and the remaining will start contributing by the end of 2011. The efficient allocation of new farmland resources to effective use is a strong testament to the Group's execution capabilities.

On the processing front, the Group has accelerated the construction of its New Industrial Park situated on a 287 mu site in Putian city, Fujian province. Housing a wide range of processing capabilities including air-drying, freeze-drying

and brining, the New Industrial Park will effectively triple the Group's processing capacity upon full completion. In addition, the cost-savings initiatives incorporated (such as the channeling of water from a nearby reservoir instead of direct purchase from the government) will also help to enhance the Group's operating efficiency in the long term. With the commencement of operations in June 2011 after our first round of expansion, our New Industrial Park in Putian is expected contribute positively to the Group's financial performance in FY2012.

On top of capacity expansions, China Minzhong also seeks to grow its revenue contributions from higher value products including king oyster mushrooms, black fungus and organic vegetables. In addition, the Group continues to have new product developments in the pipeline while experimenting with advanced cultivation techniques to fetch higher yield and better cost efficiency. Over the past 12 months, we have also effectively doubled the cultivation capacity of king oyster mushrooms from 4 tons per day to 8 tons per day. Tapping on the current market demand, we will further expand our cultivation capacity of king oyster mushrooms to 15 tons per day by end-2011 and 24 tons per day by end-2012. At the same time, our cultivation capacity for black fungus is also expected to double from the current 15 tons per day (up from zero last year) to 30 tons per day by end-FY2012.

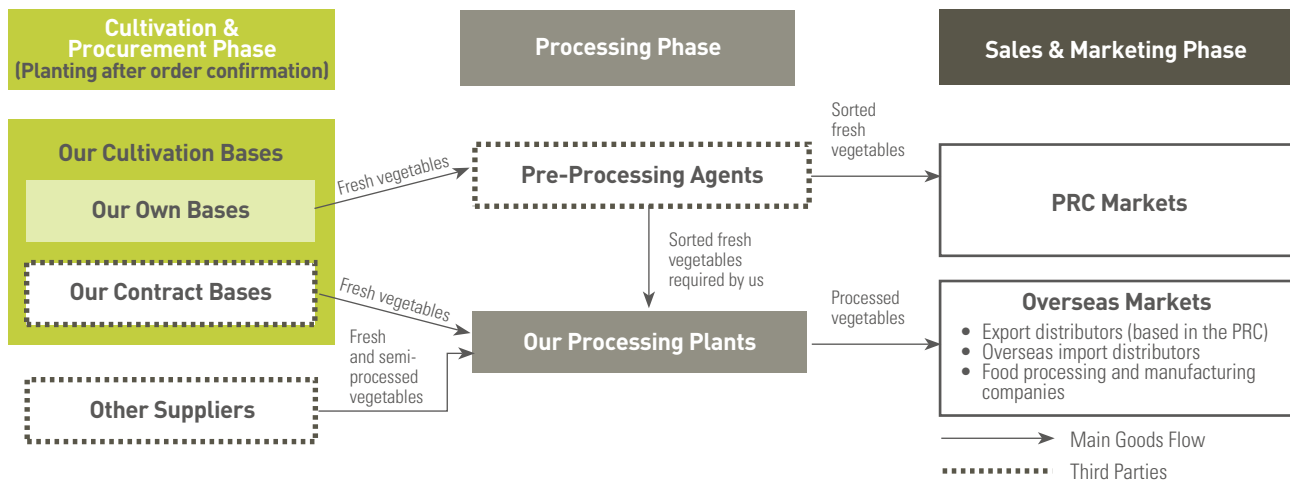
Appreciation

On behalf of the Board of Directors, we would like to take this opportunity to thank our valued shareholders for their unwavering support and confidence in us. We will also like to extend our heartfelt appreciation to our management team and staff for their commitment and contributing to our achievements in the past financial year. In addition, we will also like to thank our customers and business associates in embracing our vision to be the preferred producer of top quality fresh and processed vegetables globally.

Last but not least, we look forward to greater success in the new financial year.

Lin Guo Rong
Executive Chairman and Chief Executive Officer

Our Demand-Driven Business Model



Demand Driven Production Strategy

Our business model and demand driven production strategy allow us to adopt an integrated approach in managing our sales, processing and cultivation processes.

Prior to cultivation, we receive sales orders from our customers indicating the required product specifications and quantities. Upon receipt of the sales orders, we will aggregate, assess and analyse the sales orders requirements, taking into account factors such as order size, production specifications, raw material prices, supply and availability of raw materials, cultivation requirements, processing requirements, delivery schedules and payment methods. Our customers are required to accept and sign our quotation and sales contract before we commence on the actual cultivation and processing.

This demand-driven cultivation and production strategy has enabled us to secure our margins, enhance our production efficiency and minimise unnecessary costs that may be incurred as a result of over production and wastage.

Cultivation And Procurement Phase

Our fresh vegetables are obtained from our Cultivation Bases which consists of our Own Bases and our Contract Bases. Our Own Bases are currently located across seven provinces in the PRC (namely Fujian, Hubei, Inner Mongolia, Sichuan, Shanghai, Tianjin and Jiangxi) with an aggregate land area of approximately 85,457 mu (equivalent to approximately 60.0 sq km). We produce more than 20 species of vegetables, which include champignon mushrooms, black fungus, German chives, capsicums, king oyster mushrooms and Shanghai greens. As part of our supply chain management, we sell fresh vegetables produce from our Own Bases to Pre-Processing Agents based on prevailing market prices. Profits arising from

sales of fresh vegetables are given tax waivers under the PRC government’s favourable policies for agriculture. The Pre-Processing Agents will sort and wash these fresh vegetables and we may subsequently purchase fresh vegetables from the Pre-Processing Agents (which may or may not include fresh vegetables we sold to them) as raw materials for our processed vegetables products.

Besides our Own Bases, we also obtain our raw materials from our Contract Bases and Other Certified Suppliers. Our Contract Bases are farmers with their own farmland whom we contract with for the supply of pre-determined harvests based on our requirements. These arrangements complement our Own Bases and help to ensure a stable, cost-competitive and sustainable supply of raw materials for our production needs.

Processing Phase

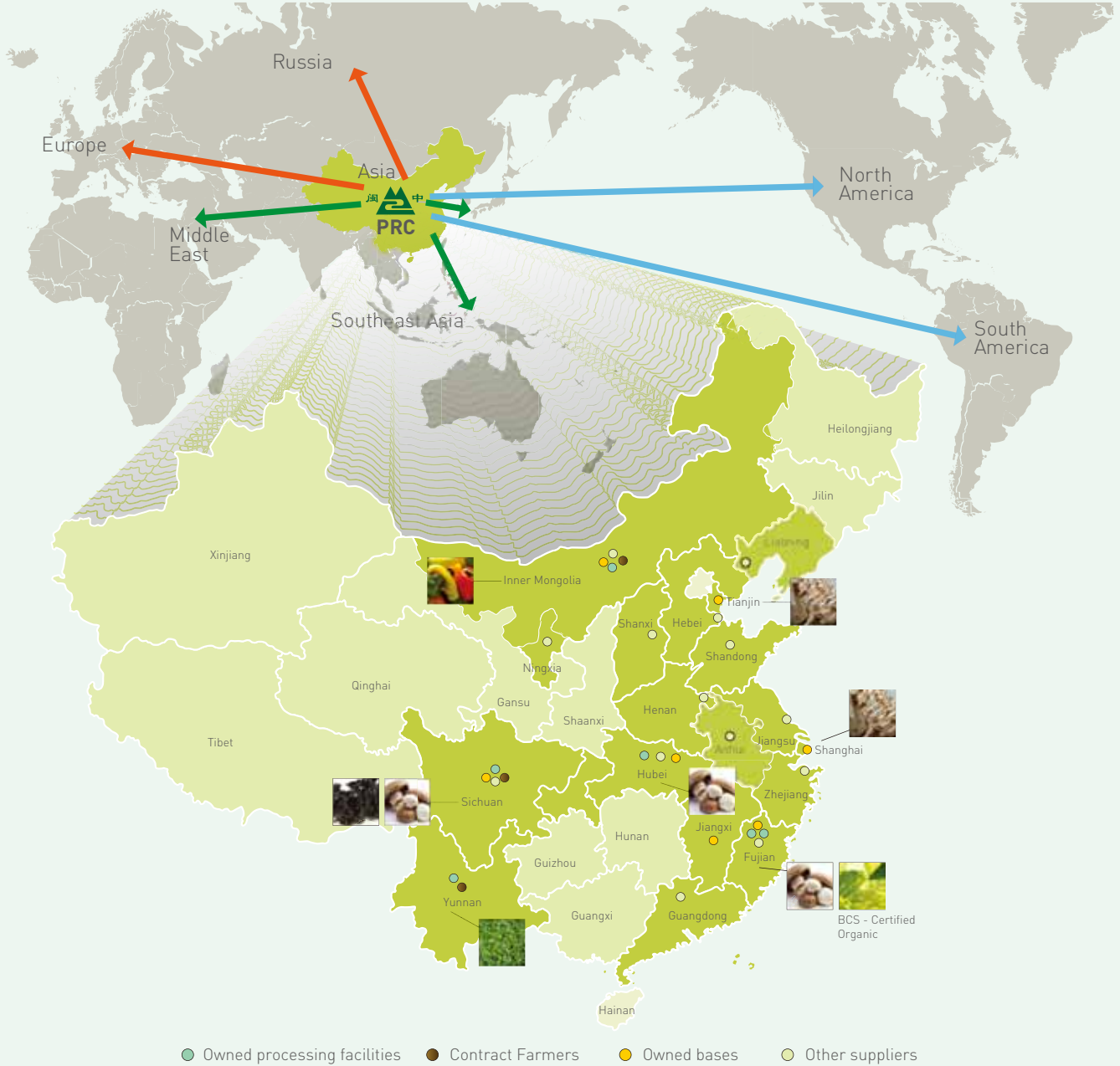
Fresh vegetables undergo processing at our facilities, including freeze-drying, air-drying, fresh-packing and brining processes depending on our customers’ demands and specifications. These processing techniques allow our processed products to have longer shelf lives and enable them to be transported over longer distances while retaining their original freshness, taste and nutrients.

Sales & Marketing Phase

Our fresh vegetables are sold to the domestic markets through Pre-Processing Agents in the PRC. Our processed vegetables products are sold through our global distribution network spanning Asia, Americas, Europe and other areas comprising three main channels, namely (i) Export Distributors based in the PRC; (ii) Overseas Import Distributors and (iii) Food Processing and Manufacturing Companies.

Global Distribution Network & Strategically Located Operations

Global distribution network across 4 continents and 26 countries

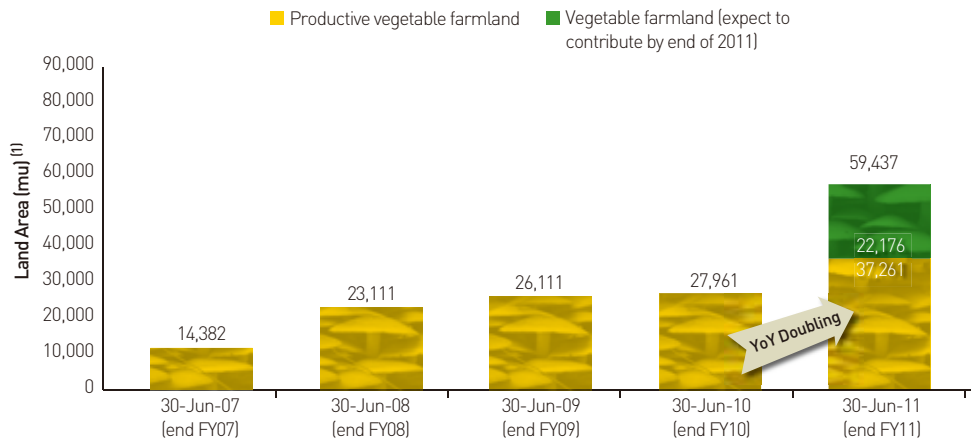


Our Owned Bases are geographically diversified across seven provinces and the network of suppliers are spread across 14 provinces

Farmland Expansion

Vegetable Farmland

(in 7 provinces including Fujian, Hubei, Inner Mongolia, Sichuan, Shanghai, Tianjin and Jiangxi)



[1] 1 mu of farmland is equivalent to 666.67 sq m



Greenhouses at Shanghai Cultivation Base



King Oyster Mushroom Cultivation Facilities in Tianjin



Champignon Mushrooms Cultivation in Fujian



German Chives Harvest in Yunnan (contract farming)

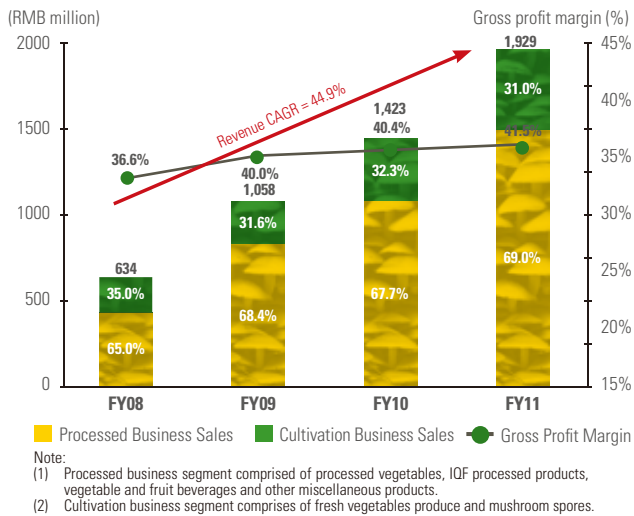


CULTIVATION

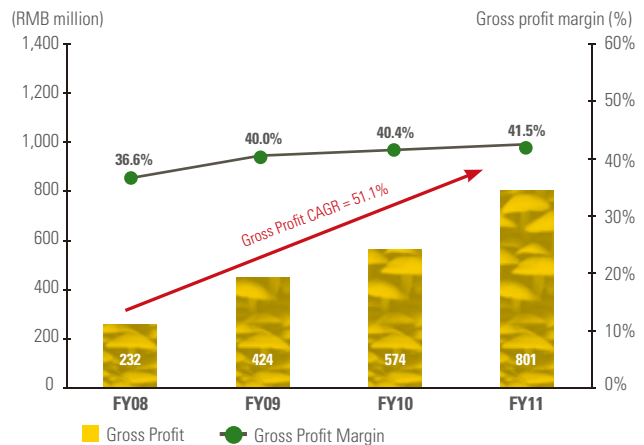
OFFERS A DIVERSIFIED
AND SEASONALLY
COMPLEMENTARY PRODUCT
RANGE THROUGHOUT
THE YEAR

Financial Highlights

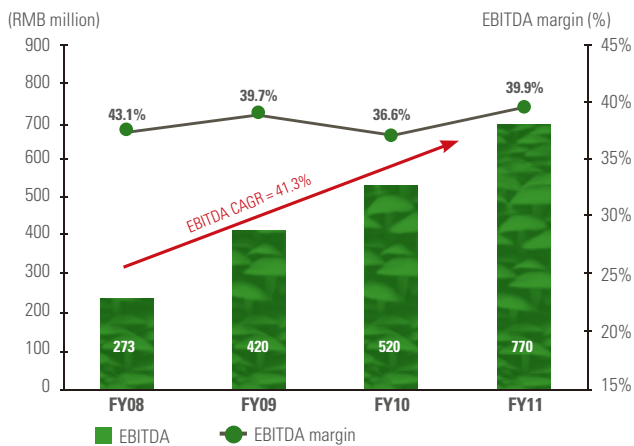
Revenue Growth



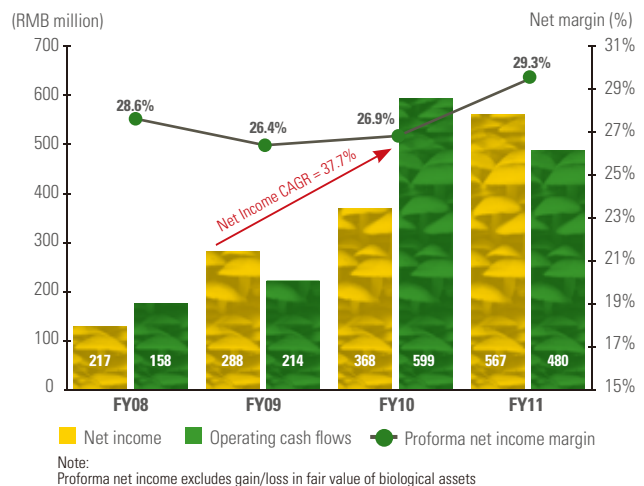
Gross Profit Growth



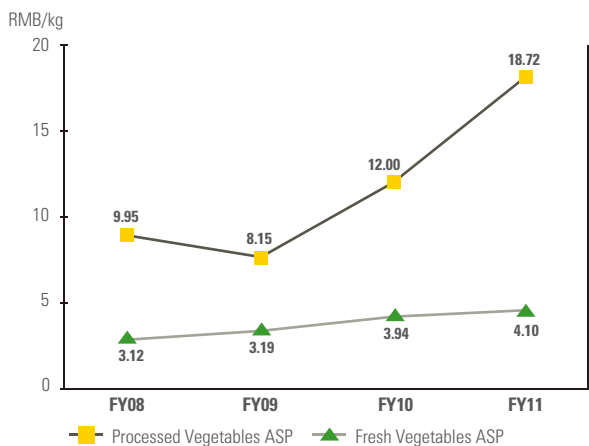
EBITDA Growth



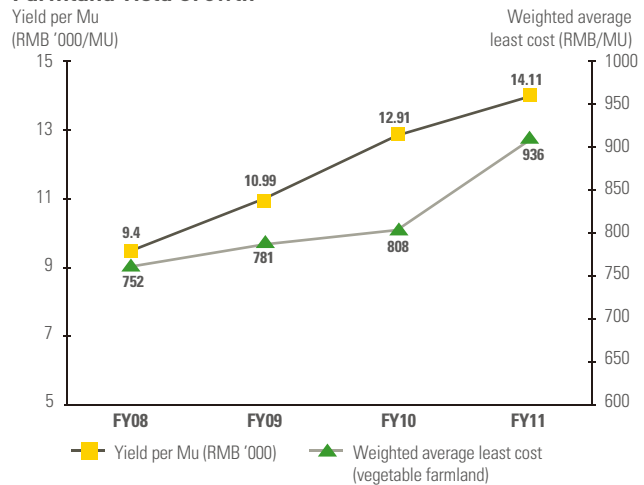
Net Profit Growth and Operating Cash Flow



Average Selling Prices (ASP) Growth



Farmland Yield Growth



Note:
 (1) Yield per mu for FY2011 takes into account only productive vegetable farmland and 1 mu of farmland is equivalent to 666.67 sq m.
 (2) Yield per mu is calculated by dividing the sales of fresh vegetable produce (excluding sales from bamboo plantation and mushroom spores) for the respective financial years and the average land area of our Own Bases (excluding land area of bamboo plantation).

Financials and Operations Review



12 months ended 30 June			
(RMB' million)	FY2011	FY2010	Change
Revenue	1,929.2	1,422.6	+35.6%
Processed business ⁽¹⁾	1,330.6	962.6	+38.2%
Cultivation business ⁽²⁾	598.6	460.0	+30.1%
Gross Profit	800.6	574.3	+39.4%
Processed business ⁽¹⁾	457.7	316.6	+44.6%
Cultivation business ⁽²⁾	342.9	257.7	+33.1%
Gross Profit margins	41.5%	40.4%	+1.1ppt
Processed business ⁽¹⁾	34.4%	32.9%	+1.5ppt
Cultivation business ⁽²⁾	57.3%	56.0%	+1.3ppt
Profit before tax	653.8	432.7	+51.1%
Profit before tax margin	33.9%	30.4%	+3.5%
Net income	566.7	367.5	+54.2%
Net income margin	29.4%	25.8%	3.6ppt
EBITDA	769.6	520.2	+47.9%
EBITDA margin	39.9%	36.6%	+3.3ppt

(1) Processed business segment comprises of processed vegetables, IQF processed products, vegetable and fruit beverages and other miscellaneous products.

(2) Cultivation business segment comprises of fresh vegetables produce and mushroom spores.

Overview

China Minzhong continued its growth momentum in FY2011 to report a 35.6% increase in revenue to RMB1,929.2 million, compared to RMB1,422.6 million in the previous corresponding year. Gross profit also trended higher with a 39.4% growth to RMB800.6 million, on the back of higher revenue and better gross margins. At the bottom-line, net profit grew by a higher than proportionate 54.2% to RMB566.7 million, compared to RMB367.5 million in the previous corresponding year.

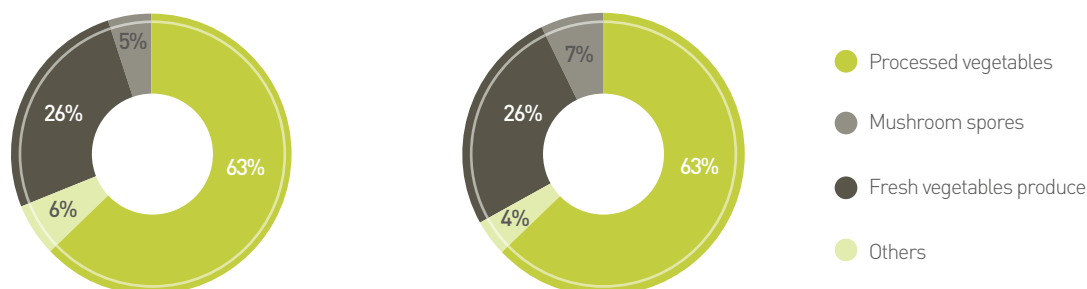
Income statement

China Minzhong experienced broad-based revenue growth across both its Processed and Cultivation Business segments, which accounted for 69% and 31% of total sales respectively. Champignon mushrooms remained as the largest revenue contributor by product, followed by black fungus and German chives. Revenue contribution (in percentage terms) of black fungus in particular, grew from 0% in FY2010 to 9.7% in FY2011.

Financials and Operations Review



Revenue Breakdown by Business Segments



Revenue Breakdown	FY2011 (RMB'million)	% contribution	FY2010 (RMB'million)	% contribution
Processed vegetables	1,215.3	63.0%	900.9	63.4%
Others*	115.3	6.0%	61.6	4.3%
Total for Processed Business Segment	1,330.6	69.0%	962.5	67.7%
Fresh vegetables Produce	510.0	26.4%	367.7	25.8%
Mushroom spores	88.6	4.6%	92.3	6.5%
Total for Cultivation Business Segment	598.6	31.0%	460.0	32.3%

* "Others" category comprises of IQF processed products, vegetable and fruit beverages and other miscellaneous products.

ASP and Sales Volume Breakdown

	FY11 ASP/ RMB per kg	FY10 ASP/ RMB per kg	% Change	FY11 Sales volume/ tonnes	FY10 Sales volume/ tonnes	% Change
Processed vegetables**	18.72	12.00	56.0%	64,927	75,071	(13.6%)
Fresh vegetables Produce	4.10	3.94	4.1%	124,259	93,344	33.2%

** ASP and sales volume for processed vegetables may change due to different processing mix (eg. Air-dried vs brining). Compared to fresh vegetables, ASP for processed vegetables is generally higher due to the higher value added processing, while volume for processed vegetables (particularly air-dried and freeze-dried products) is generally lower, due to the removal of water content during processing.

Revenue Breakdown by Vegetable Species

Revenue breakdown by vegetable species	% Revenue Contribution (FY2011)***	% Revenue Contribution (FY2010)***	YOY ASP % increase/(decrease)
Champignon mushrooms	35.1%	38.1%	44.3%
Black fungus	9.7%	0%	N.A.
German Chives	9.2%	9.8%	3.4%
Capsicums	7.6%	13.1%	(6.8%)
King oyster mushrooms	2.1%	1.2%	3.8%

*** Consider only revenue contributions from processed vegetables and fresh vegetables produce segments (excluding mushroom spores and other processed products).

Revenue from the Processed Business segment (comprising of processed vegetables and other miscellaneous products) grew 38.2% to RMB1,330.6 million. The growth was on the back of increasing orders from both existing and new customers, as well as higher average selling prices as the Group continued its shift towards higher value products. While average selling prices of our processed vegetables rose 56.0%, the Group experienced a slight sales volume decline of 13.6% on the back of a larger contribution from air-dried products (versus fresh packed products) which weigh lesser after the removal of water content during processing.

Revenue from the Cultivation Business segment (comprising of fresh vegetables produce and mushroom spores) increased by 30.1% to RMB598.6 million. The improved performance was underpinned by a 33.2% growth in sales volume as well as a 4.1% increase in average selling prices for our fresh vegetables produce. The higher sales volume was driven by maturing yield from existing farmland as well as maiden contributions from approximately 9,300 mu of new farmland.

In terms of revenue breakdown by geography, overseas demand accounted for approximately 65.0% of total sales in FY2011, compared to 65.6% in FY2010. Despite the higher proportion of overseas sales, the bulk of sales transactions (approximately 83.6%) in FY2011 were denominated in RMB as the Group exported most of its processed vegetables through export distributors based in PRC to minimize its foreign currency exposure. The remaining 14.6% and 1.8% of sales were denominated in USD and Euros respectively.

In line with the higher revenue, gross profit increased by 39.4% to RMB800.6 million. Overall gross margin improved by 1.1ppt to 41.5%, driven by a better product mix but partially offset by lower productivity from new farmland. On average, yield from new farmland takes about 3 years to reach optimum yield.

Selling and distribution expenses increased by RMB35.6 million on the back of the Group's increased advertising and promotional activities but remained capped at 2.9% of total sales. Administrative expenses remained relatively stable at RMB80.4 million in FY2011 (FY2010: RMB77.5 million). Earnings before interest, tax, depreciation and amortization ("EBITDA") increased 47.9% to RMB769.6 million, with a 3.3ppt improvement in EBITDA margin to 39.9%.

Profit before tax rose 51.1% to RMB653.8 million while net income increased 54.2% to RMB566.7 million. On the back of higher gross margin, reduced interest expenses and lower effective tax rate, net margin also improved from 25.8% in FY2010 to 29.4% in FY2011. Proforma basic earnings per share increased from RMB0.67 in FY2010 to RMB1.02 in FY2011.

Balance sheet

Total assets increased 42.4% from RMB2.4 billion as at 30 June 2010 to RMB3.4 billion as at 30 June 2011. Non-current

assets rose 175.4% to RMB2.1 billion, on the back of the China Minzhong's expansion activities in both its cultivation and processing divisions. In particular, property, plant and equipment (PPE) rose by 204.4% to RMB1.1 billion with the construction of a new Industrial Park in Putian City, Fujian Province, where the Group is headquartered. Under non-current assets, operating lease prepayments (to the farmers) and land improvement costs (investment in farmland infrastructure such as roads, irrigation and drainage systems) also increased after the Group expanded its Owned Bases during the financial year.

Current assets declined by 22.4% to RMB1.2 billion, as the Group disbursed more cash to fund the capital expenditure for expansion activities. In line with higher sales, trade receivables increased by 30.9% to RMB230.1 million. As at end August 2011, most of these trade receivables have already been collected back. Other receivables and prepayments increased by 270.8%, mainly due to prepayments for mushroom and black fungus spores purchases and deposits for capital expenditures.

Total liabilities rose by RMB389.2 million, mainly due to an RMB312.1 million increase in short-term bank loans for financing working capital requirements. Despite the increase in borrowings, the Group's net gearing remained low at 0.09. Trade payables also increased in line with higher sales to RMB84.7 million.

Net asset value per share increased from RMB4.26 as at 30 June 2010 to RMB5.22 as at 30 June 2011. Compared to the previous financial year, the Group also recorded better return on equity (ROE) of 19.5% in FY2011 (16.1% in FY2010) and return on asset (ROA) of 16.7% in FY2011 (15.4% in FY2010).

Cash Flow

The Group continued to generate healthy net cash from operations of RMB480.0 million in FY2011. In terms of working capital cycle, trade receivable turnover days dropped from 49 days to 38 days while trade payable turnover days were extended from 3 days to 15 days. Inventory turnover days remained relatively stable at 16 days (FY2010: 15 days). Overall cash conversion cycle improved from 61 days in FY2010 to 39 days in FY2011.

Net cash used in investing activities amounted to RMB1.9 billion in FY2011, on the back of funding for (i) new purchases and prepayments for property, plant and equipment (ii) land use rights for processing operations (iii) operating lease prepayments to farmers (iv) land improvement costs on new farmland. Cash flow from financing activities amounted to RMB356.3 million, arising mainly from proceeds from bank loans. As at 30 June 2011, the Group has cash and cash equivalents of RMB162.4 million.

Capex Update

Major Capex Initiatives and Working Capital Requirement (RMB in million)	Initial Capex planned over 2 years	Committed Capex amount ⁽⁶⁾	Total cash disbursement as at 30 June 2011
Increase processing capacity in Putian New Industrial Park ⁽¹⁾	1,200	1,080	814
Land use rights for industrial-use-land ⁽²⁾		237	237
Increase in king oyster mushroom cultivation capacity ⁽³⁾	1,440	104	85
Increase in black fungus cultivation capacity ⁽³⁾		70	70
Increase cultivation capacity ⁽⁴⁾		828	759
Working capital requirements for purchase of black fungus spores ⁽⁵⁾	186	143	143
Working capital requirements for purchase of mushroom spores ⁽⁵⁾	97	72	72
Total	2,923	2,534	2,180

- (1) All significant contracts relating to construction of Putian New Industrial Park have already been committed, hence minimal new capex requirements for the New Industrial Park is expected in FY2012. Out of the RMB1.1 billion contracted value, contracts relating to water pipelines construction and treatment facilities (where the New Industrial Park will be channeling water from nearby reservoirs instead of purchasing water directly from the government), amounted to RMB141 million. This is a cost-saving project initiated in 2011.
- (2) Out of the RMB237 million paid to the Putian Government, RMB145 million paid in 4QFY2011 was for reserving industrial-use-land in Putian for future expansion, in view of the scarcity of industrial-use-land in Putian City, Fujian Province, where we are headquartered.
- (3) We are expecting production of black fungus and king oyster mushrooms to ramp up in FY2012. Minimal new capex requirements for black fungus and king oyster mushrooms are expected in FY2012.
- (4) Out of the RMB828 million for cultivation farmland expansion, RMB51 million was related to the renewal of expired farmland leases.
- (5) An aggregate payment of RMB215 million was made in June 2011 for the purchase of mushroom and black fungus spores. This is part of the Group's early preparations before the peak season in FY2012, where a significant increase in cultivation activities for black fungus and mushrooms is expected. (Note: In comparison, RMB67 million was paid for the purchase of mushroom spores for FY2011 cultivation, and the bulk of payment was made only in July 2010).
- (6) Out of the approximately RMB354 million committed but not disbursed capex, approximately RMB150 million will be due for payment by December 2011, approximately RMB150 million will be due for payment by March 2012, and the remaining by June 2012.



PROCESSING

EXTENSIVE RANGE OF
PROCESSING CAPABILITIES
CATERING TO DYNAMIC
CUSTOMER REQUIREMENTS



Board Of Directors



LIN GUO RONG
Executive Chairman and CEO

Lin Guo Rong, CEO and Executive Director, is responsible for the overall management and business strategies development of the Group. Mr Lin has been with the Group and its predecessors for more than 36 years and has vast management and operational experience in the vegetables processing business. Mr Lin's visionary leadership and entrepreneurial success have been recognised with numerous awards, including "Top Hundred Entrepreneurs" by the China Media Development Institute and other development institutes; "Top Ten Individuals of the PRC Vegetables Produce Industry" by the PRC Vegetables Industry Professional Committee; "Fujian Province Model Labour" (福建省劳动模范) by the Fujian Province People's Government; and "Putian City Outstanding Entrepreneur" by the Putian Municipal People's Government. Mr Lin has been the vice-chairman of the Fujian Agricultural Industry Dragon Head Enterprise Association since 2003 and has been appointed a People's Representative of Putian People's Congress since 1987. He was also recognised as a senior economist by the Fujian Province Human Resource Agency in 1997.



LIM GEE KIAT
Non-Executive Director

Lim Gee Kiat, Non-Executive Director, is a Vice President at GIC Special Investments Pte Ltd, the private equity investment arm of the Government of Singapore Investment Corporation Pte Ltd. In Mr Lim's extensive work experience spanning more than ten years, he has worked for various companies, including DBS Vickers Securities, Fortune Venture Investment Group and SembCorp Industries. Mr Lim graduated with a Bachelor of Engineering (First Class Honours) in Electrical & Electronics from Nanyang Technological University and has a Masters of Business Administration from Nanyang Business School. Mr Lim is a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore.



LEE EDAN KIETCHAI
Non-Executive Director

Lee Edan Kietchai, Non-Executive Director, is a Managing Director of Olympus Capital Holdings Asia, a private equity investment management firm focused on the middle market in Asia. Mr Lee joined Olympus Capital in 1998 and currently serves as its head of China. He has also held roles in strategy management consulting with McKinsey & Co in the US and Australia and in business development and project management with AES China Generating Co., Ltd in mainland China. Mr Lee graduated with a Bachelor of Arts and a Bachelor of Science degree from Rice University and has a Masters of Business Administration from the Stanford Graduate School of Business.



WANG ANSON
Non-Executive Director

Wang Anson, Non-Executive Director, is the Co-Founder and Managing Partner of CMIA Capital Partners Pte. Ltd. ("CMIA"), a private equity firm focused on middle market, growth capital investment opportunities in China. Mr Wang has over 25 years of experience in private-equity and venture capital, fund management, corporate banking and finance. Prior to founding CMIA, Mr Wang was Regional Managing Director of HSBC Asset Management and was responsible for HSBC's institutional fund management business. Mr Wang was also the founding Chief Executive Officer at State Street Global Advisors (Asia), the fund management arm of the State Street Bank Corporation.

LIM YEOW HUA
Independent Director

Lim Yeow Hua, Independent Director, is currently managing Asia Pacific Business Consultants Pte Ltd, a tax and business consultancy which he founded in 2006. In Mr Lim's more than 24 years of experience in the tax, financial services and investment banking industries, he has worked for Ernst & Whinney (now known as Ernst & Young LLP), the Inland Revenue Authority of Singapore, Pricewaterhouse (now known as PricewaterhouseCoopers), KPMG, Macquarie Investment Pte Ltd, UOB Asia Limited and BP. Mr Lim holds a Bachelor's degree in Accountancy and Master's Degree in Business Administration from the National University of Singapore. He is a Fellow of the Institute of Certified Public Accounts of Singapore (ICPAS) and a Full Member of the Singapore Institute of Directors.



HENG HANG SIONG
Independent Director

Heng Hang Siong, Independent Director, is the Chief Financial Officer of Eu Yan Sang International Ltd and is responsible for the finance, investments, information technology and corporate secretarial functions of the Eu Yan Sang Group. Mr Heng has extensive financial and accounting experience in the banking, manufacturing and trading environment with several multinational and SGX listed companies including Phillips Electronics Singapore Pte Ltd, Novena Holdings, Nextec Applications, Brightway Petrochemical Co., Ltd, JK Yaming International Holdings Ltd, Hsu Fu Chi International Ltd and Alantac Technology Ltd. Mr Heng graduated with a Bachelor of Business Administration (Finance and Investment Management) from the City University of New York and a Master of Science (Accounting and Information Management) from Pace University, New York. Mr Heng is a Certified Public Accountant with the Institute of Certified Public Accountants of Singapore and the American Institute of Certified Public Accountants and is also a member of the Institute of Management Accountants, Institute of Certified Internal Auditors, a full member of Singapore Institute of Directors and a council member of the Singapore-Guangdong Collaboration Council. Mr Heng is the winner of the prestigious Best CFO of the Year 2010 Award of the Singapore Corporate Awards.



Key Management



WANG DA ZHANG Chief Operations Officer

Wang Da Zhang, Chief Operations Officer, is responsible for the day-to-day operations of the Group. Mr Wang has been with the Group and its predecessors for more than 36 years and has vast experience in the vegetables processing industry. Mr Wang was appointed as a People's Representative of Putian City Chengxiang District People's Congress from 1992 to 1997 and was awarded "Putian City Model Labour" (莆田市劳动模范) by the Putian City People's Government in 2001.

HUANG BING HUI Chief Technology Officer

Huang Bing Hui, Chief Technology Officer, is responsible for all technical issues of the Group. He has been with the Group and its predecessors for more than 36 years with vast experience in the technical aspects of vegetable processing. He started out as a general worker and rose to become the head of the technical department. Mr Huang completed his high school education in the PRC.

SIEK WEI TING Chief Financial Officer

Siek Wei Ting, Chief Financial Officer, joined the Group in 2004 and is responsible for the overall financial and accounting functions of the Group. Mr Siek has over ten years of professional experience in audit and corporate management. He was an audit supervisor at Deloitte & Touche and Ernst & Young, as well as Senior Vice President at Southern Bank Berhad, a leading Malaysian Bank listed on the Kuala Lumpur Stock Exchange, where he was responsible for commercial and retail banking operations. Mr Siek was previously also Chief Executive Officer of EBBIS Pte Ltd. Mr Siek graduated from the Nanyang Technological University of Singapore with a degree in accounting and was awarded the Nanyang Outstanding Young Alumni Award Recipient (2008) by the University for his outstanding career achievements.

PROFESSOR LIN MEI XI Head of Processing Technology Team

Professor Lin Mei Xi, Head of Processing Technology Team, is responsible for the research and development activities in the Group. Prior to joining the Group, Professor Lin was the deputy general manager of Putian Food Product Factory, as well as the senior engineer, processing technology manager, and general manager of Fujian Yajun Food Product Industry Co., Ltd. Professor Lin has been a certified senior engineer for more than 20 years and has extensive experience in food processing research. Professor Lin was appointed as and is currently a

visiting professor with the College of Food Sciences of Fujian Agriculture and Forestry University and the College of Biological Science and Technology of Fuzhou University. Professor Lin graduated from Fuzhou University with a degree in Food Product Engineering in 1982.

CHEN JIAN FANG Head of Cultivation Bases

Chen Jian Fang, Head of Bases and Contract Bases, is responsible for the overall supervision and operations of the Group's Bases and Contract Bases. Mr Chen was certified as an Internal Inspector for ChinaGAP by Sai Fu De (Xiamen) Food Technology Co., Ltd.. Mr Chen graduated from Fujian Agriculture and Forestry University with a degree in Agriculture Conservation.

ZHENG LI XIA Head of Quality Assurance Department

Zheng Li Xia, Head of Quality Assurance Department, is responsible for leading the Group in HACCP, ISO9001, ISO14001 and OHSAS18001 compliance training activities. Ms Zheng is trained in ISO9001 Quality System Management Standards, ISO14001 and OHSAS18001 and is certified by the China Certification & Inspection Group (Quality Certification Co., Ltd) as a qualified Quality Internal Auditor, State Registered Internal Inspector for both Environment Management System (ISO14001), as well as Occupational Health & Safety Management (OHSAS18001) and Internal Inspector for Quality Management System (ISO9001). Ms Zheng was also certified as an Internal Inspector for ChinaGAP by Sai Fu De (Xiamen) Food Technology Co., Ltd and an Internal Inspector for Onsite Production Management, Quality Inspection and 5S Management by CQCC. Ms Zheng graduated from Fujian Province Xianyou County Education with a high school education and obtained a certificate in Food Inspection (Intermediate level) from Fujian Province Putian City Occupational Skill Examination and Guidance Center.

YU QIU RONG Head of Sales and Marketing Department

Yu Qiu Rong, Head of Sales and Marketing Department, is responsible for all sales and marketing activities in the Group. Prior to joining the Group, Mr Yu was the supervisor of Fujian Shuang Feng Xue Ye Co., Ltd, as well as the supervisor of Fujian Hua Lun Ying Dyeing Factory in Putian. Mr Yu graduated from Jiang Le Yi Zhong High School. Currently, Mr Yu is pursuing a Bachelor of Business degree from Dong Bei Business University and is due to graduate in 2012.

Investor Relations



Transparency, accessibility, and regular communication are at the core of our investor relations (IR) philosophy. To ensure that the investment community is regularly updated on the Group's progress, we take a proactive approach in our IR efforts to engage our shareholders, investors, and the relevant parties while upholding the integrity and quality of our corporate disclosures.

China Minzhong maintains open communication channels with the investor community on a regular basis. We conduct face-to-face briefings for full year results while teleconference briefings are organised for the quarterly results. Analysts and fund managers are invited to the briefings and are encouraged to ask questions and raise issues during the sessions. We have also taken every opportunity to increase our exposure within the investor community. In the last financial year, we have attended in total 17 investor conferences organised by the various brokerages.

In addition, the management also participated in non-deal overseas roadshows to U.S., Europe, Hong Kong and Malaysia as part of our concerted efforts to broaden our investor base. We also conduct regular meetings and calls with shareholders, analysts and fund managers to update them on

the developments and progress of the Company. Regular site visits to our processing facilities and cultivation bases are also organised to help facilitate the investors' understanding of our business operations. The firsthand experiences by the visitors on our emphasis on food safety and quality assurance have further strengthened their confidence in China Minzhong as a leading food player in the industry.

CORPORATE GOVERNANCE AND TRANSPARENCY

Since our Initial Public Offering ("IPO") in April 2010, we have been constantly making efforts to raise the bar on our corporate governance controls and transparency to the investors. Apart from the normal regulatory requirements, some of the other measures which the Company has taken include:

- (1) Engagement of Deloitte & Touche as Internal Auditors since 2008 to strengthen company's internal controls.
- (2) Full disclosure of land leases details in annual report and land-leasing announcement (including the exact location of land leases, gross area, start and end of tenures etc.).
- (3) Disclosure of farmland yield and individual product contributions for benchmarking.

ANALYST COVERAGE

Today, China Minzhong is well-covered by a total of 10 research houses. These include:

Research Houses	Name of Analyst Covering	Ratings	Target Price (\$)	Date of last report
Foreign Institutions				
Macquarie	Jake Lynch			
	Jamie Zhou	BUY	2.35	30-Aug-11
Standard Chartered	Pauline Lee	BUY	1.97	30-Aug-11
JP Morgan	Ying-Jian Chan	BUY	2.20	29-Aug-11
BNP Paribas	Brenda Lee	BUY	2.09	10-Jun-11
Local Institutions				
DBS Vickers	Alfie Yeo	BUY	1.28	30-Sep-11
CIMB	Lee Mou Hua	BUY	1.22	29-Sep-11
Kim Eng	Eric Ong	BUY	1.85	06-Sep-11
UOB Kayhian	Brandon Ng	BUY	2.00	01-Sep-11
DMG & Partners	Tan Han Meng	BUY	1.68	31-Aug-11
Lim & Tan Securities	Linus Loo	BUY	-	31-Aug-11
	Average		1.85	

In addition to the above, other financial institutions such as CLSA, Citi Investment Research, IIFL Institutional Equities, OCBC Investment Research and NRA Capital have also issued non-rated reports on China Minzhong in the past financial year.

Frequently Asked Questions

(1) Please describe the farmland leasing model for your upstream fresh vegetables cultivation.

- a. All agricultural farmland in PRC is owned by the government and individual farmers only possess the farming rights to the farmland they are allocated.
- b. The operating of our owned cultivation bases involves the collective leasing of farming rights (from the farmers) through the respective village committees. The Group will typically enter into lease agreements for ten years so as to lock in the lease cost and fully realize the investment made on land improvements (eg. roads, irrigation and drainages) on the farmlands.
- c. Farmers will be given an upfront one-off payment for the lease and be paid monthly wages for the part-time labour they provide on the farmland.

(2) Why is the PRC government supportive of large-scale farming?

- a. On the back of population growth and increasing urbanization, food security is an increasingly concern for the PRC government. Large-scale farming by corporations or collective enterprises typically comes with higher productivity and more stable supplies, which will help alleviate the food security issues.
- b. With the growing rural-urban income gap in China, the government is also obliged to raise the livelihood of the farmers. This objective is achieved with large scale farming when corporations pay farmers for both the leasing of the farming rights and the farming labour. The sums received by the farmers are usually in excess of what they were earning previously when they manage their own farmland.

(3) Why would the farmers want to lease farmland (or farming rights) to you?

- a. Individual farmers are very dependent on weather and market factors for the yield on their farmland. Vegetable price fluctuations and weather calamities could potentially wipe out the bulk of their income for the year.
- b. Farmers who lease out their farming rights to us will receive both rental income and wages for the part time labour they provide on the farmland. This is easily about two to three times compared to what they were earning previously.
- c. The villages which we target tend to have most of the able-bodied men and women already migrated to the cities to work. The older folks left in the villages are staying back mainly because of lifestyle reasons and are typically more laid back. Most of the time, they will prefer to get some stable income by leasing out the farmland and by providing some part-time labour.

(4) Do you find the leasing of farmland (or farming rights) getting increasingly competitive in today's environment?

- a. As of today, the corporations and the large scale collective enterprises account for less than 2% of total vegetable production in China, with the remaining 98% are still dominated by individual farmers. As such, there is still a lot of room for us to expand.
- b. So far, we have not entered into competitive bidding with our peers for land leases. Most of the time, our contacts with the village committees for farmland leasing is done by way of invitation through the local mayors who are looking to raise the standards of living of the farmers in their area.
- c. Our status as a "National Leading Dragon Head Enterprise" in China since 2002, has also placed us on the priority lists of the local governments.

(5) Are you generally a beneficiary of food inflation?

- a. Yes, we are. While the prices of our processed vegetables have already been contracted before the cultivation season, we get to reap extraordinary profits on our fresh vegetables.
- b. On the other hand, our integrated business model helps to cushion us if vegetable prices were to fall in a market down cycle. As far as our working capital allows, we will process the excess fresh vegetables, keep them as inventories (which are good for three years) in our warehouses and sell them again when prices rebound the following year.

(6) Is the PRC government likely to put any price controls on vegetables?

We do not foresee the PRC government placing direct price controls on vegetables for the following reasons:

- a. One of the key objectives of the PRC government for the agriculture sector is to raise the livelihood of the farmers. By placing price caps on vegetables amidst an inflationary environment, the government will be directly hurting the farmers' incomes and be in conflict with their policy goals.

- b. There are an estimated 700 million farmers and few hundred types of vegetable species in China. Any form of price restrictions (which need consistent monitoring) will be an arduous task with the many points of sales and large product variety.
- c. The government has however clamped down on speculative activities on vegetable prices. In addition, they have also implemented measures which are targeted at lowering the production and distribution costs so as to ease inflation pressures.

(7) Are your high margins sustainable?

We have many competitive advantages (in terms of cultivation techniques, economy of scale and distribution network) over the individual farmers who contribute more than 98% of vegetable production under China's agricultural landscape. The aggregate large volume contributions from the lower-yield production of small farmers have helped to ensure the sustainability of our margins. Besides having the expertise to grow higher value crops, some of the things which we do differently from individual farmers include:

- a. Having land improvement infrastructure (eg. drainage and irrigation systems) on our cultivation bases. With only small plots of land to manage, individual farmers do not have the incentives and resources to do much land improvement, hence making their land (and yield) very susceptible to weather conditions.
- b. The use of imported seeds which enhances the yield. Due to the lack of resources and accessibility to bigger suppliers, individual farmers typically use local seeds.
- c. Unlike the individual farmers, we do not sow the seeds directly onto the ground, in the hope that all the seeds will germinate. Instead, we will first nurture the seeds in the nurseries and upon germination, the seedlings will be planted on the farmland, hence optimizing the available space on the farmland and ensuring appropriate spacing between individual crops for them to grow optimally.

(8) What cost pressures are you seeing in the near term?

- a. We expect the lease costs of farmland to be on the uptrend, underpinned by the ongoing food inflation trends. However, the lease costs have already locked in for our existing farmland for the rest of the tenure (average of about seven to eight years remaining).
- b. Our raw materials comprise mainly of fertilizers and seeds. Fertilizer costs are correlated to international oil prices, the rise of which is a main contributor to food inflation. As most of our seeds are imported from overseas (purchases denominated in USD), its absolute costs in RMB is on the decline.

(9) What are the major risks and challenges in your business and how do you overcome them?

- a. RMB appreciation. While most of our key products (eg. champignon mushrooms, German chives, etc.) are still very price competitive compared to the local suppliers in Europe and US, the continuing appreciation of the RMB implies that these products will slowly lose their price competitiveness. While the short term strategy to protect our margins is to price in RMB appreciation in our contracts and sell our processed vegetables to export distributors based in the PRC (sales denominated in RMB), the long term strategy will be to continuously shift towards higher value products.
- b. Weather risks. It is known in the agriculture sector that any adverse changes in weather patterns could potentially affect the farmland yield. To mitigate this, we generally choose to lease farmland only in premium locations (away from drought or flood prone zones) and construct land improvement infrastructure (in the form of roads, irrigation and drainage systems) to better shelter us against any weather adversities. As a further protection, we also have escape clauses in our contracts with customers in the event that we are unable to deliver our products due to Acts of God.
- c. Redevelopment risks. While this has not happened before in our operating history, there could be a possibility that the local government could rezone certain farmland areas for commercial or industrial developments. To mitigate this risk, we generally choose farmland that is at least 2 hours drive from the city centre (or 1 hour drive away if it is located in a mountainous region), so that any chances of redevelopment during our ten years of tenure is almost negligible.
- d. Managerial talent. With increasing urbanization in the PRC, it is getting more difficult to find qualified farmland supervisors who are willing to relocate and reside in the rural villages all year round. To manage this, we have started (1) scholarships for undergraduates pursuing agriculture or food processing degrees (2) internships for undergraduates (so that we have a first choice of talent) (3) tying up with local agriculture bureaus to second agriculturists to our plantations.

Accolades & Milestones

1971

- Established and begun operations in vegetables processing and export.

1999

- Introduced freeze-drying, fresh-packing, brining and IQF to the Group's vegetables processing methods to meet customers' needs and widen product range.
- Entered organic farming through acquisition of an organic farm in Xianyou County, Fujian Province.

2002

- Awarded the National Leading Dragon Head Enterprise award (农业产业化国家重点龙头企业) by the Ministry of Agriculture and other governmental authorities.

2004

- Management buyout of Fujian Minzhong Organic Food Co., Ltd. under a government scheme to privatise certain non-core state-owned assets. The Company also raised additional capital of S\$9 million from investors by means of a convertible loan to fund its expansion and became a wholly owned foreign enterprise.

2005

- Expanded organic farming business through acquisition of a second organic base in Putian City.
- Set up new processing facility in Yunnan.
- Awarded ISO 9001:2000 Quality Management System Certificate, HACCP-EC-01 (ISODIS22000) Certificate of Food Safety Management System and GB/T:28000 Occupational Health & Safety Management Certificate.

2006

- Further diversified geographical presence in China through establishment of cultivation bases in Shanghai, Sichuan and Inner Mongolia.
- HFIL (wholly owned private equity fund managed by CMIA Capital Partners Pte. Ltd.) and Olympus Leaf (wholly owned private equity fund managed by Olympus Capital Holdings Asia) as well as Tetrad Ventures (wholly-owned by Government of Singapore Investment Corporation (Ventures) Pte. Ltd.)

became shareholders of the Company and also subscribed for redeemable convertible bonds issued by the Company with an aggregate principal amount of US\$23 million for the purpose of funding the Company's expansion within the PRC.

2008

- Set up new cultivation base in Hubei.
- Awarded the ISO14000: Environment Management System Certificate (环境管理体系认证证书).
- Additional funding from OCBC Capital through a convertible loan of US\$9 million.

2009

- Awarded Organic Certification by BCS Oko-Garantie GmbH for bamboo shoots, cauliflowers, tomatoes, shiitake, mushrooms, green onions, spring onions, garlic, celery, cabbage and broccoli produced in accordance with standards adopted by the European Union.

2010

- Successfully listed on the Singapore Exchange Mainboard.
- Awarded National Leading Dragon Head Enterprise award for 8 years since 2002.

POST-LISTING

July 2010 — Establishment of Tianjin Minzhong for expansion of king oyster mushroom business.

August 2010 — Reallocated resources in Sichuan to grow black fungus, which accounted for 9.7% of sales in FY11 (from 0% in FY10).

November 2010 — First significant harvest of organic vegetables. Started sales of organic vegetables in organic specialty stores and supermarket chains

April 2011 — Set up new cultivation base in Jiangxi. Doubling of vegetable cultivation farmland area from IPO.

May 2011 — Doubling of king oyster mushroom cultivation capacity.

June 2011 — Kick started operations at first phase of new Industrial Park in Putian.





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Corporate Governance

China Minzhong Food Corporation Limited (the "Company") was listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 15 April 2010.

The Company is committed to ensuring and maintaining a high standard of corporate governance within the Company and its subsidiaries (the "Group"). Good corporate governance establishes and maintains a legal and ethical environment, which helps to preserve and enhance the interests of all shareholders.

This report describes the corporate governance framework and practices of the Company with specific reference to the principles of the Singapore Code of Corporate Governance introduced in April 2001 and amended in 2005 (the "2005 Code").

This Report should be read as a whole, instead of being read separately under the different principles of the 2005 Code.

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company.

Role of the Board of Directors ("Board")

Principle 1: The Board's Conduct of Affairs

The Board assumes responsibility for stewardship of the Group and is primarily responsible for the protection and enhancement of long-term value and returns for the shareholders. It supervises the management of the business and affairs of the Group, provides corporate direction, monitors managerial performance and reviews financial results of the Group. In addition, the Board is directly responsible for decision making in respect of the following matters:

- a. approve the business strategies including significant acquisition and disposal of subsidiaries or assets and liabilities;
- b. approve the annual budgets, major funding proposals, significant capital expenditures and investment and divestment proposals;
- c. approve the release of the Group's quarterly and full year's financial results and interested person transactions;
- d. oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls, as may be recommended by the Audit Committee;
- e. review the performance of Management, approve the nominees to the Board of Directors and appointment of key executives, as may be recommended by the Nominating Committee;
- f. review and endorse the framework of remuneration for the Board and key executives, as may be recommended by the Remuneration Committee; and
- g. corporate policies in keeping with good corporate governance and business practice.

The Board provides shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a quarterly basis.

To assist in the execution of its responsibilities, the Board has established a number of Board committees which include an Audit Committee ("AC"), a Nominating Committee ("NC") and a Remuneration Committee ("RC"), each of which functions within clearly defined terms of reference and operating procedures which are reviewed on a regular basis.

Board meetings and meetings of Board committees

The Board meets on a quarterly basis and whenever necessary for the discharge of their duties. Dates of the Board meetings are normally set by the directors well in advance. Meetings of the Board and Board Committees may be conducted by way of telephone and video conferencing, if necessary. Decisions of the Board and Board Committees may also be abstained through circular resolutions.

The number of meetings held by the Board and Board committees and attendance thereat during the financial year ended 30 June 2011 are as follows:

Directors	Board		AC		RC		NC	
	No. of meetings	Attended	No. of meetings	Attended	No. of meetings	Attended	No. of meetings	Attended
Lin Guo Rong	4	4	4	4*	1	1*	2	2*
Lim Gee Kiat	4	4	4	4*	1	1*	2	2*
Lee Edan Kietchai	4	4	4	4	1	1*	2	2
Wang Anson	4	4	4	4*	1	1	2	2*
Heng Hang Siong	4	4	4	4	1	1	2	2
Lim Yeow Hua	4	4	4	4	1	1	2	2

Note: *attendance by invitation.

Training

The Board will constantly examine its size and, with a view to determining the impact of its number upon effectiveness, decide on what it considers an appropriate size for itself. The composition of the Board will be reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience.

Mr Lim Yeow Hua, a Non-Executive and Independent Director, has prior experience as director of public listed companies in Singapore and is familiar with the roles and responsibilities of a director of a public listed company in Singapore.

The other directors, namely, Mr Lim Gee Kiat, Mr Lee Edan Kietchai, Mr Wang Anson, Mr Heng Hang Siong and Mr Lin Guo Rong have many years of corporate experience and have been acting as our directors since the Company's listing on 15 April 2010, and are familiar with their duties and responsibilities as directors of a company listed on the SGX-ST.

Our directors have always been updated by the Executive Chairman and Chief Executive Officer and/or senior management of the Company on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as directors. Directors also have the opportunity to visit the Group's operational facilities and meet with the management to gain a better understanding of the Group's business operations. The directors are also briefed by professionals either during Board meetings or at separate meetings on regulatory changes which have an important bearing on the Company and the directors' obligations to the Company.

The Company welcomes Directors to seek explanations or clarifications from and/or convene informal discussions with the Management on any aspect of the Group's operations or business. Necessary arrangements will be made for the informal discussions or explanations as and when required.

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board consists of six (6) directors of whom two (2) are independent. The list of directors is as follows:

Executive Directors

Lin Guo Rong (Executive Chairman and Chief Executive Officer)

Non-Executive Directors

Lim Gee Kiat (Non-Executive Non-Independent Director)

Edan Lee (Non-Executive Non-Independent Director)

Wang Anson (Non-Executive Non-Independent Director)

Lim Yeow Hua (Lead Independent Director)

Heng Hang Siong (Independent Director)

The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is conducive to effective discussions and decision making and which is of the view that the current Board size of six (6) directors of which two (2) are independent directors, is appropriate and effective, taking into account the nature and scope of the Company's operations.

On 1 September 2011, Mr Wang Dazhang (alternate director to Mr Lin Guo Rong) has resigned as the alternate director to Mr Lin Guo Rong. As the Chief Operations Officer ("COO") of the group, Mr Wang Dazhang is responsible for the day-to-day operations of the Group. After the resignation of Mr Wang Dazhang as the alternate director to Mr Lin Guo Rong, he will remain as the COO of the Group and will dedicate more time to fulfill his responsibilities as the COO of the Group.

The current Board comprises persons with diverse expertise and experience in accounting, business and management, finance and risk management who as a group provide core competencies necessary to meet the Company's requirements. The directors' objective judgement on corporate affairs and collective experience and knowledge are invaluable to the Group and allows for the useful exchange of ideas and views.

Independence of directors

The NC reviews the independence of each director on an annual basis based on the Code's definition of what constitutes an independent director. The NC is of the view that the two (2) independent directors (who represent at least one-third of the Board) are independent and that there is a strong and independent element on the Board which is able to exercise objective judgement on corporate matters independently, in particular, from Management, and that no individual or small group of individuals dominate the Board's decision-making process.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

Mr Lin Guo Rong, the founder of the Group, is the Executive Chairman and Chief Executive Officer ("CEO") of the Company. He is responsible for the business direction, long term strategic planning and its overall management and operations of the Group.

He is also responsible for, among others, the exercise of control over quantity, quality and timeliness of the flow of information between the management of the Company and the Board. He, with the assistance of the Company Secretary, schedules Board meetings, oversees the preparation of the agenda for Board meetings and assists in ensuring compliance with the Group's guidelines on corporate governance.

Mr Lin together with the management comprising each subsidiary's general managers and key senior managers, are responsible for the day-to-day management of the Group.

Under the 2005 Code, companies may appoint an Independent Non-Executive Director to be the lead independent director where the Chairman and CEO is the same person. Accordingly, Mr Lim Yeow Hua was appointed as the Lead Independent Director on 30 June 2009.

Mr Lim Yeow Hua, being the Lead Independent Director of the Company, is available to Shareholders where they have concerns, which contact through the normal channels of the Chairman and CEO has failed to resolve or for which such contact is inappropriate.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.

Currently, the NC comprises of a majority of Non-executive and Independent directors. It is chaired by Mr Heng Hang Siong (a non-executive and independent director) with the following directors as members:

Lim Yeow Hua	(Non-Executive and Independent)
Lee Edan Kietchai	(Non-Executive and Non-Independent)

The primary functions of the NC are as follows:

- to identify candidates and review all nominations for the appointment or reappointment of members of the Board, the CEO of the Group, and to determine the selection criteria therefor;
- to ensure that all Board appointees undergo an appropriate induction programme;
- to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;
- to decide whether a director is able to and has been adequately carrying out his duties as director of the Company, particularly where the director has multiple board representations;
- to review the independence of each director annually;
- to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval; and
- to evaluate the effectiveness of the Board as a whole and assesses the contribution by each individual director, to the effectiveness of the Board.

Corporate Governance

For the year under review, the NC held two (2) meetings.

The directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three (3) years. Under the Company's existing Articles of Association, one-third of the directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. In reviewing and recommending to the Board the re-nomination and re-election of existing directors, the NC takes into consideration the directors' contribution and performance at Board meetings, including attendance, preparedness, participation and candour.

Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his own performance or re-nomination as a director.

The NC is satisfied that sufficient time and attention are being given by the directors to the affairs of the Company and Group, notwithstanding that some of the directors have multiple board representations.

In its search and nomination process for new directors, the NC has, at its disposal, search companies, personal contacts and recommendations, to cast its net as wide as possible for the right candidates.

Key information regarding the directors is set out on page 14 and 15.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The NC reviews the criteria for evaluating the Board's performance and recommends to the Board a set of objective performance criteria focusing on enhancing long-term shareholders' value. Based on the recommendations of the NC, the Board has established processes for evaluating the effectiveness of the Board as a whole.

The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with management and standards of conduct of the directors.

In the course of the year, the NC has conducted the assessment by preparing a questionnaire to be completed by each director, of which were then collated and the findings were analyzed and discussed with a view to implementing certain recommendations to further enhance the effectiveness of the Board.

Access to Information

Principle 6: In order to fulfil their responsibilities, board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.

To assist the Board in fulfilling its responsibilities, the management provides the Board with a management report containing complete, adequate and timely information prior to the Board meetings. All directors have separated and independent access to the management, including the Company Secretary at all times. The Company Secretary attends all Board meetings and ensures that Board procedures and all other rules and regulations applicable to the Company are complied with.

Changes to regulations are closely monitored by Management and for changes which have an important bearing on the Company or the Directors' disclosure obligations, the Directors are briefed either during Board meetings.

The directors and the chairmen of the respective committees, whether as a group or individually are able to seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such professional advisor is subject to approval by the Board.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Currently, the RC comprises of a majority of Non-executive and Independent directors. It is chaired by Mr Lim Yeow Hua (Non-Executive and Independent) with the following directors as members:

Heng Hang Siong	(Non-Executive and Independent)
Wang Anson	(Non-Executive and Non-Independent)

The members of the RC have many years of corporate experience and are knowledgeable in the field of executive compensation. In addition, the RC has access to expert professional advice on remuneration matters as and when necessary.

The responsibilities of the RC include the following:

- to review directors' fees to ensure that they are at sufficiently competitive levels;
- to review and approve any proposal relating to and administer the CMZ Employee Share Option Scheme 2010 ("ESOS") for directors, senior management and executives;
- to review and advise the Board on the terms of appointment and remuneration of its members, CEO, key executive officers, senior management of the Group and all managerial staff who are related to any of the directors or the CEO;
- to review the terms of the employment arrangements with management so as to develop consistent group wide employment practices subject to regional differences;
- to recommend to the Board in consultation with senior management and the Chairman of the Board, any long term incentive scheme; and
- to review and approve any proposals or recommendations relating to senior management's remuneration.

For the year under review, the RC held one (1) meeting.

The RC reviews all aspects of remuneration and compensation packages including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

No director is involved in determining his own remuneration.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more for this purpose. A proportion of the remuneration, especially that of executive directors, should be linked to performance.

In setting remuneration packages, the RC takes into consideration the prevailing economic situation, the pay and employment conditions within the industry and in comparable companies. As part of its review, the RC ensures that the performance related elements of remuneration form a significant part of the total remuneration package of executive directors and is designed to align the directors' interests with those of shareholders and link rewards to corporate and individual performance. The RC also reviews all matters concerning the remuneration of non-executive directors to ensure that the remuneration commensurate with the contribution and responsibilities of the directors. The Company submits the quantum of directors' fees of each year to the shareholders for approval at each Annual General Meeting.

Non-executive directors have no service contracts. The executive directors have service contracts and they do not receive directors' fees for the year under review.

Long term incentive scheme

The China Minzhong Organic Food Corporation Pte. Ltd. Employee Share Option Scheme ("2008 Option Scheme") was implemented in June 2008 as an incentive plan for the directors, senior management and executives. The 2008 Option Scheme has since been terminated pursuant to the adoption of a new employee share option scheme – the CMZ Employee Share Option Scheme 2010.

The termination of the 2008 Option Scheme will not affect the validity of the options that have been granted under the 2008 Option Scheme. During the year, employees and executive directors who were granted Options pursuant to the 2008 Option Scheme had exercised their options after the end of their relevant vesting periods. The 2008 Option Scheme had since expired on 30 June 2011.

CMZ Employee Share Option Scheme 2010 was implemented on 31 March 2010 as a long-term incentive plan to replace the 2008 Option Scheme for executive directors, non-executive directors and employees based on individual performance. It is administered by the RC. As at 21 September 2011, an aggregate of 2,462,000 ESOS options had been granted under CMZ Employee Share Option Scheme 2010.

Details of the ESOS are set out in Note 31 to the financial statements.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report.

A breakdown of the remuneration of the directors and the top 6 key executives (who are not also directors) for the financial year ended 30 June 2011 are set out below:

Remuneration of the directors and alternate director

Remuneration band and names of directors	Salary ⁽¹⁾⁽²⁾	Bonus ⁽¹⁾⁽²⁾	ESOS ⁽¹⁾⁽²⁾	Directors' fees	Total
Between S\$500,000 to S\$749,999					
⁽¹⁾ Lin Guo Rong	45%	35%	20%	–	100%
Below S\$250,000					
Lim Gee Kiat	–	–	–	100%	100%
Lee Edan Kietchai	–	–	–	100%	100%
Wang Anson	–	–	–	100%	100%
Lim Yeow Hua	–	–	–	100%	100%
Heng Hang Siong	–	–	–	100%	100%
Wang Dazhang (resigned on 1 September 2011 as an alternate director to Lin Guo Rong)	38%	42%	20%	–	100%

Remuneration of top 6 Key Executives (who are not directors)

Remuneration band and names of key executives (who are not directors)	Salary ⁽¹⁾⁽²⁾	Bonus ⁽¹⁾⁽²⁾	ESOS ⁽¹⁾⁽²⁾	Directors' fees	Total
Between S\$250,000 to S\$499,999					
Siek Wei Ting ⁽¹⁾	43%	37%	20%	–	100%
Huang Bing Hui ⁽¹⁾	38%	42%	20%	–	100%
Below S\$250,000					
Professor Lin Mei Xi	100%	–	–	–	100%
Chen Jian Fang	100%	–	–	–	100%
Zheng Li Xia	100%	–	–	–	100%
Yu Qiu Rong	100%	–	–	–	100%

(1) These are under the service agreements entered for a period of three years each with effect from the date of listing on 15 April 2010.

(2) Remuneration includes the value of the share-based payments accrued for the financial year ended 30 June 2011 pursuant to the CMZ Employee Share Option Scheme 2010.

There are no employees of the Group who are immediate family members of a director or the CEO and whose remuneration exceeds S\$150,000 during the financial year ended 30 June 2011.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board is accountable to the shareholders while the Management is accountable to the Board.

The Board endeavors to ensure that the annual audited financial statements and quarterly announcements of the Group's results present a balanced and understandable assessment of the Group's position and prospects. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial and other price sensitive information are disseminated to shareholders through announcements via SGXNET.

Audit Committee

Principle 11: The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

The AC inter alia, oversees the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group. It comprises of majority of Non-executive and Independent directors which is chaired by Mr Lim Yeow Hua (a non-executive and independent director) with the following directors as members:

Heng Hang Siong (Non-Executive and Independent)
Lee Edan Kietchai (Non-Executive and Non-Independent)

All members of the AC have many years of experience in senior management positions in both financial and industrial sectors. The Board is of the view that the AC members, having accounting and related financial management expertise or experience, are appropriately qualified to discharge their responsibilities.

During the past financial year, the AC had held four (4) meetings with the senior management, two (2) meetings with the external auditors and one (1) meeting with the internal auditors of the Company to discuss and review the following matters:

- the audit plans of the external and internal auditors of the Company, and their reports arising from the audit;
- the adequacy of the assistance and cooperation given by the Company's management to the external and internal auditors;
- the financial statements of the Company and the consolidated financial statements of the Group;
- the quarterly and annual announcement of the results of the Group before submission to the Board for approval;
- the adequacy of the Group's internal controls in respect of the management, business and service systems and practices;
- legal and regulatory matters that may have material impact on the financial statements, compliance policies and programmes and any reports received from regulators;
- the review of product liability insurance coverage annually;
- the cost effectiveness, independence and objectivity of the external auditors;
- the approval of compensation to the external auditors;
- the nature and extent of non-audit services provided by the external auditors;

- the recommendation to the Board for the appointment or re-appointment of the internal and external auditors of the Company;
- to report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and
- interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with.

In performing its functions, the AC:

- met once with the external auditors (without the presence of the Company's management) and conference call with the internal auditors and reviewed the overall scope of the external and internal audit and the assistance given by the management to the auditors;
- has explicit authority to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention with full access to records, resources and personnel to enable it to discharge its function properly; and
- has full access to and cooperation of the management and full discretion to invite any director or executive officer to attend its meetings.

The external and internal auditors have unrestricted access to the AC.

The AC has undertaken a review of all the non-audit services provided by the external auditors during the year under review and is satisfied that such services would not, in the AC's opinion, affect the independence of the external auditors. The AC recommends to the Board the re-appointment of Crowe Horwath First Trust LLP as the external auditors of the Company at the forthcoming Annual General Meeting.

The Company has a whistle blowing policy which provides well-defined and accessible channels in the Group through which employees may raise concerns about improper conduct within the Group. Details of the whistle blowing policy and arrangements have been made available to the employees.

The AC has reviewed on the Company's key financial risk areas and noted that save from the exchange rate differences, the Group has not entered into any financial contracts which will give rise to financial risks.

Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

Internal Controls

The Board ensures that the management maintains a sound system of internal controls and effective risk management policies to safeguard the shareholders' investment and the Company's assets and in this regard, is assisted by the AC which conducts the reviews.

The Company's internal and external auditors conduct an annual review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk assessment at least annually to ensure the adequacy thereof. This review will be conducted by the Company's internal and external auditors which will then present their findings to the AC. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the management on the recommendations made by the internal and external auditors in this respect.

The AC, with the assistance of the external auditors, have reviewed, and the Board is satisfied that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's management throughout the financial year ended 30 June 2011 up to the date of this report is adequate to meet the needs of the Group in its current business environment.

In addition, the AC and the Board reviewed the effectiveness of the Group's system of internal controls in light of key business and financial risks affecting the operations.

The system of internal control provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

However, the Board notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Deloitte & Touche LLP ("D&T") a professional accounting firm has been appointed to carry out the internal audit functions. D&T has also carried out major internal control checks and compliance tests as instructed by the AC. The AC has reviewed the internal auditors' report and is satisfied that there are adequate internal controls in the Group.

Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The AC also reviews and approves the annual internal audit plans and resources to ensure that D&T has the necessary resources to adequately perform its functions.

The Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors ("Standards") are used as a reference and guide by the Company's internal auditors.

(D) COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company believes that a high standard of disclosure is key to raising the level of corporate governance. Quarterly results and news releases are published through the SGXNET. All information of the Company's new initiatives are first disseminated via SGXNET followed by a news release. In addition, the Company also holds analysis briefing of its quarterly and full year results.

The Company does not practice selective disclosure. Price sensitive information is publicly released and results and annual reports are announced or issued within the mandatory period and are available on the Company's website. All shareholders of the Company receive the annual report and notice of Annual General Meeting ("AGM"). The notice of AGM is also advertised in the newspaper.

The Company welcomes the views of the shareholders on matters concerning the Company and encourages shareholders' participation at Annual General Meetings. The chairmen of the AC, NC and RC of the Company are normally present at the general meetings to answer questions from the shareholders. The external auditors will also be present to assist the directors in addressing any relevant queries by shareholders.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

The Company Secretary prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the board and management. These minutes are available to shareholders upon request.

(E) DEALINGS IN SECURITIES

The Company has issued a guideline on share dealings to all directors and employees of the Group which sets out the code of conduct on transactions in the Company's shares by these persons, the implications of insider trading and general guidance on the prohibition against such dealings.

In line with Listing Rule 1207(18) issued by the SGX-ST, the Company issues a notification to all officers of the Company informing them that they should not deal in the securities of the Company during the periods commencing one month before the announcement of the Company's full-year results and two weeks before the Company's quarterly or half-year results until after the announcement. They are also discouraged from dealing in the Company's shares on short term considerations.

The Board confirms that for the financial year ended 30 June 2011, the Company has complied with Listing Rule 1207(18).

(F) INTERESTED PERSON TRANSACTION

As a listed company on the SGX-ST, the Company is required to comply with Chapter 9 of the Listing Manual of the SGX-ST on interested person transactions. To ensure compliance with Chapter 9, the Company has taken the following steps:

- The Board meets to review if the Company will be entering into any interested person transaction. If the Company intends to enter into an interested person transaction, the Board of Directors will ensure that the Company complies with the requisite rules under Chapter 9.
- The AC has met and will meet regularly to review if the Company will be entering into an interested person transaction, and if so, the AC ensures that the relevant rules under Chapter 9 are complied with.

Corporate Governance

Our Executive Chairman and Chief Executive Officer, Lin Guo Rong is currently providing a personal guarantee to secure banking facility extended to our Group, namely our Fujian Minzhong Organic Food Co., Ltd. by the Agricultural Bank of China. Accordingly, the Group's present on-going interested person transactions carried out during the financial year ended 30 June 2011 are set out below:

Expiry date of the guarantee	Amount Guaranteed ('million)	Drawdown as of 30.06.2011 ('million)	Lender
15 March 2013	RMB10.0	RMB10.0	Agricultural Bank of China
Total:	RMB10.0	RMB10.0	

For more information on the aforesaid interested person transactions, please refer to Note 15 to the Financial Statements on page 70 of this Annual Report.

(G) MATERIAL CONTRACTS

Save as disclosed under "Material Contracts" on pages 236 and 237 of the Prospectus dated 7 April 2010 and in the Directors' Report and these financial statements, no material contracts to which the Company or any subsidiary, is a party and which involve the interests of the chief executive officer, directors or controlling shareholders, were subsisting at the end of the financial year or entered into since the date of listing of the Company.

(H) RISK MANAGEMENT

The Management reviews regularly the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies. In addition, the external auditors carry out in the course of their statutory audit, a review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls. Material non-compliance and internal control weaknesses noted during their audit are reported to the AC together with their recommendations. Management will follow up on the auditors' recommendations so as to strengthen the Group's internal control systems.

Risks arising from the Group's financial operations are separately discussed in Note 30 to the Financial Statements on pages 83 to 91.

(I) USE OF IPO PROCEEDS

The Company refers to the net IPO proceeds amounted to S\$135.5 million raised from its initial public offering of its shares.

Application of net IPO Proceeds to the Group:

Intended Use	Amount Allocated (S\$'million)	Amount Utilised (S\$'million)	Balance Amount (S\$'million)
Increase the Group's production and processing capacity	56.9	56.9	-
Increase the Group's cultivation capacity	51.5	51.5	-
General working capital	27.1	27.1	-
Total	135.5	135.5	-

Corporate Social Responsibility Report

The Board of Directors of the Company has established a Corporate Social Responsibility Policy which will include the review of the following areas of the Group's activities:

- a. to review and recommend the Group's policy with regards to corporate social responsibility;
- b. to review the Group's environmental policies and standards;
- c. to review the social impact of the Group's business practices in the communities that it operates in;
- d. to review and recommend policies and practices with regard to key stakeholders (suppliers, customers and employees); and
- e. to review and recommend policies and practices with regard to regulators.

Core values of the CSR Policy

The Company aims to be recognised as an organisation that is transparent and ethical in all its dealings as well as making a positive contribution to the community in which it operates. It is committed to the following core values in all aspects of its work, including the fulfilment of its social responsibility:

- Clear direction and strong leadership;
- Customer focus;
- Respect for people;
- Open communication;
- Working to deliver best value;
- Openness and transparency;
- Equality;
- Development of positive working relationships with others; and
- Valuing and harnessing the diversity of Company staff.

CSR Strategic

The Company will seek to achieve corporate and social objectives by focusing on four strategic areas:

- Equal Opportunities – emphasising our commitment to the promotion of equal opportunities and to the ethos of hiring based on merits.
- Good Relations – The Company will develop and adopt an employee relations strategy which will be reviewed annually and will be implemented and endorsed through a corporate action plan. The aim of the strategy is to enhance management and employee interactions and address the needs and aspirations of staff through the continuing development of diversity, work-life balance and health and well-being policies and initiatives.
- Community Impact – encouraging and assisting staff to greater involvement in team/individual projects in support of the wider community.
- Environment – further developing environmental management practices that minimise waste and maximise efficiencies.

Corporate Social Responsibility Report

CSR activities

The Company has set up "Minzhong Class" scholarship in each of the top two high schools in Putian City, where the Company sponsors the full education, lodging and living expenses of up to 100 eligible needy students. Stringent eligibility criteria are set to ensure that the Company can reach out to the needy.

When the students under the Minzhong Class Scholarship are offered admission to certain approved universities in China, the Company will continue to sponsor their education and living expenses.

The Minzhong Class Scholarship aims to help financially disadvantaged students achieve their full potential, so that they and their families may have a brighter future.

Priorities would be accorded to these students, should they seek internship or employment with the Company.



DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

The directors present their report to the members together with the audited consolidated financial statements of China Minzhong Food Corporation Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 30 June 2011 and the balance sheet of the Company as at 30 June 2011.

Directors

The directors of the Company in office at the date of this report are as follows:

Lin Guo Rong
Wang Anson
Lee Edan Kietchai
Lim Gee Kiat
Lim Yeow Hua
Heng Hang Siong

Arrangements to enable directors to acquire benefits by means of the acquisition of shares or debentures

Except as disclosed under "Share Options" in this report, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

Directors' interests in shares or debentures

The interests of the directors who held office at the end of the financial year in the shares or debentures of the Company or related corporations, according to the register kept by the Company for the purposes of section 164 of the Singapore Companies Act, Cap. 50, were as follows:

	Shareholdings registered in name of director		Shareholdings in which a director is deemed to have an interest	
	At	At	At	At
	1 July 2010	30 June 2011	1 July 2010	30 June 2011
The Company				
<i>Ordinary shares</i>				
Lin Guo Rong	–	5,128,000	38,392,000	29,861,297
Wang Anson	–	–	83,432,000	36,392,643
Lee Edan Kietchai	–	–	97,231,618	57,231,618

Except as disclosed above and those disclosed under share options, no director who held office at the end of the financial year had interests in shares or debentures of the Company or related corporation, either at the beginning of the financial year or at the end of the financial year.

The directors' direct and deemed interests in the share capital of the Company as at 21 July 2011 were the same as that of 30 June 2011.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011

Directors' contractual benefits

Under the terms of the respective service agreements entered into between the Company and Lin Guo Rong for a period of three years with effect from the date of listing and he is entitled to a stipulated monthly salary. Under the respective service agreements, the individual is entitled to a basic bonus and a performance bonus as stipulated, at the end of each completed year of service. The salary of the Executive Director is subject to annual review by the Board of Directors ("Board") and the Remuneration Committee and to be decided by the Board.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in the accompanying financial statements.

Share options

As at 1 April 2010, pursuant to conversion of the convertible bonds and sub-division of issued share capital, 20,009,649 additional options to subscribe for 20,009,649 shares were issued to our Directors and employees and the exercise price of US\$1,129 was adjusted to US\$0.358. The total number of shares to be issued assuming the exercise of all outstanding options granted to our Directors and employees as at 1 April 2010 are 20,016,000, of which 8,496,000 outstanding options are granted to our Directors. The remaining outstanding options to subscribe for 11,520,000 shares were granted to our executives and employees of the Group. The option holder is not entitled to dividends prior to exercise.

The directors and employees of the Company who receives more than 5% or more of the total number of options available to all directors and employees of the parent company and its subsidiaries under the 2008 Option Scheme during the financial year are as follows:

	Number of shares under option			Aggregate outstanding as at 30.6.2011
	Granted in financial year ended 30.6.2011	Aggregate granted since commencement of Scheme to 30.6.2011	Aggregate exercised since commencement of Scheme to 30.6.2011	
Directors of the Company				
Lin Guo Rong	–	5,128,000	5,128,000	–
Wang Da Zhang (resigned on 1 September 2011 as an alternate director to Lin Guo Rong)	–	3,368,000	3,368,000	–
Others granted 5% or more of total options under the Scheme to employees of the Group				
Huang Bing Hui	–	3,368,000	3,368,000	–
Siek Wei Ting, Ryan	–	3,804,000	3,804,000	–
Other employees	–	4,348,000	4,348,000	–
	–	20,016,000	20,016,000	–

Share options (Continued)

Except as disclosed above, during the financial year, there were

- (i) no options granted to controlling shareholders of the Company and their associates (as defined in the Singapore Exchange Securities Trading Listing Manual);
- (ii) no participant who had received 5% or more of the total number of the options available under the Scheme; and
- (iii) no options granted by the Company or its subsidiaries which entitle the holders of the option by virtue of such holding to any rights to participate in any share issue of any other company.

The Scheme is administered by the Remuneration Committee.

Audit committee

The audit committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Best Practice Guide of the SGX-ST, and the Code of Corporate Governance.

The functions performed by the Audit Committee are disclosed in the Report on Corporate Governance.

The Audit Committee has recommended to the directors the nomination of Crowe Horwath First Trust LLP for re-appointment as external auditors of the Company at the forthcoming AGM of the Company.

Independent auditors

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept re-appointment as auditors of the Company.

On behalf of the Board of Directors

LIN GUO RONG

Director

LIM YEOW HUA

Director

Singapore

26 September 2011

STATEMENT BY DIRECTORS

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 43 to 91 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2011 and of the results, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

LIN GUO RONG

Director

LIM YEOW HUA

Director

Singapore

26 September 2011

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CHINA MINZHONG FOOD CORPORATION LIMITED



Crowe Horwath First Trust LLP
Certified Public Accountants
Member Crowe Horwath International

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Report on the Financial Statements

We have audited the accompanying financial statements of China Minzhong Food Corporation Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 43 to 91, which comprise the consolidated balance sheet and the balance sheet of the Company as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Crowe Horwath First Trust LLP (UEN: T08LL1312H) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A).

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CHINA MINZHONG FOOD CORPORATION LIMITED



Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2011, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Crowe Horwath First Trust LLP

Public Accountants and
Certified Public Accountants

Singapore
26 September 2011

BALANCE SHEETS

AS AT 30 JUNE 2011

(Amounts in RMB'000 unless otherwise stated)

	Note	Group		Company	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
EQUITY					
Share capital and reserves					
Share capital	3	1,072,268	1,006,718	1,072,268	1,006,718
Statutory reserve fund	4	62,497	36,792	-	-
Employees' share option reserve	25	-	19,447	-	19,447
Translation reserve/(deficit)	28	7,792	(210)	2,784	(5,218)
Accumulated profits/(losses)	28	1,765,130	1,224,100	(133,719)	(111,311)
TOTAL EQUITY		2,907,687	2,286,847	941,333	909,636
ASSETS					
Non-current assets					
Property, plant and equipment	5	1,113,928	366,361	-	-
Land use rights	6	128,287	40,613	-	-
Biological assets	7	176,000	174,800	-	-
Land improvement costs	8	215,511	44,457	-	-
Investment in subsidiaries	9	-	-	905,230	724,799
Operating lease prepayments	10	515,873	154,186	-	-
Current assets					
Land use rights	6	2,819	984	-	-
Biological assets	7	27,547	20,500	-	-
Inventories	11	53,900	22,697	-	-
Trade receivables	30(c)	230,061	175,768	-	-
Other receivables and prepayments	12	700,434	188,872	370	3,121
Operating lease prepayments	10	67,693	24,734	-	-
Cash and bank balances	30(a)	162,431	1,170,487	54,387	201,187
		1,244,885	1,604,042	54,757	204,308
TOTAL ASSETS		3,394,484	2,384,459	959,987	929,107

The accompanying notes are an integral part of the financial statements.

BALANCE SHEETS

AS AT 30 JUNE 2011

(Amounts in RMB'000 unless otherwise stated)

	Note	Group		Company	
		2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Current liabilities					
Trade payables		84,685	7,992	–	–
Other payables and accruals	14	44,781	44,728	14,408	15,524
Due to a related party (non-trade)	13	5,220	5,220	–	–
Due to a subsidiary (non-trade)		–	–	4,246	3,947
Bank term loans	15	322,130	10,000	–	–
Income tax liabilities		10,643	10,957	–	–
Government grants	16	1,856	1,290	–	–
		469,315	80,187	18,654	19,471
Non-current liabilities					
Bank term loans	15	4,979	6,403	–	–
Government grants	16	12,503	11,022	–	–
		17,482	17,425	–	–
TOTAL LIABILITIES		486,797	97,612	18,654	19,471
NET ASSETS		2,907,687	2,286,847	941,333	909,636

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011
(Amounts in RMB'000 unless otherwise stated)

	Note	2011 RMB'000	2010 RMB'000
Revenue	17	1,929,205	1,422,557
Cost of sales		(1,128,640)	(848,235)
Gross profit		800,565	574,322
Gain/(Loss) on fair value of biological assets less estimated point of sales cost	7	1,200	(15,200)
Other income, net	18	8,054	6,485
Selling and distribution expenses		(56,158)	(20,586)
Administrative expenses		(80,429)	(77,497)
Other expenses, net	19	(13,537)	(10,915)
Finance expenses, net	20	(5,899)	(23,941)
Profit before income tax	21	653,796	432,668
Income tax expense	23	(87,061)	(65,150)
Profit for the year		566,735	367,518
Other comprehensive income			
Currency translation difference arising from consolidation		8,002	(1,156)
Total comprehensive income		574,737	366,362
Earnings per share (RMB)			
Basic	24(a)	1.04	1.13
Diluted	24(b)	1.04	1.09

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011
 (Amounts in RMB'000 unless otherwise stated)

	Share capital RMB'000	Statutory reserve fund RMB'000	Employees' share option reserve RMB'000	Translation reserve/ (deficit) RMB'000	Accumulated profits RMB'000	Total equity RMB'000
Balance at 1.7.2010	1,006,718	36,792	19,447	(210)	1,224,100	2,286,847
Total comprehensive income for the year	-	-	-	8,002	566,735	574,737
Issue of ordinary shares on exercising of share options	46,103	-	-	-	-	46,103
De-recognition of employees' share option reserve	19,447	-	(19,447)	-	-	-
Appropriation to statutory reserve fund	-	25,705	-	-	(25,705)	-
Balance at 30.6.2011	1,072,268	62,497	-	7,792	1,765,130	2,907,687

	Share capital RMB'000	Statutory reserve fund RMB'000	Capital reserve RMB'000	Employees' share option reserve RMB'000	Translation reserve/ (deficit) RMB'000	Accumulated profits RMB'000	Total equity 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 year	-	-	-	-	(1,156)	367,518	366,362
Recognition of employees' share option value (Notes 22 and 25)	-	-	-	12,954	-	-	12,954
Issue of ordinary shares on convertible bonds/loan	216,829	-	-	-	-	-	216,829
Conversion of convertible bond into equity	56,772	-	(56,772)	-	-	-	-
Issue of ordinary shares on initial public offering	716,424	-	-	-	-	-	716,424
Share issuance expense	(25,075)	-	-	-	-	-	(25,075)
Appropriation to statutory reserve fund	-	14,487	-	-	-	(14,487)	-
Balance at 30.6.2010	1,006,718	36,792	-	19,447	(210)	1,224,100	2,286,847

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011
 (Amounts in RMB'000 unless otherwise stated)

	2011	2010
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before income tax	653,796	432,668
Adjustments for:		
Depreciation of property, plant and equipment	33,836	28,175
Written off of property, plant and equipment	–	1,322
Written off of land improvement costs	–	743
Gain on disposal of operating lease prepayments	–	(2,700)
Loss on disposal of property, plant and equipment	604	–
Amortisation of land use rights	2,438	984
Amortisation of land improvement costs	34,201	13,712
Amortisation of operating lease prepayments	43,252	24,397
Amortisation of discount on convertible bond	–	11,436
Reversal of other payables	–	(149)
Reversal of allowance for doubtful trade debts	–	(112)
Obsolete inventories written off	–	1,558
Other receivables written off (non-trade)	–	802
(Gain)/Loss on fair value of biological assets less point of sales cost	(1,200)	15,200
Amortisation of government grants	(3,808)	(3,656)
Interest income	(439)	(275)
Interest expense on bank term loans	6,338	12,780
Employees' share option value	–	12,954
Operating profit before working capital changes	769,018	549,839
Inventories	(31,203)	4,389
Biological assets	(7,047)	(9,051)
Trade receivables	(54,293)	29,360
Other receivables and prepayments	(186,525)	58,131
Trade payables	76,692	1,876
Other payables and accruals	53	19,837
Cash generated from operations	566,695	654,381
Income tax paid	(87,375)	(55,417)
Interest received	439	275
Net cash generated from operating activities	479,759	599,239

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011
 (Amounts in RMB'000 unless otherwise stated)

	2011	2010
	RMB'000	RMB'000
Cash flows from investing activities		
Purchase of property, plant and equipment	(776,699)	(15,124)
Proceeds from disposal of operating lease prepayments	–	12,826
Proceeds from disposal of property, plant and equipment	18,070	–
Land improvement costs	(133,842)	(4,512)
Purchase of land use rights	(47,552)	–
Prepayment for property, plant and equipment	(224,708)	(102,908)
Prepayment for land improvement costs	(100,814)	(36,483)
Prepayment for land use rights	(145,000)	–
Additions to operating lease prepayments	(441,598)	(29,733)
Net cash used in investing activities	(1,852,143)	(175,934)
Cash flows from financing activities		
Proceeds from issuance of new shares pursuant to the Initial Public Offering	–	716,424
Proceeds from issuance of new shares pursuant to exercise of share options	46,103	–
Share issuance expenses	–	(25,075)
Proceeds from bank term loans	352,600	167,800
Repayment of bank term loans	(42,100)	(320,570)
Government grants received	5,855	3,783
Interest paid	(6,132)	(12,574)
Balance received from a related party (non-trade)	–	10,218
Restricted cash	–	4,900
Net cash generated from financing activities	356,326	544,906
Net (decrease)/increase in cash and cash equivalents	(1,016,058)	968,211
Cash and cash equivalents at beginning of year	1,170,487	203,697
Effect of exchange rate changes	8,002	(1,421)
Cash and cash equivalents at end of year	162,431	1,170,487

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011
(Amounts in RMB '000 unless otherwise stated)

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

The Company was incorporated as a private company limited by shares, in Singapore on 9 March 2004. On 1 April 2010, the Company converted into a public limited company and the consequential change of name from "China Minzhong Organic Food Corporation Pte. Ltd." to "China Minzhong Food Corporation Limited".

On 15 April 2010, the Company was listed on the Singapore Exchange Securities Trading Limited (SGX).

The address of the Company's registered office is located at 9 Battery Road, #15-01 Straits Trading Building, Singapore 049910.

The principal activities of the Company are those of investment holding and wholesale of health food. The principal activities of the subsidiaries are shown in Note 9 to the financial statements.

The principal place of business of the Company is No. 552, Ba Er Yi North Street, Changlin Residents' Committee, Licheng District, Fujian Province, People's Republic of China ("PRC").

The consolidated financial statements of the Group and the balance sheet of the Company for the financial year ended 30 June 2011 were approved and authorised for issue in accordance with a resolution of the Board of Directors on 26 September 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the Singapore Financial Reporting Standards ("FRS").

The preparation of financial statements in conformity with FRS requires management to exercise its judgment in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgment or complexity, are disclosed in this Note.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting

Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Investment in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet.

Property, plant and equipment

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

The cost of property, plant and equipment comprises its purchase price and the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of that asset.

Construction in progress includes all cost of construction and other direct attributable costs. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. No depreciation is provided on construction in progress until such time as it is completed and ready for use. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready to use.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

Property, plant and equipment are depreciated using the straight-line method to write-off the cost of the property, plant and equipment less estimated residual value, if any, over their estimated useful lives. The estimated useful lives and residual value have been taken as follows:-

	<u>Useful lives (Years)</u>	<u>Estimated residual value as a percentage of cost</u>
Leasehold buildings	10 – 30	5 – 10%
Plant and machinery	10 – 20	5 – 10%
Motor vehicles	10	5 – 10%
Office equipment	5	5 – 10%

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The residual value, useful life and depreciation method are reviewed periodically to ensure that the amount, the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss within "other income (expenses)".

Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised on a straight-line basis over the lease term of 50 years.

Biological assets

Biological assets are the growing crops of the Group on the cultivation bases and bamboo shoots and trees in a bamboo plantation base.

Bamboo shoots and trees under cultivation in the bamboo plantation base (i.e. non-current assets) are measured at fair value less estimated point-of-sale costs on initial recognition and at each balance sheet date. The fair value of biological assets is determined based on the market price with reference to the species, growing condition, cost incurred and expected yield of the crops.

Vegetables are measured at cost less any accumulated impairment losses.

Growing crops on our cultivation bases that are to be harvested within the next 3 to 6 months (i.e. current assets) are stated at cost less any accumulated impairment losses. Cost of the growing crops comprise purchase cost of raw materials accounted for on a weighted average basis, direct labour and an attributable proportion of cultivation overheads based on the volume of crops harvested.

The gain or loss arising on initial recognition of bamboo shoots and trees and fair value less estimated point of sale and from a change in fair value less estimated point of sale costs of bamboo shoots and trees are included in the profit or loss for the period it arises.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land improvement costs

Land improvement costs pertain to improvement to agricultural land used by the Group. It is stated at cost less any accumulated impairment losses and is amortised on straight-line basis over 5 years over which the Group derives benefits.

Operating lease prepayments

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term.

Impairment of non-financial assets, excluding goodwill

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit or loss in those expense categories consistent with the function of the impaired asset in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit or loss in the period in which it arises.

Financial assets

Financial assets are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

A. Classification

The Group classifies its investments in financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date, with the exception that the designation of financial assets at fair value through profit or loss is not revocable. As at 30 June 2011 and 30 June 2010, the Group held financial assets in the category of loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except those maturing more than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are presented as trade and other receivables (including amounts due from related parties and subsidiaries) and cash and bank balances on the balance sheet.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

B. Subsequent measurement

At subsequent reporting dates, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

C. Derecognition

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets have expired or have been transferred. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised and derecognised on trade date basis where the purchase or sale of financial assets are under a contract whose terms require delivery of the assets within the timeframe established by the market concerned.

Impairment of financial assets

The Group assess at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets carried at amortised cost

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The carrying amount of the asset is reduced through the use of an allowance account.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit or loss.

Research and development costs

Research costs are expensed as incurred. Development costs on an individual project are recognised as an intangible asset only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the assets, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year. Upon completion, the development costs is amortised over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are carried at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and conditions are accounted for. Raw materials comprise purchase cost accounted for on a weighted average basis. Work-in-progress and finished goods comprise cost of raw materials, direct labour and an attributable proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Net realisable value is the estimated normal selling price, less estimated costs to completion and costs to be incurred for selling and distribution.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any allowance for write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any allowance for write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital.

Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

Trade and other payables

Trade and other payables, which generally are on normal credit terms ranging from 30 to 90 days, and payables to related parties are carried at fair value, and subsequently measured at amortised cost, using the effective interest rate method.

Leases

(i) As lessor

Leases where the Group retains substantially all risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

(ii) As lessee

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowings

Bank term loans

Bank term loans are initially recorded at fair value, net of transaction costs incurred and subsequently accounted for at amortised costs using the effective interest method.

Bank term loans which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue. Other bank term loans due to be settled more than twelve months after the balance sheet date are included in non-current bank term loans in the balance sheet.

Government grants

The Group receives government grants in the form of subsidies for purchase of property, plant and equipment used for research and development purposes in developing new products and for expansion of their production capacity.

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. When the grant relates to an expense item, it is recognised in the profit or loss over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. Government grants relating to the purchase of property, plant and equipment are included in the balance sheet as deferred income and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

Provisions

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of provision is the present value of the expenditures expected to be required to settle the obligation.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Group; or has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
- (b) the party is an associate; a jointly-controlled entity;
- (c) the party is a member of the key management personnel of the Group or its parent;
- (d) the party is a close member of the family of any individual referred to in (a) and (c);
- (e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to (c) or (d); or
- (f) the party is a post-employment benefit plan for the benefit of the employees of the Group, or of any entity that is a related party of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs incurred to finance the development of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. Other borrowing costs are recognised on a time-proportion basis in the profit or loss using the effective interest method.

The amount of borrowing cost capitalised on that asset is the actual borrowing costs incurred during the period less any investment income on the temporary investment of those borrowings.

Employees' benefits

(i) Retirement benefits

The Group participates in the national schemes as defined by the laws of the countries in which it has operations.

People's Republic of China ("PRC")

The subsidiaries, incorporated and operating in the PRC, are required to provide certain retirement plan contribution to their employees under existing PRC regulations. Contributions are provided at rates stipulated by the PRC regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the profit or loss as and when they are incurred.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

(iii) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the profit or loss with a corresponding increase in the share option reserve over the vesting period.

The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets), on the date of grant. Non-market vesting conditions are included in estimation of the number of options that are expected to become exercisable on vesting date. At each balance sheet date, the entity revises its estimates of the number of shares under options that are expected to become exercisable on vesting date. It recognises the impact of the revision of original estimates, if any, in the profit or loss, and a corresponding adjustment to equity over the remaining vesting period.

When the options are exercised, the proceeds received (net of any directly attributable transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account when the new ordinary shares are issued.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue from sale of fresh vegetable produce and processed products is recognised when the significant risks and rewards of ownership of the goods have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

(ii) Interest income

Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

(iii) Rental income

Rental income is recognised on a straight-line basis over the lease terms.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates and tax laws that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Value-added-tax ("VAT")

The Group's sales of processed goods in the PRC are subject to VAT at the applicable tax rate of 17% for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of "Other receivables" or "Other payables" in the balance sheet. The Group's sales of fresh vegetables and export sales are not subject to VAT.

Foreign currency transactions and balances

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, the Company's 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").

As the Group's operations are principally conducted in the People's Republic of China ("PRC"), the financial statements have been presented in RMB and all values have been rounded to the nearest thousand (RMB'000) unless otherwise stated.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on translation of monetary items are included in statement of comprehensive income for the period. Exchange differences arising on the translation of non-monetary items carried at fair value are included in statement of comprehensive income for the period except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency transactions and balances (Continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company (including comparatives) are expressed in Chinese Renminbi using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in the Company (including monetary items), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

Adoption of new and revised standards

On 1 July 2010, the Group adopted the new or amended FRS and Interpretation of FRS ("INT 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 adoption of these new or amended FRS and INT FRS did not result in substantial changes.

New accounting standards and FRS interpretations

Certain new standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after 1 January 2011 or later periods which the Group has not early adopted. The Group does not expect that the adoption of these new accounting standards or interpretations will have a material impact on the Group's financial statements for the financial year ending 30 June 2011.

Standards issued but not yet effective

The Company has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Revised FRS 24 <i>Related Party Disclosures</i>	1 January 2011
Amendments to INT FRS 114 <i>Prepayments of a Minimum Funding Requirement</i>	1 January 2011
INT FRS 115 <i>Agreements for the Construction of Real Estate</i>	1 January 2011
Amendments to FRS 107 <i>Disclosures – Transfer of Financial Assets</i>	1 July 2011
Amendments to FRS 101 <i>Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>	1 July 2011
Amendments to FRS 12 <i>Deferred Tax: Recovery of Underlying Assets</i>	1 January 2012

Except for the revised FRS 24, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 24 is described below.

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011
(Amounts in RMB'000 unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

Revised FRS 24 Related Party Disclosures

The revised FRS 24 clarifies the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised FRS 24 expands the definition of a related party and would treat two entities as related to each other whenever a person (or a close member of that person's family) or a third party has control or joint control over the entity, or has significant influence over the entity. The revised standard also introduces a partial exemption of disclosure requirements for government-related entities. The Company is currently determining the impact of the changes to the definition of a related party has on the disclosure of related party transaction. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Company when implemented in financial year 2012.

Critical accounting estimates, assumptions and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income tax

The Group is subject to income taxes in Singapore and PRC. Significant judgment is required in determining the group-wide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(b) Biological assets

The Group determined the fair value of biological assets relating to bamboo shoots and trees using the discounted cash flow method. The key assumptions for the discounted cash flow calculations are those regarding the bamboo plantation growth, bamboo shoot yields, bamboo shoot harvest, discount rates, sale prices of bamboo shoot and tree and cost of harvest and maintenance. The amount of changes in fair value would be different if there are changes to the assumptions used. A decrease in fair value would decrease its carrying value. As of 30 June 2011, the carrying value of biological assets relating to bamboo shoots and trees amounted to RMB176,000,000 (2010: RMB174,800,000) (Note 7).

(c) Valuation of employee share options

The Group measures the cost of equity-settled transactions with employees in accordance with estimates and assumptions which are described in Note 25. Judgment is required in determining the most appropriate valuation model for the share options granted, depending on the terms and conditions of the grant. Management is also required to use judgement in determining the most appropriate inputs for the valuation model including expected life of the option, volatility and dividend yield.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates and judgements (Continued)

(d) Convertible bonds

Convertible bonds are presented as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded options of the holder to convert the convertible bond into equity of the Group, is included in equity.

The interest expense of the liability component is calculated by using the effective interest method to the liability component of the instrument until it is extinguished on conversion or redemption. This amount is added to the carrying amount of the convertible bond. The convertible bonds were fully converted to ordinary shares in the prior financial year.

(e) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight line basis over their useful lives. Management estimates the useful lives of these property, plant and equipment to be within 5 – 30 years and that the residual value to be 5 – 10% of the cost of these assets. These are common life expectancies and residual value applied in the industry. The carrying amount of the Group's property, plant and equipment subject to depreciation at 30 June 2011 was approximately RMB476,314,000 (2010: RMB282,698,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

3. SHARE CAPITAL

	No. of ordinary shares		Group and Company	
	2011	2010	2011	2010
	('000)	('000)	(SGD\$'000)	(SGD\$'000)
Issued and fully paid				
At beginning of the year	537,423	127	203,924	8,738
Exercise of share options	20,016	–	8,904	–
Effect of change of functional currency	–	–	2,827	–
De-recognition of employees' share option reserve	–	–	3,974	–
Conversion of convertible bonds	–	73	–	42,273
Effect of share split	–	400,120	–	–
Conversion of convertible loans	–	17,501	–	14,414
New Shares issued pursuant to the Initial Public Offering	–	119,602	–	143,522
Share issuance expense	–	–	–	(5,023)
At the end of the year	557,439	537,423	219,629	203,924
Total share capital in RMB'000			1,072,268	1,006,718

The holders of the ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011
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4. STATUTORY RESERVE FUND

Pursuant to the relevant laws and regulations for wholly owned foreign enterprises in the PRC, the subsidiaries are respectively required to appropriate not less than 10% of their profits after tax as determined in accordance with PRC generally accepted accounting principles to the statutory reserve fund, until the balance of the statutory reserve fund reaches 50% of the registered capital of the respective subsidiaries.

The reserves may be used to offset accumulated losses or increase the registered capital of these subsidiaries, subject to approval from the PRC authorities but are not available for dividend distribution to the shareholders.

5. PROPERTY, PLANT AND EQUIPMENT

Group	Construction in progress RMB'000	Leasehold buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Total RMB'000
Cost						
As at 1.7.2009	71,890	212,279	125,928	3,824	2,438	416,359
Additions	35,982	1,558	1,877	3,196	511	43,124
Written off	(42)	(45)	(3,001)	–	(122)	(3,210)
Transfers	(24,167)	20,916	3,210	–	41	–
As at 30.6.2010	83,663	234,708	128,014	7,020	2,868	456,273
As at 1.7.2010	83,663	234,708	128,014	7,020	2,868	456,273
Additions	698,549	89,960	33,808	11,175	1,515	835,007
Disposal	(18,674)	–	–	–	–	(18,674)
Transfers	(90,994)	50,908	40,072	–	14	–
Transfer to land improvement costs (Note 8)	(34,930)	–	–	–	–	(34,930)
As at 30.6.2011	637,614	375,576	201,894	18,195	4,397	1,237,676
Accumulated depreciation						
As at 1.7.2009	–	25,660	35,226	1,508	1,231	63,625
Charge for the year	–	16,247	11,142	373	413	28,175
Written off	–	(5)	(1,776)	–	(107)	(1,888)
As at 30.6.2010	–	41,902	44,592	1,881	1,537	89,912
As at 1.7.2010	–	41,902	44,592	1,881	1,537	89,912
Charge for the year	–	19,604	12,795	865	572	33,836
As at 30.6.2011	–	61,506	57,387	2,746	2,109	123,748
Net carrying amount						
As at 30.6.2010	83,663	192,806	83,422	5,139	1,331	366,361
As at 30.6.2011	637,614	314,070	144,507	15,449	2,288	1,113,928

As at 30 June 2011, leasehold buildings and plant and machinery with net carrying amount of approximately RMB40,171,000 (2010: RMB2,658,000) were pledged as security for the Group's bank loans (see Note 15).

6. LAND USE RIGHTS

Group

	RMB'000
Cost	
As at 30.6.2009 and 1.7.2010	46,165
Additions for the year	91,947
As at 30.6.2011	<u>138,112</u>
Accumulated amortisation	
As at 1.7.2009	3,584
Charge for the year	984
As at 30.6.2010	<u>4,568</u>
As at 1.7.2010	4,568
Charge for the year	2,438
As at 30.6.2011	<u>7,006</u>
Net carrying amount	
As at 30.6.2010	<u>41,597</u>
As at 30.6.2011	<u><u>131,106</u></u>

The carrying value is analysed as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
– Not more than one year, current portion	<u>2,819</u>	<u>984</u>
– More than one year but not more than five years	11,276	3,935
– More than five years	117,011	36,678
Non-current portion	<u>128,287</u>	<u>40,613</u>

The Group has land use rights over various plots of state-owned land in the PRC where the Group's PRC operation and storage facilities reside. The land use rights are not transferable and have remaining tenures ranging from 36 to 49 years (2010: 37 to 47 years).

As at 30 June 2011, the land use rights with net carrying amount of approximately RMB6,765,000 (2010: RMB29,106,000) were pledged as security for the Group's bank term loans (see Note 15).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011
 (Amounts in RMB'000 unless otherwise stated)

7. BIOLOGICAL ASSETS

(a) A reconciliation of the carrying amount of biological assets is as follows:

	Group	
	2011 RMB'000	2010 RMB'000
At beginning of year	195,300	201,449
Increase due to plantation	194,404	138,470
Decrease due to harvest (Note 7 (c))	(187,357)	(129,419)
Gain/(Loss) arising from changes in fair value less estimated point-of-sale costs	1,200	(15,200)
At end of year	<u>203,547</u>	<u>195,300</u>

(b) The analysis of the above is as follows:

	Group		
	Bamboo shoots and trees RMB'000	Vegetables RMB'000	Total RMB'000
As at 30.6.2010			
Non-current portion	174,800	–	174,800
Current portion	–	20,500	20,500
	<u>174,800</u>	<u>20,500</u>	<u>195,300</u>
As at 30.6.2011			
Non-current portion	176,000	–	176,000
Current portion	–	27,547	27,547
	<u>176,000</u>	<u>27,547</u>	<u>203,547</u>

(c) The quantity and amount of agricultural produce harvested during the year were as follows:

	Group			
	2011 Quantity (tonnes)	2011 RMB'000	2010 Quantity (tonnes)	2010 RMB'000
Vegetables	100,587	170,635	76,660	122,983
Bamboo shoots and trees	23,671	16,722	16,684	6,436
	<u>124,258</u>	<u>187,357</u>	<u>93,344</u>	<u>129,419</u>

7. BIOLOGICAL ASSETS (Continued)

(d) Measurement base

Other than for bamboo shoots and trees which are stated at fair value less estimated point-of-sale costs, vegetables are carried at cost less any impairment losses.

In accordance with the valuation report issued by an independent professional valuer, the fair values less estimated point-of-sale costs of the bamboo shoots and trees are determined using the present value of expected future net cash flows from the bamboo shoots and trees discounted at an appropriate discount rate.

Key assumptions used for the discounted cashflow activities:

	Group	
	<u>2011</u>	<u>2010</u>
Discount rate	15%	15%

The key assumptions used to determining the fair value also includes competitive but stable market conditions and continued acceptability of products sold. Management determined budgeted growth rates based on past performance and its expectations of the market development. The discount rates used were pre-tax and reflected specific risks relating the relevant segments.

The estimated sales revenue depends on the market prices of already harvested bamboo trees and bamboo shoots of comparable age and quality in the region where the plantations are located. All costs directly attributable to the sale of bamboo trees and shoots are included in costs to sell such as land rental costs, reclamation costs, harvesting costs and selling costs.

Vegetables under cultivation that has not reached the point of being harvested do not have an active market and thus market-determined prices or values are not available for fair value to be measured reliably. In the opinion of the management, estimates of fair value are determined to be unreliable.

(e) Specific risk management strategies

Currently there are no financial derivatives in the PRC to protect the future selling price of bamboo trees, bamboo shoots and vegetables.

The Group has purchased fire insurance for its bamboo plantation for an insured amount of approximately RMB5.2 million (2010: RMB5.2 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011
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8. LAND IMPROVEMENT COSTS

Group

	<u>RMB'000</u>
Cost	
As at 1.7.2009	92,749
Additions	4,512
Written off	(1,182)
As at 30.6.2010	<u>96,079</u>
As at 1.7.2010	96,079
Additions	170,325
Transfers from construction in progress (Note 5)	34,930
As at 30.6.2011	<u>301,334</u>
Accumulated amortisation	
As at 1.7. 2009	38,349
Charge for the year	13,712
Written off	(439)
As at 30.6.2010	<u>51,622</u>
As at 1.7.2010	51,622
Charge for the year	34,201
As at 30.6.2011	<u>85,823</u>
Net carrying amount	
As at 30.6.2010	<u>44,457</u>
As at 30.6.2011	<u>215,511</u>

9. INVESTMENT IN SUBSIDIARIES

	Company	
	2011	2010
<u>Unquoted equity shares, at cost</u>	<u>RMB'000</u>	<u>RMB'000</u>
At beginning of year	724,799	729,774
Additional investment in subsidiaries	180,431	–
Currency alignment	–	(4,975)
Net carrying amount at end of year	<u>905,230</u>	<u>724,799</u>

During the year, the Company has injected additional capital of US\$26.0 million (equivalent to RMB177.1 million) and US\$0.5 million (equivalent to RMB3.3 million) into its subsidiaries, Fujian Minzhong Organic Food Co., Ltd and Sichuan Minzhong Organic Food Co., Ltd respectively.

9. INVESTMENT IN SUBSIDIARIES (Continued)

The details of the subsidiaries are as follows:

Name of Company	Principal activities/Country of incorporation and place of business	Effective equity held by the Group	
		2011 %	2010 %
<u>Held by the Company</u>			
Fujian Minzhong Organic Food Co., Ltd ⁽¹⁾	Production and sales of processed vegetables, fruits and vegetable beverages/People's Republic of China	100	100
Sichuan Minzhong Organic Food Co., Ltd ⁽¹⁾	Cultivation, processing and sales of mushrooms/People's Republic of China	100	100
Fujian Putian Po Shi Xing Food Co., Ltd ⁽¹⁾	Cultivation, production and sales of vegetables/People's Republic of China	100	100
<u>Held by a subsidiary</u>			
Yunnan Yuanmou Minzhong Food Co., Ltd ⁽¹⁾	Cultivation, processing and sales of vegetables/People's Republic of China	100	100
Inner Mongolia Minzhong Food Co., Ltd ⁽¹⁾	Cultivation, processing and sales of vegetables/People's Republic of China	100	100
Shanghai Pudong Xing Minzhong Agricultural Products Co., Ltd ⁽¹⁾	Cultivation of vegetables and sales of pre-packaged food/People's Republic of China	100	100
Putian Licheng Minzhong Agriculture Development Co., Ltd ⁽¹⁾	Cultivation, production and sales of vegetables/People's Republic of China	100	100
Shanghai Minzhong Organic Food Co., Ltd ⁽¹⁾	Cultivation, production and sales of vegetables/People's Republic of China	100	100
Tianjin Minzhong Ecological Agricultural Development Co., Ltd ⁽¹⁾	Cultivation, production and sales of vegetables/People's Republic of China	100	100
Hubei Minzhong Organic Food Co., Ltd ^{(1) (2)}	Production and sales of vegetables and other food related products/People's Republic of China	100	–

⁽¹⁾ Audited by Crowe Horwath First Trust LLP for the purpose of expressing an opinion on the consolidated financial statements.

⁽²⁾ Incorporated during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011
 (Amounts in RMB'000 unless otherwise stated)

10. OPERATING LEASE PREPAYMENTS

These represent prepayments of long-term leases of cultivation bases and bamboo forest under operating leases. The movements of these operating lease prepayments are summarised as follows:

Group

	<u>RMB'000</u>
Cost	
As at 1.7.2009	261,159
Additions	23,433
Written off	(15,000)
As at 30.6.2010	<u>269,592</u>
As at 1.7.2010	269,592
Additions	447,898
As at 30.6.2011	<u>717,490</u>
Accumulated amortisation	
As at 1.7.2009	71,149
Charge for the year	24,397
Written off	(4,874)
As at 30.6.2010	<u>90,672</u>
As at 1.7.2010	90,672
Charge for the year	43,252
As at 30.6.2011	<u>133,924</u>
Net carrying amount	
As at 30.6.2010	<u>178,920</u>
As at 30.6.2011	<u>583,566</u>

The carrying value is analysed as follow:

	Group	
	2011	2010
	<u>RMB'000</u>	<u>RMB'000</u>
Not more than one year, current portion	<u>67,693</u>	<u>24,734</u>
More than one year but not more than five years	270,772	87,064
More than five years	245,101	67,122
Non-current portion	<u>515,873</u>	<u>154,186</u>

11. INVENTORIES

	Group	
	2011 RMB'000	2010 RMB'000
At cost		
Raw materials	13,247	4,143
Work-in-progress	22,300	9,924
Finished goods	18,353	8,630
	53,900	22,697

The cost of inventories recognised as an expense and included in "cost of sales" amount to approximately RMB1,122.6 million (2010: RMB846.3 million).

12. OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Other receivables	1,676	5,543	370	3,005
Advances to suppliers	226,822	36,703	-	-
Value added tax recoverable	1,414	529	-	-
Prepayments	470,522	146,097	-	116
	700,434	188,872	370	3,121

Prepayments relate mainly to prepaid land use rights, payments made to contractors for construction of buildings, fixtures and machinery and land improvement on farmlands that have not yet commenced.

13. DUE TO A RELATED PARTY (NON-TRADE)

The amount due to a related party is unsecured, interest-free and repayable on demand.

14. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Advances from customers	6,639	955	-	-
Other payables	8,115	11,832	9,174	8,618
Other tax payables	280	13,850	98	-
Accrued operating expenses	29,747	13,520	5,136	6,906
Deferred income	-	4,571	-	-
	44,781	44,728	14,408	15,524

NOTES TO THE FINANCIAL STATEMENTS

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15. BANK TERM LOANS

	Group	
	2011	2010
	RMB'000	RMB'000
Non-current		
Non-interest bearing loan, secured	3,830	3,830
Less: Discount implicit in long-term interest free bank term loans	(980)	(980)
Fair value of interest-free bank term loans at inception	2,850	2,850
Add: Amortisation of discount	499	293
Net carrying amount at 30 June	3,349	3,143
Interest bearing loan, secured	1,630	3,260
	4,979	6,403
Current		
Interest bearing loans:		
– Secured	21,630	10,000
– Unsecured	290,500	–
– Guaranteed ^(#)	10,000	–
	322,130	10,000
Total bank term loans	327,109	16,403

Interest rates for short-term bank loans range from 5.229% to 8.203% (2010: 5.31%) per annum. This was secured by the Group's leasehold buildings, plant and machinery and land use rights (see Note 5 and Note 6).

Interest rates for long-term bank loans range from 0% to 2.4% (2010: 0% to 2.4%) per annum. Interest bearing loan of RMB3.26 million (2010: RMB3.26 million) was secured over the Group's leasehold building, plant and machinery and land use rights, repayable in 2 equal installments on 30 October 2011 (current portion) and 30 October 2012 (non-current portion) respectively. Non-interest bearing loan of RMB3.83 million (2010: RMB3.83 million) is carried at amortised cost and secured over the Group's land use rights, plant and machinery and leasehold buildings, repayable on 30 October 2013.

The CEO is providing a personal guarantee to secure this banking facility extended to the Group.

16. GOVERNMENT GRANTS

Group	Deferred income RMB'000	Government grants RMB'000	Total RMB'000
As at 1.7.2009	894	11,291	12,185
Additions	–	3,783	3,783
Amortisation for the year (Note 18)	(207)	(3,449)	(3,656)
As at 30.6.2010	<u>687</u>	<u>11,625</u>	<u>12,312</u>
As at 1.7.2010	687	11,625	12,312
Additions	–	5,855	5,855
Amortisation for the year (Note 18)	(206)	(3,602)	(3,808)
As at 30.6.2011	<u>481</u>	<u>13,878</u>	<u>14,359</u>

The carrying value is analysed as follows:

	Group	
	2011 RMB'000	2010 RMB'000
Not more than one year, current portion	<u>1,856</u>	<u>1,290</u>
More than one year, but not more than five years	5,681	4,281
More than five years	<u>6,822</u>	<u>6,741</u>
Non-current portion	<u>12,503</u>	<u>11,022</u>

The government grants were obtained for the sponsorship of research and development projects, production equipment subsidy and products quality awards. There are no unfulfilled conditions or contingencies attached to these grants. The remaining amortisation period range from 1 to 20 years (2010: 1 to 20 years).

Deferred income represents the discount implicit in the long-term interest free bank term loan (Note 15) carried at amortised cost at effective interest rate of 6.42%. Being an incentive from the government, the amount of discount is treated as a government grants in the form of an interest subsidy. It is amortised over the period of the bank term loan.

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17. REVENUE

Revenue represents sales of agricultural products received and receivable net of discounts and sales returns.

	Group	
	2011 RMB'000	2010 RMB'000
Sale of processed vegetables	1,215,295	900,859
Sale of fresh vegetables produce	510,026	367,705
Mushroom spores	88,601	92,314
Others ⁽¹⁾	115,283	61,679
	<u>1,929,205</u>	<u>1,422,557</u>

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

18. OTHER INCOME, NET

	Group	
	2011 RMB'000	2010 RMB'000
Rental income, net	4,713	1,644
Reversal of other payables	-	149
(Loss) /Gain on disposal of scrap materials, net	(575)	255
Government grants (Note 16)	3,808	3,656
Other income	108	34
Reversal of allowance for doubtful trade debts (Note 30 (c))	-	112
Gain on disposal of assets, net	-	635
	<u>8,054</u>	<u>6,485</u>

19. OTHER EXPENSES, NET

	Group	
	2011 RMB'000	2010 RMB'000
Obsolete inventories written off	-	1,558
Other receivables written off (non-trade)	-	802
Loss on disposal of property, plant and equipment	604	-
Others	1,647	352
Exchange loss, net	11,286	8,203
	<u>13,537</u>	<u>10,915</u>

20. FINANCE EXPENSES, NET

	Group	
	2011	2010
	RMB'000	RMB'000
Finance income		
Interest income	(439)	(275)
Finance expenses		
Interest expenses		
– bank term loans	6,338	12,780
– convertible bond	–	11,436
	6,338	24,216
Finance expenses, net	5,899	23,941

21. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging the following:

	Group	
	2011	2010
	RMB'000	RMB'000
Directors' remuneration – Company's directors ⁽¹⁾	6,275	4,804
Amortisation of operating lease prepayments	43,252	24,397
Amortisation of land improvement costs	34,201	13,712
Amortisation of land use rights	2,438	984
Research and development costs	306	571
Depreciation of property, plant and equipment	33,836	28,175
Loss on disposal of property, plant and equipment	604	–
Non-audit fees paid to auditors of the Company	13	13
Staff costs ⁽²⁾ (Note 22)	168,252	136,805
Share-based payments	–	12,954

⁽¹⁾ This includes directors' fees to Independent Directors and Non-Executive Directors.

⁽²⁾ This includes amounts shown as Directors' remuneration.

22. STAFF COSTS

	Group	
	2011	2010
	RMB'000	RMB'000
Salaries, bonuses and allowances*	166,743	135,520
Contributions to defined contribution plans	1,509	1,285
Share-based payments (Note 25)	–	12,954
	168,252	149,759

* Include directors' remuneration as shown in Note 21.

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23. INCOME TAX EXPENSE

	Group	
	2011	2010
	RMB'000	RMB'000
Current income tax:		
– current year	87,061	65,150

A reconciliation between the income tax expense and the product of accounting profit multiplied by the applicable tax rates for the respective financial year ended 30 June was as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Profit before income tax	653,796	432,668
Tax at the domestic rates applicable to profits in the countries of incorporation	161,062	109,974
Adjustments for:		
Tax effects of:		
Income exempted from tax	(79,693)	(56,503)
Expenses that are not deductible in determining taxable profit	5,692	11,679
Tax expense	87,061	65,150

The Company:

The Company has no taxable income during the financial year (2010: Nil). The statutory income tax rate applicable to the Company is 17% (2010: 17%) for the current financial year ended 30 June 2011.

Subsidiaries:

On 16 March 2007, the National People's Congress promulgated the PRC Enterprise Income Tax Law (the "New Tax Law"), which became effective from 1 January 2008.

Under the New Tax Law which became effective from 1 January 2008 and in accordance with "Notification of the State Council on Carrying out the Transitional Preferential Policies concerning Enterprise Income Tax" promulgated by the State Council on 26 December 2007, an entity established before 16 March 2007 that was entitled to preferential tax treatment prior to the New Tax Law will be subject to a transitional tax rate beginning in period 2008 ("Transitional Tax Rate") before the new corporate income tax rate of 25% applies. For entities currently enjoying a reduced tax rate of 15%, the Transitional Tax Rate is 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012 onwards respectively. The tax rate will transit to the standard tax rate of 25% for entities with current tax rate of 24% effective from 1 January 2008. The enactment of the New Tax Law is not expected to have any financial effect on the amounts accrued in the Group's balance sheet in respect of current tax payable.

23. INCOME TAX EXPENSE (Continued)

- (i) Fujian Minzhong Organic Food Co., Ltd (“Fujian Minzhong”)

Fujian Minzhong is subject to Enterprise Income Tax (“EIT”) at a standard rate of 25%.

- (ii) Sichuan Minzhong Organic Food Co., Ltd (“Sichuan Minzhong”)

Sichuan Minzhong is subject to EIT at a standard rate of 25%.

- (iii) Fujian Putian Po Shi Xing Food Co., Ltd (“Po Shi Xing”)

Po Shi Xing is subject to EIT at a standard rate of 25%.

- (iv) Yunnan Yuanmou Minzhong Food Co., Ltd (“Yunnan Minzhong”)

In accordance with “Income Tax Law of the PRC applicable to Enterprises with Foreign Investment and Foreign Enterprise” Yunnan Minzhong is enjoying tax exemption for two years from 1 January 2007 to 31 December 2008. For the subsequent three years from 1 January 2009 to 31 December 2011, the reduced tax rate of 7.5% (a 50% reduction from the preferential 15% tax rate) is applied. The tax rate will transit to the standard tax rate of 25% effective from 1 January 2012.

- (v) Inner Mongolia Minzhong Food Co., Ltd (“Neimenggu Minzhong”)

Neimenggu Minzhong will be subject to EIT at a standard rate of 25%.

- (vi) Shanghai Pudong Xing Minzhong Agricultural Products Co., Ltd (“Shanghai Base”)

Shanghai Base enjoys full exemption of EIT in respect of income generated from cultivation of vegetables and collection of forest products.

- (vii) Shanghai Minzhong Organic Food Co., Ltd (“Shanghai Minzhong”)

Shanghai Minzhong enjoys full exemption of EIT in respect of income generated from cultivation of vegetables and collection of forest products.

- (viii) Putian Licheng Minzhong Agriculture Development Co., Ltd (“Putian Licheng”)

Putian Licheng enjoys full exemption of EIT in respect of income generated from cultivation of vegetables and collection of forest products.

- (ix) Tianjin Minzhong Ecological Agricultural Development Co., Ltd (“Tianjin Minzhong”)

Tianjin Minzhong enjoys full exemption of EIT in respect of income generated from cultivation of vegetables and collection of forest products.

- (x) Hubei Minzhong Organic Food Co., Ltd (“Hubei Minzhong”)

Hubei Minzhong will be subject to EIT at a standard rate of 25%.

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24. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding during the financial year.

	<u>2011</u>	<u>2010</u>
Net profit attributable to equity holders of the Company (RMB'000)	<u>566,735</u>	<u>367,518</u>
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	<u>543,001</u>	<u>324,886</u>
Basic earnings per share (RMB per share)	<u>1.04</u>	<u>1.13</u>

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. In 2010, the company had one category of dilutive ordinary shares: share options. In the current financial year, the diluted earnings per share is the same as the basic earnings per share as the Company does not have any potential dilutive instruments.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

	<u>2011</u>	<u>2010</u>
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	<u>543,001</u>	<u>324,886</u>
Adjustments for – share options	<u>–</u>	<u>11,514</u>
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	<u>543,001</u>	<u>336,400</u>
Diluted earnings per share (RMB per share)	<u>1.04</u>	<u>1.09</u>

25. EMPLOYEES' SHARE OPTION RESERVE

6,351 share options of the Company were granted to selected eligible employees of the Group and Directors of the Company to subscribe for 6,351 ordinary shares in the capital of the Company, under the China Minzhong Food Corporation Pte Ltd Employees' Share Option Scheme (the "2008 Option Scheme") which became effective on 28 June 2008. Options granted have a term of no longer than 3 years. As at 1 April 2010, pursuant to conversion of the convertible bonds and sub-division of issued share capital, 20,009,649 additional options to subscribe for 20,009,649 shares were issued to our Directors and selected eligible employees and the exercise price of US\$1,129 was adjusted to US\$0.358.

Upon the adoption of the CMZ Employee Share Option Scheme 2010, the Company terminated the 2008 Option Scheme. The termination will not affect the validity of the options that have been granted under the 2008 Option Scheme. However, options may expire prior to their original expiration dates on certain events such as the Director or employee ceasing to be an employee or Director, as the case may be.

The total fair value of the options granted, after incorporating the effects of the adjustments in the event of conversion of the convertible bonds, was estimated to be US\$2,842,672 (equivalent to RMB19,446,660) as at the date of grant of options using the Black-Scholes-Merton Option Pricing Model. The following assumptions were taken into consideration when using the model:

(1) Current share value as at grant date

As the Company was not publicly listed at grant date and does not have any trading price, the current share value was assumed to be US\$751 based on the Net Tangible Assets per share as at 30 June 2008 which is reasonable as an indicative value of the Company's share then.

(2) Expected life of options

The expected life of options is defined as the period from the time of grant to the time when the options are exercised. The Scheme has specified that holders of the options are to exercise their options by 30 June 2011 and therefore the expected life of options is assumed to be 3 years.

(3) Expected volatility

Expected volatility is a measure of the amount by which a price is expected to fluctuate during a period. The volatility index is based on a median historical volatility index of 17 entities in the agricultural operations, food diversified and food-wholesale/distribution industry and listed on the Hong Kong Stock Exchange. The median volatility index is approximately 53% as at 1 August 2008.

(4) Expected dividend

If employees were granted options and are entitled to dividends on the underlying shares between grant date and exercise date, the options granted should be valued as if no dividends will be paid on the underlying shares.

Conversely, if the employees are not entitled to dividends or dividend equivalents during the vesting period or before exercise, the grant date valuation of the options should take expected dividends into account. When the fair value of a share granted is estimated, that valuation should be reduced by the present value of dividends expected to be paid during the vesting period.

The Company has not declared any dividends in the past and hence, dividend yield is assumed to be zero for the purpose of computation.

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25. EMPLOYEES' SHARE OPTION RESERVE (Continued)

(5) Risk-free interest rates

The Black-Scholes-Merton model assumes that the interest rate is to be constant and risk free. Given that the expected life of the options is 3 years, the risk-free rate is assumed to be the latest available yield rate of 0.94% of a 2-year government bond as there is no such bond with a 3-years maturity.

The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of options at the end of the financial year are as follows:

	2011	2010
	<u>No. of options</u>	<u>No. of options</u>
Outstanding at beginning of year	20,016,000	6,351
Granted during the year	–	20,009,649
Exercised during the year	<u>(20,016,000)</u>	–
Outstanding at end of year	<u>–</u>	<u>20,016,000</u>

All options granted under the 2008 Option Scheme have been exercised as of 30 June 2011. No option has been granted under the CMZ Employee Share Option Scheme 2010 as at 30 June 2011.

26. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group also had significant transactions with related parties on terms agreed between the parties as follows:

Compensation of key management personnel

	Group	
	2011	2010
	<u>RMB'000</u>	<u>RMB'000</u>
Short-term employee benefits	4,122	3,593
Performance bonus	5,240	4,350
Share-based payments	–	10,140
Total	<u>9,362</u>	<u>18,083</u>

Included in the above is total compensation to Executive Directors of the Company amounting to RMB4,694,000 (2010: RMB9,544,000), which includes the value of the share-based payments accrued to Executive Directors.

27. COMMITMENTS AND CONTINGENCIES

(a) Non-cancellable operating lease commitments

As at 30 June 2011, the Group has operating lease agreements for farmlands located in Fujian Province, Sichuan Province, Yunnan Province, Inner Mongolia, Shanghai, Tianjin and Jiangxi Province. The leases have remaining lease term ranging from 3 to 40 years (2010: 4 to 41 years). Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Operating lease commitments – where the Group is a lessee

	Group	
	2011	2010
	RMB'000	RMB'000
Not later than 1 year	–	33,277
2 years through 5 years	29,408	25,236
More than 5 years	76,940	64,981
	106,348	123,494

Operating lease commitments – where the Group is a lessor

	Group	
	2011	2010
	RMB'000	RMB'000
Not later than 1 year	33,309	13,379
2 years through 5 years	108,326	44,983
More than 5 years	33,138	45,553
	174,773	103,915

The lease receivable is the rental generated from the Group's leased lands which were on lease to third parties for plantation of vegetables.

(b) Capital commitments

	Group	
	2011	2010
	RMB'000	RMB'000
Capital expenditure contracted for as at the balance sheet date but not provided for in the financial statements – commitments in respect of property, plant and equipment, land improvement costs and land use rights	368,597	93,590

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28. ACCUMULATED LOSSES/TRANSLATION RESERVE/(DEFICIT)

	Company	
	2011 RMB'000	2010 RMB'000
Accumulated losses:		
At the beginning of the year	(111,311)	(56,230)
Net loss for the year	(22,408)	(55,081)
At the end of the year	(133,719)	(111,311)

	Company	
	2011 RMB'000	2010 RMB'000
Translation reserve/(deficit):		
At the beginning of the year	(5,218)	(4,064)
Movement during the year	8,002	(1,154)
At the end of the year	2,784	(5,218)

29. SEGMENT INFORMATION

Operating segments

Operating segments are identified on the basis of internal reports about operating divisions of the Group that are regularly reviewed by the Board of Directors for the purpose of resource allocation and performance assessment.

The Group is organised on a worldwide basis into two main operating divisions, namely:

- Processed business segment, which is the processing and sale of processed vegetables
- Cultivation business segment, which is the production of fresh vegetables produce

(a) Operating segments

Inter-segment pricing is on arm's length basis. Unallocated costs represent corporate expenses. Segments assets consist primarily of property, plant and equipment, lease prepayments, inventories, receivables, operating cash and short-term bank deposits. Segments liabilities comprise payables, provisions and borrowings.

(b) Geographical information

The Group operate in two geographical areas:

- Singapore – the Company is headquartered and has operations in Singapore. The operations in this area is primarily the investment holding.
- People's Republic of China – the operations in this area are principally the sales of processed products and fresh produce.

Operations in People's Republic of China contributed 100% of consolidated revenue. Revenue is based on the country in which the customer is located, regardless of where the goods are delivered. Assets and additions to property, plant and equipment are based on the location of those assets.

29. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

2011	Processed Business Segment RMB'000	Cultivation Business Segment RMB'000	Group RMB'000
Revenue			
External sales	<u>1,330,579</u>	<u>598,626</u>	<u>1,929,205</u>
Results	357,534	319,310	676,844
Unallocated expenses			<u>(12,866)</u>
Operating profit			663,978
Gain on fair value of biological assets			
less estimated point of sale cost			1,200
Other income, net			8,054
Other expenses, net			(13,537)
Finance income			439
Finance expenses			<u>(6,338)</u>
Profit before income tax			<u>653,796</u>
Segment assets	1,987,170	1,166,097	3,153,267
Unallocated assets			<u>241,217</u>
Total assets			<u>3,394,484</u>
Segment liabilities	(447,456)	(19,873)	(467,329)
Unallocated liabilities			<u>(19,468)</u>
Total liabilities			<u>(486,797)</u>
Other segment items			
Capital expenditure			
– Property, plant and equipment	1,001,407	–	1,001,407
– Operating lease prepayments	–	441,598	441,598
– Land use rights	192,552	–	192,552
– Land improvement costs	–	234,656	234,656
Depreciation and amortisation	<u>36,274</u>	<u>77,453</u>	<u>113,727</u>

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29. SEGMENT INFORMATION (Continued)

Operating segments (Continued)

2010	Processed Business Segment RMB'000	Cultivation Business Segment RMB'000	Group RMB'000
Revenue			
External sales	962,539	460,018	1,422,557
Results	264,076	249,925	514,001
Unallocated expenses			(37,762)
Operating profit			476,239
Loss on fair value of biological assets			
less estimated point of sale cost			(15,200)
Other income, net			6,485
Other expenses, net			(10,915)
Finance income			275
Finance expenses			(24,216)
Profit before income tax			432,668
Segment assets	1,523,225	656,885	2,180,110
Unallocated assets			204,349
Total assets			2,384,459
Segment liabilities	(71,615)	(9,938)	(81,553)
Unallocated liabilities			(16,059)
Total liabilities			(97,612)
Other segment items			
Capital expenditure			
– Property, plant and equipment	114,640	3,392	118,032
– Operating lease prepayments	–	29,733	29,733
– Land improvement costs	3,921	37,074	40,995
Depreciation and amortisation	30,938	36,330	67,268
Other non-cash expense	2,360	–	2,360

29. SEGMENT INFORMATION (Continued)

Geographical information

Revenue is based on geographical location of customers.

	Revenue	
	2011 RMB'000	2010 RMB'000
Overseas markets:		
Americas and Europe	181,585	106,344
Asia (excluding the PRC) and other regions ⁽¹⁾	134,796	130,842
Export distributors	938,619	696,454
Subtotal	1,255,000	933,640
PRC markets	674,205	488,917
Total revenue	1,929,205	1,422,557

⁽¹⁾ These other regions include countries along the Asia-Pacific Rim and other countries such as South Africa and New Zealand.

Non-current assets are mainly based in the PRC.

30. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Categories of financial instruments

The following table sets out the financial instruments as at the balance sheet date:

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Financial assets	394,168	1,351,798	54,757	204,308
Financial liabilities	454,876	54,967	18,654	19,471

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign exchange risk, interest rate risk, liquidity risk, and credit risk. The Board of directors reviews and agrees policies and procedures for the management of these risks. It is the Group's policy not to trade in derivative contracts.

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30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Other than PRC, The Group also transacts with several countries, which involve United States dollars ("USD") and Euro dollars ("EUR"). As a result, movements in USD and EUR exchange rates are the main foreign exchange risk which the Group is exposed to.

Currently, the PRC government imposes control over foreign currencies. RMB, the official currency in the PRC, is not freely convertible. Enterprises operating in the PRC can enter into exchange transactions through the People's Bank of China or other authorised financial institutions. The Group has not entered into any derivative instruments for hedging or trading purposes.

Group	Singapore	United			
As at 30 June 2011	dollars	States	Euro	Renminbi	Total
	RMB'000	dollars	RMB'000	RMB'000	RMB'000
Financial assets					
Trade receivables	–	8,498	3,745	217,818	230,061
Other receivables	370	–	–	1,306	1,676
Cash and bank balances	52,930	1,757	6	107,738	162,431
	<u>53,300</u>	<u>10,255</u>	<u>3,751</u>	<u>326,862</u>	<u>394,168</u>
Financial liabilities					
Bank term loans	–	–	–	(327,109)	(327,109)
Other financial liabilities	(4,334)	–	–	(123,433)	(127,767)
	<u>(4,334)</u>	<u>–</u>	<u>–</u>	<u>(450,542)</u>	<u>(454,876)</u>
Net financial assets/(liabilities)	48,966	10,255	3,751	(123,680)	(60,708)
Less: Net financial (assets)/ liabilities denominated in the respective entities' functional currencies	<u>(48,966)</u>	<u>–</u>	<u>–</u>	<u>113,606</u>	<u>64,640</u>
Foreign currency exposure	–	10,255	3,751	(10,074)	3,932

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Group As at 30 June 2010	Singapore dollars RMB'000	United States dollars RMB'000	Euro RMB'000	Renminbi RMB'000	Total RMB'000
Financial assets					
Trade receivables	–	13,632	2,661	159,475	175,768
Other receivables	3,121	–	–	2,422	5,543
Cash and bank balances	102,238	218,682	12	849,555	1,170,487
	<u>105,359</u>	<u>232,314</u>	<u>2,673</u>	<u>1,011,452</u>	<u>1,351,798</u>
Financial liabilities					
Bank term loans	–	–	–	(16,403)	(16,403)
Other financial liabilities	(4,974)	(6,200)	–	(27,390)	(38,564)
	<u>(4,974)</u>	<u>(6,200)</u>	<u>–</u>	<u>(43,793)</u>	<u>(54,967)</u>
Net financial assets	100,385	226,114	2,673	967,659	1,296,831
Less: Net financial assets denominated in the respective entities' functional currencies	–	(88,802)	–	(968,062)	(1,056,864)
Foreign currency exposure	<u>100,385</u>	<u>137,312</u>	<u>2,673</u>	<u>(403)</u>	<u>239,967</u>

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30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Company As at 30 June 2011	Singapore dollars RMB'000	United States dollars RMB'000	Renminbi RMB'000	Total RMB'000
Financial assets				
Cash and bank balances	52,930	1,457	–	54,387
Other financial assets	370	–	–	370
	<u>53,300</u>	<u>1,457</u>	<u>–</u>	<u>54,757</u>
Financial liabilities				
Other financial liabilities	(4,334)	–	(14,320)	(18,654)
Net financial assets/(liabilities)	<u>48,966</u>	<u>1,457</u>	<u>(14,320)</u>	<u>36,103</u>
Less: Net financial assets denominated in the Company's functional currency	<u>(48,966)</u>	<u>–</u>	<u>–</u>	<u>(48,966)</u>
Foreign currency exposure	<u>–</u>	<u>1,457</u>	<u>(14,320)</u>	<u>(12,863)</u>
Company As at 30 June 2010	Singapore dollars RMB'000	United States dollars RMB'000	Renminbi RMB'000	Total RMB'000
Financial assets				
Cash and bank balances	102,238	98,949	–	201,187
Other financial assets	3,121	–	–	3,121
	<u>105,359</u>	<u>98,949</u>	<u>–</u>	<u>204,308</u>
Financial liabilities				
Other financial liabilities	(4,974)	(10,147)	(4,350)	(19,471)
Net financial assets/(liabilities)	100,385	88,802	(4,350)	184,837
Less: Net financial assets denominated in the Company's functional currency	<u>–</u>	<u>(88,802)</u>	<u>–</u>	<u>(88,802)</u>
Foreign currency exposure	<u>100,385</u>	<u>–</u>	<u>(4,350)</u>	<u>96,035</u>

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following details the sensitivity of a 10% increase and decrease in the RMB against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

The Group

If the following currencies changes against the RMB by 10% (2010: 10%) with all other variables including tax rates being held constant, the effects arising from the net financial assets/(liabilities) position will be as follow:

Profit after tax	2011 Increase/ (Decrease) RMB'000	2010 Increase/ (Decrease) RMB'000
USD		
– strengthened	1,026	13,731
– weakened	(1,026)	(13,731)
Euro		
– strengthened	375	267
– weakened	(375)	(267)
Renminbi		
– strengthened	(1,007)	(40)
– weakened	1,007	40
SGD		
– strengthened	NA	10,039
– weakened	NA	(10,039)

The Company

If the following currencies changes against the SGD by 10% (2010: 10%) with all other variables including tax rates being held constant, the effects arising from the net financial assets/(liabilities) position will be as follow:

Profit after tax	2011 Increase/ (Decrease) RMB'000	2010 Increase/ (Decrease) RMB'000
USD		
– strengthened	146	NA
– weakened	(146)	NA
RMB		
– strengthened	(1,432)	(435)
– weakened	1,432	435
SGD		
– strengthened	NA	10,039
– weakened	NA	(10,039)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011
(Amounts in RMB'000 unless otherwise stated)

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(a) Market risk (Continued)

(ii) Interest rate risk

The Group obtains additional financing through bank borrowings.

The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure. The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes. As at 30 June 2011, there were no such arrangements, interest rate swap contracts or other derivative instruments outstanding.

The following table sets out the carrying amount, by maturity, of the Group's financial instruments, that are exposed to interest rate risk:

	Group	
	2011	2010
	RMB'000	RMB'000
<i>Within one year – fixed rates</i>		
Short term bank loans	322,130	10,000
<i>2 years through 5 years – fixed rates</i>		
Long term bank loans	4,979	6,403

Interests on financial instruments at fixed rates are fixed until the maturity of the instruments. The other financial instruments of the Group that are not included in the above table are not subject to interest rate risks.

The Group's profit or loss and equity are not affected by changes in interest rates as the interest-bearing financial instruments carry fixed interest and are measured at amortised cost. Consequently, sensitivity analysis is not necessary.

(b) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. The remaining contractual maturity for financial liabilities of the Group and Company, other than long term bank loans, is on demand or due within 1 year, thus the carrying amounts approximate the undiscounted cash flow.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

The credit period on sales of goods ranges from 30 to 90 days (2010: 30 to 90 days). No interest is imposed on overdue trade receivables.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

The Group's major classes of financial assets include bank deposits and trade receivables. The carrying amounts of cash and bank balances, trade and other receivables, including amount due from related parties, represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

Cash and bank balances are placed with local financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the balance sheet are net of allowances for impairment of receivables, estimated by management based on prior experience and the current economic environment.

The aging analysis of trade receivables is as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Not past due and not impaired	220,192	175,066
Past due but not impaired		
– Past due 0 to 6 months	9,836	680
– Past due over 6 months	33	22
	9,869	702
Net trade receivables	230,061	175,768

At balance sheet date, there is no significant concentration of credit risk. Included in the Group's trade receivables are debtors with total carrying amount of approximately RMB9,869,000 (2010: RMB702,000) which are past due but not impaired as there has not been a significant change in credit quality and the amounts are still considered recoverable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2011
(Amounts in RMB'000 unless otherwise stated)

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(c) Credit risk (Continued)

The movements in allowance for impairment loss are as follows:

	Group	
	2011	2010
	RMB'000	RMB'000
Balance at beginning of the year	-	112
Allowance written back during the year (Note 18)	-	(112)
Balance at end of the year	-	-

The Group has provided for trade receivables based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

(d) Fair values of financial assets and financial liabilities

The carrying amounts of cash and bank balances, trade and other current receivables and payables, other liabilities and amounts payable approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The carrying amounts of bank term loans approximate fair value as the attached terms and conditions closely reflects other similar types of lending, borrowing or such arrangements as at balance sheet date.

(e) Capital risk management policies and objectives

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings, cash and bank balances and equity attributable to equity holders of the Company, comprising issued capital, currency translation reserve, accumulated profits, capital reserve and employees' share option reserve.

The Board reviews the capital structure on an annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt.

30. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(e) Capital risk management policies and objectives (Continued)

Management monitors capital based on an adjusted gearing ratio, which is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and bank balances. Total capital is calculated as equity plus net debt.

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Bank loans	327,109	16,403	-	-
Trade payables	84,685	7,992	-	-
Other payables	44,781	44,728	14,408	15,524
Due to a related party (non-trade)	5,220	5,220	-	-
Due to a subsidiary (non-trade)	-	-	4,246	3,947
Cash and bank balances	(162,431)	(1,170,487)	(54,387)	(201,187)
Net debts	299,364	(1,096,144)	(35,733)	(181,716)
Total equity	2,907,687	2,286,847	941,333	909,636
Total capital	3,207,051	1,190,703	905,600	727,920
Adjusted gearing ratio (Net debts/Total capital)	9.3%	(92.1%)	(3.9%)	(25.0%)

As disclosed in Note 4, subsidiaries of the Group are required by the relevant laws and regulations in the PRC to contribute to and maintain a non-distributable statutory reserve fund which utilisation is subject to the approval of the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above mentioned subsidiaries for the financial year ended 30 June 2011 and 30 June 2010.

31. SUBSEQUENT EVENT

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 Directors 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.

PROPERTIES AND FIXED ASSETS

Our Group owns the following property as at 30 June 2011:

No.	Nature	Location	Area (sq m)	Use of property
1	Land Use Right	No.552, Ba Er Yi North Street Changlin Residents' Committee, Licheng District, Putian (荔城区畅林居委会八二一北街552号)	78,773.86	Processing facilities and storage
2	Land Use Right	No.128, Ba Er Yi North Street, Gongchen Residents' Committee, Licheng District, Putian (荔城区拱辰居委会八二一北街128号)	15,142.59	Processing facilities and storage
3	Building	No. 128, Ba Er Yi North Street, Gong Chen Residents' Committee (拱辰居委会八二一北街128号)	7,150.17	Processing facilities and storage
4	Building	No. 552, Ba Er Yi North Street, Chang Lin Residents' Committee (畅林居委会八二一北街552号)	19,733.18	Processing facilities and storage
5	Land Use Right	No.20, Development Zone (East Park) Inner Mongolia (内蒙古自治开发区(东区)第二十街坊)	33,438.00	Processing facilities and storage
6	Land Use Right	Left Side, Jinzhan Road, Nengyu Town, Yunnan (云南省能禹镇进站公路左侧)	20,000.00	Processing facilities and storage
7	Land Use Right	Xiaonengyu Village, Mohe Villagers' Committee, Yuanma Town, Yuanmou County, Yunnan (云南省元谋县元马镇摩河村委会小能禹村)	46.50	Dormitory
8	Land Use Right	Xiaonengyu Village, Mohe Villagers' Committee, Yuanmou County, Yunnan (云南省元谋县摩河村委会小能禹村)	17.20	Office block
9	Land Use Right	Xiaonengyu Village, Mohe Villagers' Committee, Yuanma Town, Yuanmou County, Yunnan (云南省元谋县元马镇摩河村委会小能禹村)	144.70	Dormitory
10	Land Use Right	Railway Station, Nengyu, Yuanmou County, Yunnan (云南省元谋县能禹火车站)	672.50	Processing facilities and storage
11	Building	Living Zone, South Jinzhan Road, Railway Station, Nengyu Town, Yuanmou County (元谋县能禹镇火车站进站公路南侧(生活区))	1,403.51	Dormitory
12	Building	Living Zone, South Jinzhan Road, Railway Station, Nengyu Town, Yuanmou County (元谋县能禹镇火车站进站公路南侧(生活区))	1,201.11	Dormitory
13	Building	South Jinzhan Road, Railway Station, Nengyu Town, Yuanmou County (元谋县能禹镇火车站进站路南侧)	2,641.73	Processing facilities and storage

Our Group owns the following property as at 30 June 2011 (Continued):

No.	Nature	Location	Area (sq m)	Use of property
14	Building	South Jinzhan Road, Railway Station, Nengyu Town, Yuanmou County (元谋县能禹镇火车站进站路南侧)	4,158.28	Processing facilities and storage
15	Building	Office Zone, South Jinzhan Road, Nengyu Town, Yuanmou County (元谋县能禹镇进站路南侧(办公区))	622.51	Office block
16	Land Use Right	Shangyou Industrial Park, Chicheng Town, Pengxi County (蓬溪县赤城镇上游工业园)	24,605.51	Processing facilities and storage
17	Building	Shangyou Industrial Park, Chicheng Town (赤城镇上游工业园区)	5,420.73	Processing facilities and storage
18	Land Use Right	Sanqian Village, Xitianwei Town, Licheng District, Putian (荔城区西天尾镇三山村)	191,217.02	Processing facilities and storage, office block and dormitory
19	Land Use Right	South Nanhuan Road, Sanfutan Town, Xiantao City (仙桃市三伏潭镇南环路南侧)	33,000.00	Processing facilities and storage, office block and dormitory
20	Building	South Nanhuan Road, Sanfutan Town, Xiantao City (仙桃市三伏潭镇南环路南侧)	7,648.05	Processing facilities and storage, office block and dormitory

PROPERTIES AND FIXED ASSETS

We currently lease the following properties as at 30 June 2011:

No.	Location	Lessor	Land Use	Gross Area (sq m '000)	Actual Start Date/ Renewal Date	Remaining Tenure
1	Gaoyang Village, Shicang Town, Xianyou District, Fujian Province (福建省仙游县石苍乡高阳村 — 东至高阳梯佛公顶·西至青龙溪·南至霞湖山界·北至赤竹坑)	Farmer-households in Gaoyang Village, Shicang Town, Xianyou County, Fujian (福建省仙游县石苍乡高阳村的农户)	Forest	17,346.8	Started on 5 September 2001 and renewed on 1 January 2008	Ending on 31 December 2028, with an option to extend to 4 September 2051
2	Qianqin Village, Dongqiao Town, Xiuyu District, Putian, Fujian (福建省莆田市秀屿区东峤镇前沁村 — 东至村道·西至莆埭路·南至盐场·北至村庄)	Farmer-households in Qianqin Village, Dongqiao Town, Xiuyu District, Putian, Fujian (福建省莆田市秀屿区东峤镇前沁村的农户)	Farm	2,068.0	Started on 28 February 2003 and renewed on 1 January 2008	Ending on 27 February 2023
3	Heping Village, Huangshi Town, Licheng District, Putian, Fujian (福建省莆田市荔城区黄石镇和平村 — 东至和平村村道·西至涵黄公路·南至黄石镇·北至和平村村道的农田)	Farmer-households in Heping Village, Huangshi Town, Licheng District, Putian, Fujian (福建省莆田市荔城区黄石镇和平村的农户)	Farm	2,063.3	Started on 22 January 2000 and renewed on 1 January 2008	Ending on 31 December 2027, with an option to extend to 21 January 2030
4	Shanqian Village, Beigao Town, Licheng District, Putian, Fujian (福建省莆田市荔城区北高镇山前村 — 东至西亭村·西至山前村村道·南至武盛村·北至山前村村道的农田)	Farmer-households in Shanqian Village, Beigao Town, Licheng District, Putian, Fujian (福建省莆田市荔城区北高镇山前村的农户)	Farm	1,676.7	Started on 25 April 2001 and renewed on 1 January 2008 and 25 April 2011 respectively	Ending on 24 April 2021
5	Xibei Village, Changtai Town, Chengxiang District, Putian, Fujian (福建省莆田市城厢区常太镇溪北村 — 东至枇杷地·西至村庄·南至小溪·北至村庄)	Farmer-households in Xibei Village, Changtai Town, Chengxiang District, Putian, Fujian (福建省莆田市城厢区常太镇溪北村的农户)	Farm	686.7	Started on 1 February 2007 and renewed on 1 January 2008	Ending on 31 January 2017

We currently lease the following properties as at 30 June 2011 (Continued):

No.	Location	Lessor	Land Use	Gross Area (sq m '000)	Actual Start Date/ Renewal Date	Remaining Tenure
6	Yuanhou Village, Beigao Town, Licheng District, Putian, Fujian (福建省莆田市荔城区北高镇院后村 — 东至院后村村部, 西至村民住所, 南至村道, 北至水渠)	Chen Wenxin (陈文新)	Farm	271.3	Started on 1 January 2008	Ending on 21 December 2012
7	Xinan Village, Changtai Town, Chengxiang District, Putian, Fujian (福建省莆田市城厢区常太镇溪南村 — 东至村道, 西至枇杷地, 南至小溪, 北至村庄)	Farmer-households in Xinan Village, Changtai Town, Chengxiang District, Putian, Fujian (福建省莆田市城厢区常太镇溪南村的农户)	Farm	140.0	Started on 1 October 2006 and renewed on 1 January 2008	Ending on 30 September 2016
8	Houwen Village, Daitou Town, Xiuyu District, Putian, Fujian (福建省莆田市秀屿区埭头镇后温村 — 东至养殖场, 西至机耕路, 南至本村群众农田, 北至农田)	Han Wenguo (韩文国)	Farm	100.0	Started on 1 January 2008	Ending on 10 September 2012
9	Dongxi Village, Zhongshan Town, Xianyou County, Fujian (福建省仙游县钟山镇东溪村 — 东至村庄, 西至山地, 南至山地, 北至山地)	Zhang Shunfu (张顺富)	Farm	64.9	Started on 1 January 2008	Ending on 20 May 2012
10	Lilinzui Village, Sanfutan Town, Xiantao, Hubei (湖北省仙桃市三伏潭镇栗林嘴村 — 东至机耕路, 西至农田, 南至村道, 北至农舍)	Farmer-households in Lilinzui Village, Sanfutan Town, Xiantao, Hubei (湖北省仙桃市三伏潭镇栗林嘴村的农户)	Farm	2,000.0	Started on 1 May 2008	Ending on 30 April 2018

PROPERTIES AND FIXED ASSETS

We currently lease the following properties as at 30 June 2011 (Continued):

No.	Location	Lessor	Land Use	Gross Area (sq m '000)	Actual Start Date/ Renewal Date	Remaining Tenure
11	Yongfeng Village, Caolu Town, Pudong New District, Shanghai (上海市浦东新区曹路镇永丰村 — 东至龚丰路, 南至小河, 西至村部, 北至村民农田)	Farmer-households in Yongfeng Village, Caolu Town, Pudong New District, Shanghai (上海市浦东新区曹路镇永丰村的农户)	Farm	423.3	Started on 1 April 2006 and renewed on 1 January 2008	Ending on 1 April 2014
12	Haichao Village, Caolu Town, Pudong New District, Shanghai (上海市浦东新区曹路镇海潮村 — 东至防护林, 南至村道, 西至村庄, 北至村民农田)	Farmer-households in Haichao Village, Caolu Town, Pudong New District, Shanghai (上海市浦东新区曹路镇海潮村的农户)	Farm	256.7	Started on 1 January 2006 and renewed on 1 January 2008	Ending on 1 January 2014
13	San Dui, Wusi Farm Park (五四农场园区(三队))	Shanghai Nonggongshang Modern Agricultural Park Development Co., Ltd. (上海市农工商现代农业园区开发有限公司)	Farm	200.0	Started on 1 July 2006	Ending on 30 June 2014
14	Xingdong Village, Caolu Town, Pudong New District, Shanghai (上海市浦东新区曹路镇兴东村 — 东至兴华路, 南至灌溉水渠, 西至村道, 北至文东路)	Farmer-households in Xingdong Village, Caolu Town, Pudong New District, Shanghai (上海市浦东新区曹路镇兴东村的农户)	Farm	126.7	Started on 1 April 2006 and renewed on 1 January 2008	Ending on 1 January 2014
15	Airport Town, Pudong New District, Shanghai (上海市浦东新区机场镇 — 东至八一河, 西至华洲路, 南至交界, 北至水泥路土地交界)	Shanghai Pudong Linkong Agriculture Development Co., Ltd. (上海浦东临空农业开发有限公司)	Farm	46.7	Started on 1 December 2005	Ending on 30 November 2025
16	Fendou Village, Shuanghe Town, Linhe District, Bayannaoer City, Inner Mongolia (内蒙古巴彦淖尔市临河区双河镇奋斗村 — 东至新丰村, 西至跃进村, 南至临新公路, 北至二黄河畔)	Farmer-households in Fendou Village, Shuanghe Town, Linhe District, Bayannaoer, Inner Mongolia (内蒙古巴彦淖尔市临河区双河镇奋斗村的农户)	Farm	2,000.0	Started on 1 October 2007 and renewed on 1 January 2008	Ending on 30 September 2017

We currently lease the following properties as at 30 June 2011 (Continued):

No.	Location	Lessor	Land Use	Gross Area (sq m '000)	Actual Start Date/ Renewal Date	Remaining Tenure
17	Niujie Village, Huangguayuan Town, Yuanmou County, Chuxiong, Yunnan Province (云南省楚雄州元谋县黄瓜园镇牛街村 — 东至腊海金村小组河道·西至腊海金村小组村道·南至腊海金村小组村道·北至牛街村)	Farmer-households in Niujie Village, Huangguayuan Town, Yuanmou County, Chuxiong, Yunnan Province (云南省楚雄州元谋县黄瓜园镇牛街村的农户)	Farm	1,416.7	Started on 1 September 2005 and renewed on 1 January 2008	Ending on 31 December 2028, with an option to extend to 31 August 2035
18	Hebian Agricultural Cooperative, Yongfu Village, Ala Town, Renhe District, Panzhihua, Sichuan (四川省攀枝花市仁和区啊喇乡永富村河边至村道·西至民房·南至小河·北至机耕路)	Farmer-households in Hebian Agricultural Cooperative, Yongfu Village, Ala Town, Renhe District, Panzhihua, Sichuan (四川省攀枝花市仁和区啊喇乡永富村河边农业合作社的农户)	Farmland	2,000.0	Started on 1 May 2009	Ending on 30 April 2019
19	Guojunba Village, Jinqiao Town, Pengxi County, Sichuan (四川省遂宁市蓬溪县金桥乡过军坝村 — 东至村部·西至小河·南至机耕路·北至村道)	Farmer-households in Guojunba Village, Jinqiao Town, Pengxi County, Sichuan (四川省遂宁市蓬溪县金桥乡过军坝村的农户)	Farm	1,796.7	Started on 1 May 2008	Ending on 1 May 2018
20	Hongjiang Village, Hongjiang Town, Pengxi County, Sichuan Province (四川蓬溪县红江镇红江村 — 东至天福镇长坪坝村·西至与白坪村相连·南至红江发电厂·北至与白坪村相连)	Farmer-households in Hongjiang Village, Hongjiang Town, Pengxi County, Sichuan (四川蓬溪县红江镇红江村的农户)	Farm	543.3	Started on 1 December 2007 and renewed on 1 January 2008	Ending on 30 November 2017

PROPERTIES AND FIXED ASSETS

We currently lease the following properties as at 30 June 2011 (Continued):

No.	Location	Lessor	Land Use	Gross Area (sq m '000)	Actual Start Date/ Renewal Date	Remaining Tenure
21	Buying Village, Hongjiang Town, Pengxi County, Suining, Sichuan (四川省遂宁市蓬溪县红江镇步营村 — 东至村部·西至村道·南至养殖场·北至村道)	Farmer-households in Buying Village, Hongjiang Town, Pengxi County, Suining, Sichuan (四川省遂宁市蓬溪县红江镇步营村的农户)	Farm	513.3	Started on 1 January 2008	Ending on 31 December 2017
22	Baiping Village, Hongjiang Town, Pengxi County, Sichuan Province (四川蓬溪县红江镇白坪村 — 东至步云村, 西至湖江河边, 南至青龙村, 北至青龙场)	Farmer-households in Baiping Village, Hongjiang Town, Pengxi County, Sichuan (四川蓬溪县红江镇白坪村的农户)	Farm	303.3	Started on 1 January 2008	Ending on 31 December 2017
23	Baihelin Village, Tianfu Town, Pengxi County, Sichuan Province (四川蓬溪县天福镇白鹤林村 — 东至常国路, 西至长坪村一庄, 南至马道村, 北至长坪村三庄)	Farmer-households in Baihelin Village, Tianfu Town, Pengxi County, Sichuan (四川蓬溪县天福镇白鹤林村的农户)	Farm	226.7	Started on 1 January 2008	Ending on 31 December 2017
24	Huting Village, Zhongshan Town, Xianyou District, Putian, Fujian (莆田市仙游县钟山镇湖亭村)	Farmer-households in Huting Village, Zhongshan Town, Xianyou District, Putian, Fujian (莆田市仙游县钟山镇湖亭村的农户)	Farm	1,333.3	Started on 1 May 2010	Ending on 30 April 2020
25	Zhuangzi Village, Zhang Town, Xiqing District, Tianjin (天津市西青区张家窝镇庄子村界内中国北方蝴蝶兰生产基地内 — 东至智能温室西泄水沟, 西至小甸子地界, 南至周芦跌路以北气线以内, 北至房甸路绿化带)	Tianjin Baiwei Modern Agriculture Technology Development Co., Ltd. (天津市百维现代农业技术开发有限公司)	Farm	140.0	Started on 1 May 2010	Ending on 1 May 2025

We currently lease the following properties as at 30 June 2011 (Continued):

No.	Location	Lessor	Land Use	Gross Area (sq m '000)	Actual Start Date/ Renewal Date	Remaining Tenure
26	Yongfeng Village, Caolu Town, Pudong District, Shanghai (上海市浦东曹路镇永丰村—东至龚丰路,南至小河,西至村部,北至村民农田-扩租)	Farmer-households in Yongfeng Village, Caolu Town, Pudong District, Shanghai (上海市浦东曹路镇永丰村的农户)	Farm	133.3	Started on 1 July 2010	Ending on 1 April 2014
27	Huting Village, Zhongshan Town, Xianyou District, Putian, Fujian (莆田市仙游县钟山镇湖亭村—南至湖亭村村部,北至锤榜公路,东至旅游路,西至机耕路-扩租)	Farmer-households in Huting Village, Zhongshan Town, Xianyou District, Putian, Fujian (莆田市仙游县钟山镇湖亭村的农户)	Farm	1,200.0	Started on 1 November 2010	Ending on 31 October 2020
28	Wuchun Village, Youyang Town, Xianyou District, Putian, Fujian (莆田市仙游县游洋镇梧椿村—东至机耕路,西至山坡地,南至梧椿村庄,北至小溪)	Farmer-households in Wuchun Village, Youyang Town, Xianyou District, Putian, Fujian (莆田市仙游县游洋镇梧椿村的农户)	Farm	2,333.3	Started on 8 November 2010	Ending on 7 November 2020
29	Pingpan Village, Baisha Town, Hanjiang District, Putian, Fujian (福建省莆田市涵江区白沙镇坪盘村—东至啊雄花圃西至陈樵猪场南至鸭场北至后溪人果园)	Farmer-households in Pingpan Village, Baisha Town, Hanjiang District, Putian, Fujian (福建省莆田市涵江区白沙镇坪盘村的农户)	Farm	666.7	Started on 1 November 2010	Ending on 31 October 2030
30	Batou Village, Dayang Town, Hanjiang District, Putian, Fujian (福建省莆田市涵江区大洋乡坝头村—东至山坡地,西至坝头村村庄,南至小溪,北至大福公路)	Farmer-households in Batou Village, Dayang Town, Hanjiang District, Putian, Fujian (福建省莆田市涵江区大洋乡坝头村的农户)	Farm	1,333.3	Started on 8 November 2010	Ending on 7 November 2020

PROPERTIES AND FIXED ASSETS

We currently lease the following properties as at 30 June 2011 (Continued):

No.	Location	Lessor	Land Use	Gross Area (sq m '000)	Actual Start Date/ Renewal Date	Remaining Tenure
31	Baihelin Village, Tianfu Town, Pengxi County, Sichuan (四川省蓬溪县天福镇白鹤林村,东至常国路,西至长坪村一庄,南至马道村,北至长坪村三庄-扩租)	Farmer-households in Baihelin Village, Tianfu Town, Pengxi County, Sichuan (四川省蓬溪县天福镇白鹤林村的农户)	Farm	400.0	Started on 1 December 2010	Ending on 30 November 2020
32	Xiayang Village, Dayang Town, Hanjiang District, Putian, Fujian (福建省莆田市涵江区大洋乡霞洋村一东至小溪,西至山坡地,北至霞洋村庄)	Farmer-households in Xiayang Village, Dayang Town, Hanjiang District, Putian, Fujian (福建省莆田市涵江区大洋乡霞洋村的农户)	Farm	2,000.0	Started on 1 January 2011	Ending on 1 January 2021
33	Dayang Village, Dayang Town, Hanjiang District, Putian, Fujian (福建省莆田市涵江区大洋乡大洋村一东至大福公路,西至大洋村庄,南至村农民农田北至山坡地)	Farmer-households in Dayang Village, Dayang Town, Hanjiang District, Putian, Fujian (福建省莆田市涵江区大洋乡大洋村的农户)	Farm	1,333.3	Started on 1 January 2011	Ending on 1 January 2021
34	Dounan Village, Huangshi Town, Licheng District, Putian, Fujian (福建省莆田市荔城区黄石镇斗南村一东至斗南村村部,西至村民农田)	Farmer-households in Dounan Village, Huangshi Town, Licheng District, Putian, Fujian (福建省莆田市荔城区黄石镇斗南村的农户)	Farm	3,333.3	Started on 10 February 2011	Ending on 9 February 2021
35	Huangfang Village, Yuanqian Town, Taihe District, Ji-an City, Jiangxi (江西省吉安市泰和县苑前镇黄坊村一东至县道,西至黄坊村庄,南至小溪,北至黄坊村庄)	Farmer-households in Huangfang Village, Yuanqian Town, Taihe District, Ji-an City, Jiangxi (江西省吉安市泰和县苑前镇黄坊村的农户)	Farm	6,666.7	Started on 3 March 2011	Ending on 2 March 2021
36	Heyuan Village, Heshi Town, Taihe District, Ji-an City, Jiangxi (江西省吉安市禾市镇禾院村一东至村道,西至禾院村村部,南至公路,北至小溪)	Farmer-households in Heyuan Village, Heshi Town, Taihe District, Ji-an City, Jiangxi (江西省吉安市泰和县禾市镇禾院村的农户)	Farm	2,133.3	Started on 1 April 2011	Ending on 31 March 2021

We currently lease the following properties as at 30 June 2011 (Continued):

No.	Location	Lessor	Land Use	Gross Area (sq m '000)	Actual Start Date/ Renewal Date	Remaining Tenure
37	Fenglong Village, Heshi Town, Taihe District, Ji-an City, Jiangxi (江西省吉安市泰和县禾市镇丰垅村 — 东至县道,西至丰垅村村庄,南至机耕路,北至村民农田)	Farmer-households in Fenglong Village, Heshi Town, Taihe District, Ji-an City, Jiangxi (江西省吉安市泰和县禾市镇丰垅村的农户)	Farm	1,666.7	Started on 12 April 2011	Ending on 11 April 2021
38	Zengzhuang Village, Heshi Town, Taihe District, Ji-an City, Jiangxi (江西省吉安市泰和县禾市镇增庄村 — 东至增庄村村道,西至村民农田,南至增庄村村部,北至县道)	Farmer-households in Zengzhuang Village, Heshi Town, Taihe District, Ji-an City, Jiangxi (江西省吉安市泰和县禾市镇增庄村的农户)	Farm	1,666.7	Started on 12 April 2011	Ending on 11 April 2021
39	Sanqian Village, Beigao Town, Licheng District, Putian, Fujian (莆田市荔城区北高镇山前村 — 东至西亭村,西至山前村村道,南至武盛村,北至山前村村道-扩租)	Farmer-households in Sanqian Village, Beigao Town, Licheng District, Putian, Fujian (莆田市荔城区北高镇山前村的农户)	Farm	2,000.0	Started on 25 April 2011	Ending on 24 April 2021

SHAREHOLDINGS STATISTICS

AS AT 14 SEPTEMBER 2011

SHARE CAPITAL

Issued and fully paid-up capital : S\$206,479,207.00
Number of shares : 557,439,000
Class of shares : Ordinary shares
Voting rights : One vote per ordinary share

There are no treasury shares held in the issued share capital of the Company.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	5	0.50	884	0.00
1,000 – 10,000	725	72.00	3,830,822	0.69
10,001 – 1,000,000	267	26.51	17,375,870	3.12
1,000,001 AND ABOVE	10	0.99	536,231,424	96.19
TOTAL	1,007	100.00	557,439,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS NOMINEES PTE LTD	164,584,768	29.53
2	CITIBANK NOMINEES SINGAPORE PTE LTD	93,699,073	16.81
3	RAFFLES NOMINEES (PTE) LTD	89,934,161	16.13
4	DBSN SERVICES PTE LTD	78,381,643	14.06
5	HL BANK NOMINEES (S) PTE LTD	38,392,000	6.89
6	HSBC (SINGAPORE) NOMINEES PTE LTD	35,975,104	6.45
7	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	14,467,305	2.60
8	UOB KAY HIAN PTE LTD	10,050,000	1.80
9	UNITED OVERSEAS BANK NOMINEES PTE LTD	7,281,370	1.31
10	BNP PARIBAS SECURITIES SERVICES SINGAPORE	3,466,000	0.62
11	SIEK WEI TING (XIE WEITING)	949,000	0.17
12	KIM ENG SECURITIES PTE. LTD.	909,575	0.16
13	MERRILL LYNCH (SINGAPORE) PTE LTD	904,000	0.16
14	ALPHA SECURITIES PTE LTD	700,000	0.13
15	G K GOH STRATEGIC HOLDINGS PTE LTD	700,000	0.13
16	DB NOMINEES (S) PTE LTD	656,735	0.12
17	LOW KWICK CHING	600,000	0.11
18	DBS VICKERS SECURITIES (S) PTE LTD	534,000	0.10
19	VISION CAPITAL PRIVATE LIMITED	424,000	0.08
20	PHILLIP SECURITIES PTE LTD	317,000	0.06
	TOTAL	542,925,734	97.42

PERCENTAGE OF SHAREHOLDINGS IN PUBLIC HANDS

51.22% of the Company's shares are held in the hands of the Public as at 14 September 2011. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

SUBSTANTIAL SHAREHOLDERS AS AT 14 SEPTEMBER 2011

(as defined under the Singapore Companies Act, Cap. 50)

As recorded in the Register of Substantial Shareholders

Name of Substantial Shareholder	DIRECT INTEREST		DEEMED INTEREST	
	Number of Shares	%	Number of Shares	%
Lin Guo Rong ⁽ⁱ⁾	5,128,000	0.92	29,861,297	5.36
China Minzhong Holdings Limited ⁽ⁱ⁾	29,861,297	5.36	–	–
Wang Dazhang ⁽ⁱ⁾	3,368,000	0.60	30,261,297	5.43
Huang Bing Hui ⁽ⁱ⁾	–	–	29,861,297	5.36
Siek Wei Ting ⁽ⁱ⁾	9,679,703	1.74	29,861,297	5.36
Tetrad Ventures Pte Ltd ⁽ⁱⁱ⁾	94,245,382	16.91	–	–
Government of Singapore Investment Corporation (Ventures) Pte. Ltd. ⁽ⁱⁱⁱ⁾	–	–	94,245,382	16.91
GIC Special Investments Pte. Ltd. ⁽ⁱⁱⁱ⁾	–	–	94,245,382	16.91
Government of Singapore Investment Corporation Pte. Ltd. ⁽ⁱⁱⁱ⁾	–	–	94,245,382	16.91
CMA Capital Partners Pte. Ltd. ⁽ⁱⁱⁱ⁾	–	–	36,392,643	6.53
Lee Chong Min ⁽ⁱⁱⁱ⁾	–	–	36,392,643	6.53
Wang Anson ⁽ⁱⁱⁱ⁾	–	–	36,392,643	6.53
Olympus Leaf Holdings Limited ^(iv)	57,231,618	10.27	–	–
OCA II Holdings L.P. ^(iv)	–	–	57,231,618	10.27
Olympus Capital Holdings Asia ^(iv)	–	–	57,231,618	10.27
Lee Edan Kietchai ^(iv)	–	–	57,231,618	10.27
GAM Hong Kong Limited ^(v)	–	–	35,989,000	6.46
GAM Singapore Pte. Ltd. ^(v)	–	–	35,989,000	6.46
GAM Group AG ^(v)	–	–	35,989,000	6.46
GAM Holding AG ^(v)	–	–	35,989,000	6.46

Notes:

(i) China Minzhong Holdings Limited ("Minzhong (BVI)") is solely owned by the Chief Financial Officer, Siek Wei Ting (100%) of which Siek Wei Ting is holding an aggregate of 100% of the Shares in Minzhong (BVI) on trust for the CEO and Executive Director, Lin Guo Rong (42.86%), Alternate Director to Lin Guo Rong and Chief Operation Officer, Wang Dazhang (28.57%) and our Chief Technology Officer, Huang Bing Hui (28.57%).

By virtue of Section 4 of the Securities and Futures Act, Lin Guo Rong, Wang Dazhang, Hung Bing Hui and Siek Wei Ting are deemed to be interested in the Shares held by Minzhong (BVI) in China Minzhong Food Corporation Limited.

(ii) Tetrad Ventures Pte Ltd ("Tetrad") is wholly owned by Government of Singapore Investment Corporation (Ventures) Pte. Ltd. ("GICV"). GIC Special Investments Pte. Ltd. ("GICSI") manages the investments of Tetrad Ventures Pte Ltd, and is wholly owned by Government of Singapore Investment Corporation Pte Ltd. ("GIC"). GIC manages the foreign reserves of the Government of Singapore and is wholly owned by Minister for Finance (Incorporated).

By virtue of Section 4 of the Securities and Futures Act, GICV, GICSI and GIC are deemed to be interested in the Shares held by Tetrad in China Minzhong Food Corporation Limited.

SHAREHOLDINGS STATISTICS

AS AT 14 SEPTEMBER 2011

- (iii) By virtue of Section 4 of the Securities and Futures Act, each of CMIA Capital Partners Pte. Ltd. ("CMIA"). Anson Wang and Lee Chong Min are deemed to have interest in China Minzhong Food Corporation Limited. CMIA is the manager of certain funds and investment vehicles that are shareholders of China Minzhong Food Corporation Limited. Lee Chong Min is a director and principal shareholder of CMIA, Anson Wang is a managing partner of CMIA.
- (iv) Olympus Leaf Holdings Limited ("Olympus Leaf") is wholly owned by OCA II Holdings, L.P. ("OCAII") managed by Olympus Capital Holdings Asia ("OCHA"). Lee Edan Kietchai is a Managing Director and Vice President of Olympus Capital Holdings Asia ("OCHA").
By virtue of Section 4 of the Securities and Futures Act, Lee Edan Kietchai, OCAII and OCHA are deemed to be interested in the Shares held by Olympus Leaf in China Minzhong Food Corporation Limited.
- (v) GAM Hong Kong Limited is the fund manager of each of (1) GAM Asia Equity Hedge Inc., (2) GAM Greater China Equity Hedge Inc., (3) HSBC Multimanager Hong Kong Equity Fund, (4) Insynergy Absolute China Fund, (5) KB China Equity Fund, (6) GAM Star China Equity and (7) GAM Singapore/Malaysia Equity Inc..

Corporate Information

AUDIT COMMITTEE

Mr. Lim Yeow Hua (Chairman)
Mr. Heng Hang Siong
Mr. Lee Edan Kietchai

NOMINATING COMMITTEE

Mr. Heng Hang Siong (Chairman)
Mr. Lim Yeow Hua
Mr. Lee Edan Kietchai

REMUNERATION COMMITTEE

Mr. Lim Yeow Hua (Chairman)
Mr. Heng Hang Siong
Mr. Wang Anson

BOARD OF DIRECTORS

Mr. Lin Guo Rong
(Executive Chairman and
Chief Executive Officer)
Mr. Lee Edan Kietchai
(Non-Executive Director)
Mr. Lim Gee Kiat
(Non-Executive Director)
Mr. Wang Anson
(Non-Executive Director)
Mr. Lim Yeow Hua
(Lead Independent Director)
Mr. Heng Hang Siong
(Independent Director)

COMPANY SECRETARIES

Mr. Howard Cheam Heng Haw,
LLB, Hons
Ms. Chan Hooi Tze, FCIS

REGISTERED OFFICE

9 Battery Road
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Singapore 049910
Tel: (65) 6535 3600
Fax: (65) 6225 6846

SINGAPORE OFFICE

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#02-05 Mountbatten Square
Singapore 398007
Tel: (65) 6346 7506
Fax: (65) 6346 0787

HEAD OFFICE

552 Ba Er Yi North Street
Changlin Residents' Committee
Licheng District
Fujian Province
People's Republic of China

EXTERNAL AUDITORS

Crowe Horwath First Trust LLP
7 Temasek Boulevard
#11-01 Suntec Tower One
Singapore 038987

*Partner-in-charge: Alfred Cheong Keng Chuan
(appointed since: 2011)*

INTERNAL AUDITORS

Deloitte & Touche LLP
6 Shenton Way
#32-00 DBS Building, Tower Two
Singapore 068809

PRINCIPAL BANKERS

Oversea-Chinese Banking
Corporation Limited
65 Chulia Street
#26-00 OCBC Centre
Singapore 049513

HL Bank, Singapore
20 Collyer Quay
#01-02 Tung Centre
Singapore 049319

OCBC Bank (China) Limited,
Xiamen Branch
8 Lu Jiang Dao
23E International Plaza
Xiamen City, 361001
Fujian Province
People's Republic of China

Agricultural Bank of China,
Putian Chengxiang Sub-Branch
No. 59 Hou Xiang Road
Putian City
Fujian Province
People's Republic of China

China Construction Bank,
Putian Branch
No. 558 Wen Xian Road
Chengxiang District
Putian City
Fujian Province
People's Republic of China

SOLICITORS

Rajah & Tann LLP
9 Battery Road
#25-01 Straits Trading Building
Singapore 049910

SHARE REGISTRAR

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

JOINT ISSUE MANAGERS

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168 Robinson Road
17 Floor, Capital Tower
Singapore 068912

Kim Eng Corporate Finance
Pte. Ltd.
9 Temasek Boulevard
#08-03 Suntec Tower Two
Singapore 038989

Macquarie Capital (Singapore)
Pte. Limited
23 Church Street
#11-11 Capital Square
Singapore 049481

*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 Annual Report.*

JOINT UNDERWRITERS AND JOINT LEAD MANAGERS

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Macquarie Capital Securities
(Singapore) Pte. Limited
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