



GLAUCUS RESEARCH GROUP 格勞克斯研究

"Things Gained Through Unjust Fraud Are Never Secure"

- Sophocles

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COMPANY: CHINA MINZHONG FOOD CORPORATION LIMITED | SGX: K2N | BB: MINZ
INDUSTRY: Agriculture

Recommendation:

Strong Sell

Price:

SGD 1.01

As of Market Close 8/23/2013

Market Cap:

SGD 665mm

Public Float:

416mm shares

Daily Volume:

3.5mm shares

(Avg. 10 days)

Auditor:

Crowe Horwath

Price Target:

SGD 0.00

CHINA MINZHONG FOOD CORPORATION LIMITED ("Minzhong" or the "Company") is a Peoples Republic of China ("PRC") based producer of fresh and processed vegetables. In our opinion, Minzhong closely resembles Chaoda Modern Agriculture (SEHK: 0682) ("Chaoda"), another Fujian-based vegetable producer that has been [halted](#) since September 2011 under widespread [allegations](#) of fraud. We believe that Minzhong, like Chaoda, has so significantly deceived regulators and investors about the scale of its business and its financial performance that we expect **trading in its shares to be halted and its shares to be worthless**.

1. **Fabricated Sales.** Publicly available filings indicate that Minzhong fabricated sales figures to its top two customers.
 - a. **Top Customer Incorporated After The Track Record Period.** Corporate registry records show that a Taiwan-based food distributor, which was supposedly **Minzhong's largest customer** in the pre-IPO track record period (2007-2009), was only **incorporated in November 2009**, suggesting, in our view, that Minzhong simply fabricated the sales figures in its Prospectus.
 - b. **SAIC Filings Indicate Faked Sales.** SAIC files show that Minzhong's second largest customer, which purportedly accounted for RMB 142 million in sales in 2009, had **zero revenues and zero COGS in 2009**.
 - c. **Undisclosed Related Party.** Minzhong reported in its Prospectus that its top customers were independent third parties. But SAIC filings show that Minzhong's second largest customer was not only co-founded by Company Chairman Mr. Lin Guo Rong but that Lin Guo Ping, who served as a legal representative of a Minzhong subsidiary, simultaneously served as the supervisor of the Minzhong customer. It appears that Minzhong failed to disclose such material connections to investors.
2. **Top Supplier's Business License Revoked pre-IPO.** SAIC filings show that Minzhong's largest supplier during the pre-IPO track record period, which purportedly accounted for 18% of the Company's total purchases in 1Q2010 and was the Company's primary source of mushroom spores (reportedly its best selling product), was **deregistered and stripped of its business license for violating PRC law in February 2010**, a mere two months before Minzhong's April 2010 IPO. In our opinion, the implication of this deregistration is that the supplier was not a major operating business and that Minzhong fabricated payments to its largest supplier.
3. **Attempted Cover Up?** After a wave of accounting scandals and de-listings among other S-Chips in early 2011, it appears that Minzhong **doctored the historical financials** of certain subsidiaries in their respective SAIC filings to make them appear consistent with Minzhong's Singapore-filed financials. Prior to the apparent cover up, SAIC filings suggest that Minzhong's **assets and earnings were a small fraction of what** the Company claimed in its Singapore-filed financials.

4. **Suspicious Capital Expenditures.** S-Chips and US-listed reverse mergers engaging in fraud often overstate reported capital expenditures to mask fake sales on the balance sheet. In FYs 2011 and 2012, Minzhong claims to have spent around RMB 1.2 billion on the construction of a new industrial park in Putian. Yet SAIC filings show an increase of only RMB 203 million in PP&E during the same period. More suspiciously, the industrial park was not pledged as collateral for the Company's bank loans; instead, Minzhong's creditors sought personal, unsecured guarantees from the Company's Chairman and its suppliers. We believe that this is further evidence that Minzhong vastly overstated its capital expenditures.
5. **Reinventing the Wheel.** The Company's business model is as old as agriculture itself, yet it so vastly outperforms other fresh produce growers that its reported financial performance defies credibility.
 - a. **EBITDA.** Minzhong's reported EBITDA margins on fresh produce, its most profitable segment, averaged an absurd 66% during the past five years.
 - b. **Ballooning Receivables.** The Company's receivables have skyrocketed of late, despite the fact that its credit terms have not changed. We believe that the persistent and unexplained growth in receivables is caused by the need to account for fake income on the balance sheet.
 - c. **Negative Free Cash Flow.** Since its IPO, Minzhong has generated negative free cash flow of RMB 1 billion. Much like other S-Chips which have been delisted under suspicion of impropriety, the Company relies on debt or equity financing as its primary source of cash generation.
6. **Valuation.** As of March 31, 2013, Minzhong had approximately **RMB 1.1 billion** of onshore liabilities outstanding, including bank loans and trade payables due to unsecured onshore creditors in the PRC. In a liquidation scenario, the holders of onshore liabilities have historically taken priority over offshore equity holders. Because we believe that the Company has significantly overstated its sales and its capital expenditures, we doubt the authenticity of its reported receivables, cash balance and PP&E. Given the limited offshore assets available for seizure (cash denominated in USD, SGD, or Euro was limited to **RMB 8 million as of 6/30/2012**) and the difficulty recovering onshore assets (property and equipment) from alleged fraudsters under China's byzantine judicial system, we put a price target on Minzhong's shares of **SGD 0.00**.

Disclaimer

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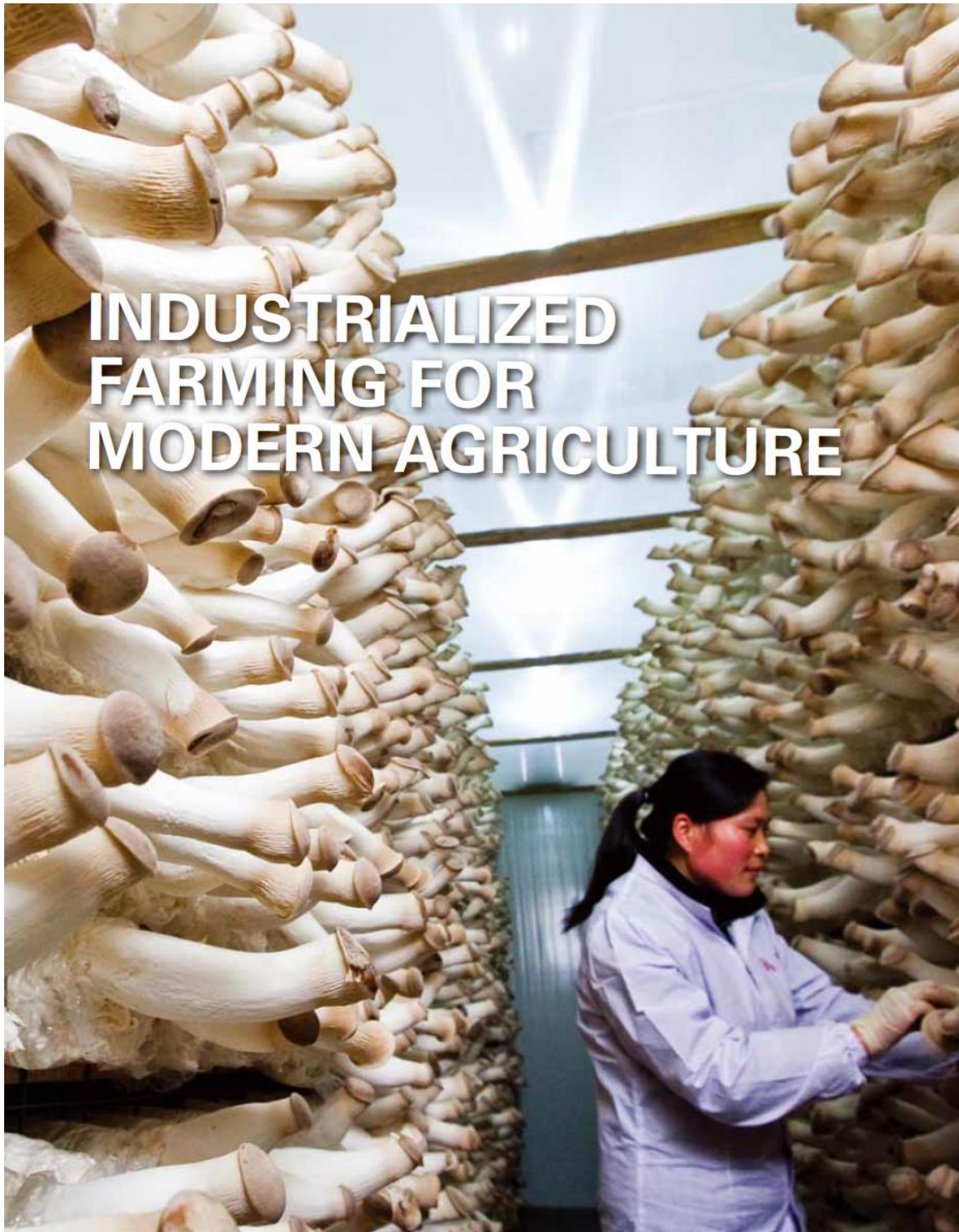
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MAGIC MUSHROOMS

CHINA MINZHONG FOOD CORPORATION LIMITED (“Minzhong” or the “Company”) is a Fujian-based agricultural business that cultivates and processes vegetables in China for sale to produce distributors in the PRC.



Minzhong's business model is similar to that of Chaoda Modern Agriculture (SEHK: 0682), another Fujian-based agricultural company whose market capitalization peaked at ~HKD 33 billion before it collapsed under allegations of rampant fraud by Next Media ([translation here](#), original [Chinese language document](#) is available [here](#)). This led the Hong Kong Stock Exchange to suspend trading of its shares and initiate regulatory proceedings. Trading of Chaoda's shares has been suspended since the allegations surfaced, virtually wiping out its shareholders.¹

Like Chaoda, we believe that Minzhong has made numerous material misrepresentations to investors, the Singapore Stock Exchange ("SGX") and the Monetary Authority of Singapore ("MAS").

Investors do not need to perform our level of due diligence to believe that Minzhong is rotten, as even a simple reading of its financial statements requires the suspension of disbelief. Chaoda appears to be the only competitor whose reported EBITDA margins on the sale of fresh produce even come close to the Company's reported figures. Other major accounting red flags abound, including ballooning receivables and the Company's negative cumulative free cash flow since its IPO.

The most convincing evidence comes from publicly available filings from local offices of the State Administration of Industry and Commerce ("SAIC") in China and the corporate registry in Hong Kong, which in our opinion show that Minzhong faked sales to its top two customers, fabricated payments to its largest supplier, inflated its capital expenditures by up to RMB 1 billion to hide fabricated profits on its balance sheet, and tried to cover up its accounting improprieties by doctoring its historical SAIC financials.



The writing may already be on the wall. Minzhong's two cornerstone IPO investors (who together, at one time, held over 30% of the outstanding shares of the Company) have sold all of their shares in the past 12 months. New investors, such as Indofoods, are, in our opinion, the victims of an elaborate and sophisticated financial hoax.

Ultimately, we believe that Minzhong has materially overstated the scale and profitability of its business to investors and regulators, and, in doing so, violated a number of Singapore's securities laws. Like Hong Kong regulators with Chaoda, we believe that Singapore regulators will halt trading of Minzhong's shares pending a full investigation into the Company.

¹ Chaoda's board of directors has stated that it hopes to obtain permission to resume trading on April 2014.

FABRICATED SALES TO ITS TOP CUSTOMERS

Evidence indicates that Minzhong fabricated sales to its top two customers, suggesting that the Company overstated revenues in its IPO Prospectus by at least a third during the track record period. According to the [Prospectus](#), the following were Minzhong's largest customers during the track record period (FY 2007-1Q 2010):²

Customer	As a percentage of our Group's sales (%)			
	FY2007	FY2008	FY2009	1Q2010
Hong Kong Yifenli Trading Co. Ltd (香港一分利贸易有限公司) ⁽¹⁾	32.4	6.0	17.8	6.4
Putian Daziran Vegetables Produce Co., Ltd (莆田市大自然蔬菜制品有限公司) ⁽²⁾	3.6	7.6	13.4	13.6
Comercial San Luis Limitada ⁽³⁾	2.3	7.2	8.0	2.0
Kundig Nahrungsmittel GmbH & Co. Kg Deutschland ⁽⁴⁾	—	5.6	1.7	1.6
Seawind International Inc. ⁽⁵⁾	8.6	1.0	—	—
Shanghai Richfield International Trade Co., Ltd (上海丰鹏国际贸易有限公司) ⁽⁶⁾	8.1	3.7	1.9	6.3
Total	55.0	31.1	42.8	29.9

Notes:

- (1) Hong Kong Yifenli Trading Co. Ltd is a Taiwan-based food distributor. It mainly purchased fresh-packed products from us for distribution in the Asian market. In FY2009, our increased sales to Hong Kong Yifenli Trading Co. Ltd was mainly due to our conscientious effort to target the Asia (excluding PRC) market.
- (2) Putian Daziran Vegetables Produce Co., Ltd ("Daziran") is a PRC-based food distributor and manufacturer. Our sales to Daziran increased during the Period under Review due to increased sales orders of processed products (particularly fresh-packed products) to this customer.

1) The Customer That Didn't Exist?

According to the Prospectus, Hong Kong Yifenli Trading Co. Ltd ("Hong Kong Yifenli"), a Taiwan-based food distributor, was supposedly Minzhong's largest customer during the track record period from June 2006 to September 2009.

However, according to publicly available records from Hong Kong's Companies Registry,³ excerpted below, Hong Kong Yifenli was only incorporated on **November 6, 2009**. Note that the Chinese name of Hong Kong Yifenli (香港一分利贸易有限公司) in the certificate of incorporation below is an exact match to the Chinese name listed in the Company's Prospectus.

² IPO Prospectus, p.164

³ https://www.icris.cr.gov.hk/csci/cns_basic_comp.do

No. 1388763
編號



CERTIFICATE OF INCORPORATION
公 司 註 冊 證 書

I hereby certify that
本人謹此證明

HONG KONG YIFENLI TRADING LIMITED
香港一分利貿易有限公司

is this day incorporated in Hong Kong under the Companies Ordinance
於 本 日 在 香 港 根 據 《 公 司 條 例 》 (第 32 章)

(Chapter 32) and that this company is limited.
註 冊 成 為 有 限 公 司 。

Issued on 6 November 2009.
本 證 書 於 二 〇 〇 九 年 十 一 月 六 日 發 出 。


Ms. Fanny Wing-chi LAM
for Registrar of Companies
Hong Kong
香港公司註冊處處長
(林詠芝 代行)

This begs the obvious question of how Hong Kong Yifenli could be Minzhong's biggest customer from June 2006 to September 2009 when it apparently did not exist prior to November 2009!

In addition, we could not find any trace of **Hong Kong Yifenli being registered in Taiwan**, its purported base of operations.⁴ Nor could we find any evidence or records of the customer's existence online. Combined with the certificate of incorporation above showing that Hong Kong Yifenli was incorporated long after it was purportedly buying vegetables from Minzhong, in our opinion, the preponderance of the evidence indicates that the Company simply fabricated its sales figures to its best customer in its Prospectus.

2) SAIC Filings Indicate Fake Sales

According to the Prospectus, the Company's second biggest customer during the track record period was Putian Daziran Vegetables Produce Co., Ltd. ("Putian Vegetables"), which purportedly accounted for RMB 142 million in sales in FY 2009 (13.4% of Minzhong's total revenue that year). Similarly, for Q1 2010 (July-Sept 2009), according to the [Prospectus](#), Putian Vegetables comprised 13.6% of Minzhong's sales (RMB 30.3 million).

⁴ <http://gcis.nat.gov.tw/pub/cmpy/cmpyInfoListAction.do>

Yet publicly available SAIC filings (excerpted below) show that Putian Vegetables **had zero revenues, zero COGS and a net profit of RMB 6,083 in calendar year 2009**. The absence of any COGS indicates that Minzhong's supposed customer **did not purchase any goods from Minzhong (or anyone else) in 2009**.

Putian Daziran Vegetables Produce Co., Ltd. **Income Statement** Unit: Yuan

利 润 表 Year 2009

编制单位: 莆田市大自然蔬菜制品有限公司 2009年度 金额单位: 元

项 目	行次	本期实际
一、主营业务收入 Revenue	1	
减: 主营业务成本 COGS	5	
主营业务税金及附加	7	
二、主营业务利润	8	
加: 其他业务利润 Other Profit	9	166,944.00
减: 营业费用	10	
管理费用 Management Expenses		158,890.00
财务费用	12	450.00
其中: 利息支出 (减利息收入)	13	
汇兑损失 (减汇兑收益)	14	
三、营业利润 (亏损用“-”号) Operating Profit		7,604.00
加: 投资收益	16	
补贴收入	17	
营业外收入	18	
加: 以前年度损益调整	19	
减: 营业外支出	20	
四、利润总额 (亏损用“-”号) Total Profit		7,604.00
减: 所得税 Tax	22	1,520.80
五、净利润 (亏损用“-”号) Net Profit		6,083.20

Putian Vegetables' SAIC balance sheet, excerpted below, corroborates this conclusion. The 2009 SAIC filings show that Putian Vegetables had inventory of RMB 53,217 as of January 1, 2009, which remained unchanged as of December 31, 2009. This is consistent with the SAIC income statements, which showed that Putian Vegetables had **zero COGS** in that calendar year.

Putian Daziran Vegetables Balance Sheet Produce Co., Ltd.

December 31, 2009

Unit: Yuan

编制单位: 莆田市大自然蔬菜制品有限公司		2009年12月31日		金额单位: 元			
资 产	行次	年初数	期末数	负债及所有者权益	行次	年初数	期末数
流动资产:		Beg. of Year	End of Year	流动负债:			
货币资金	1	6,579.00	3,268.00	短期借款	37		
短期投资	2			应付票据	38		
减: 短期投资跌价准备	3			应付账款	39	189,872.00	189,872.00
短期投资净额	4			预收账款	40		
应收票据	5			代销商品款	41		
应收股利	6			应付工资	42		
应收利息	7			应付福利费	43		
应收账款	8	-568,462.00	-549,806.00	应付股利	44		
减: 坏账准备	9			应交税金	45	-9,876.65	-15,568.79
应收账款净额	10	-568,462.00	-549,806.00	其他应付款	46		
预付账款	11			其中: 应交管理费	47		
其他应收款	12	2,198,635.34	2,169,037.00	其他应付款	48		
存货 Inventory	13	53,217.00	53,217.00	预提费用	49		
待摊费用	14	9,064.67	9,064.67	一年内到期的长期负债	50		
待处理流动资产净损失	15			其他流动负债	51		
一年内到期的长期债券投资	16			流动负债合计	52	179,995.35	174,303.21
其他流动资产	17						
流动资产合计	18	1,699,034.01	1,084,780.67	长期负债:			
长期投资:				长期借款	53		
长期股权投资	19			应付债券	54		
长期债权投资	20			长期应付款	55		
长期投资合计	21			其他长期负债	56		
减: 长期投资减值准备	22			长期负债合计	57		
长期投资净额	23			递延税项:			
固定资产:				递延税款贷项	58		
固定资产原值	24	1,401,864.70	1,401,864.70	负债合计	59	179,995.35	174,303.21
减: 累计折旧	25	215,169.30	215,169.30				
固定资产净值	26	1,186,695.40	1,186,695.40				
在建工程	27						
固定资产清理	28			所有者权益:	60		
待处理固定资产净损失	29			实收资本	61	5,000,000.00	5,000,000.00
固定资产合计	30	1,186,695.40	1,186,695.40	其中: 外方投资		2,000,000.00	2,000,000.00
无形资产及递延资产:				中方投资		3,000,000.00	3,000,000.00
无形资产	31	2,172,373.34	2,172,373.34	资本公积	62	-12,800.00	-12,800.00
长期待摊费用	32			盈余公积	63		
其他长期资产	33			未分配利润	64	-109,092.60	-117,633.80
无形资产及其他资产合计	34	2,172,373.34	2,172,373.34	所有者权益合计	65	4,878,107.40	4,869,546.20
递延税款:							
递延税款借项	35						
资产合计	36	5,058,102.75	5,043,849.41	负债及所有者权益总计	66	5,058,102.75	5,043,849.41

Similarly, according to 2010 SAIC filings, Putian Vegetables had **zero revenue**, **zero COGS** and a net profit of RMB 6,743 for the calendar year 2010, indicating that it did not buy any vegetables from Minzhong in that calendar year.

Putian Daziran Vegetables Produce Co., Ltd. Income Statement

↓

利 润 表

Year 2010 Last Year

2010年度

Unit: Yuan

↓

单位: 元

编制单位: 莆田市大自然蔬菜制品有限公司

项目	行次	上年同期累计数	本年累计数 ← This Year
一、主营业务收入 Revenue	1		
减: 主营业务成本 COGS	2		
营业费用	3		
主营业务税金及附加	4		
二、主营业务利润	5		
加: 其他业务收入	6	166,944.00	190,944.00
减: 管理费用	7	158,890.00	181,952.85
财务费用	8	450.00	
其中: 利息支出(减利息收入)			
三、营业利润亏损用(" - ")	9	7,604.00	8,991.15
加: 投资收益	10		
补贴收入	11		
营业外收入	12		
减: 营业外支出	13		
加: 以前年度损益调整	14		
四、利润总额	15	7,604.00	8,991.15
减: 所得税	16	1,520.80	2,247.81
五、净利润 Net Profit	17	6,083.20	6,743.34

On the balance sheet side, again, SAIC filings show that there was no change in the customer's inventory balance from January 1, 2010, to December 31, 2010, consistent with **zero COGS** and the conclusion that Putian Vegetables was **not buying vegetables from Minzhong during this period**, even though the Company told investors in its Prospectus that Putian Vegetables was its **second largest customer** at the time of its IPO.

Putian Daziran Vegetables Produce Co., Ltd.

Unit: Yuan

↓ 资产负债表 ↓

编制单位: 莆田市大自然蔬菜制品有限公司 2010年12月31日 ← December 31, 2010 单位: 元 01

资产	行次	年初数	期末数	负债及所有者权益	行次	年初数	期末数
流动资产:		Beg. of Year	End of Year	流动负债:			
货币资金	1	3,268.00	10,011.34	短期借款	30		
短期投资	2			应付票据	31		
应收票据	3			应付账款	32	189,872.00	189,872.00
应收账款	4	-549,806.00	-549,806.00	预收账款	33		
减: 坏账准备	5			其他应付款	34		
应收账款净额	6	-549,806.00	-549,806.00	应付工资	35		
预付账款	7			应付福利费	36		
应收补贴款	8			未付税金	37	-15,568.79	-15,568.79
其他应收款	9	2,169,037.00	2,169,037.00	未付利润	38		
存货 Inventory	10	53,217.00	53,217.00	其他未交款	39		
待摊费用	11	9,064.67	9,064.67	预提费用	40		
待处理流动资产净损失	12			一年内到期的长期负债	41		
一年内到期的长期应收款	13			其他流动负债	42		
其他流动资产	14						
				流动负债合计	43	174,303.21	174,303.21
流动资产合计	15	1,684,780.67	1,691,524.01	长期负债			
长期投资:				长期借款	44		
长期股权投资	16			应付债券	45		
固定资产:				长期应付款	46		
固定资产原值	17	1,401,864.70	1,401,864.70	其他长期负债	47		
减: 累计折旧	18	215,169.30	215,169.30	其中: 住房周转金	48		
固定资产净值	19	1,186,695.40	1,186,695.40				
固定资产清理	20			长期负债合计	49		
在建工程	21			递延税款:			
待处理固定资产净损失	22			递延税款贷项	50		
固定资产合计	23	1,186,695.40	1,186,695.40	负债合计		174,303.21	174,303.21
无形资产及递延资产:				所有者权益:			
无形资产	24	2,172,373.34	2,172,373.34	实收资本:	52	5,000,000.00	5,000,000.00
递延资产	25			中方投资		3,000,000.00	3,000,000.00
				外方投资		2,000,000.00	2,000,000.00
				资本公积	53	-12,800.00	-12,800.00
无形资产及递延资产合计	26	2,172,373.34	2,172,373.34	盈余公积	54		
其他长期资产:				本年利润	55		
其他长期资产	27			未分配利润	56	-117,653.80	-110,910.46
递延税款:				所有者权益合计	57	4,889,546.20	4,876,289.54
递延税款借项	28						
资产合计	29	5,043,849.41	5,050,592.75	负债及所有者权益总计	58	5,043,849.41	5,050,592.75

We believe that SAIC filings show conclusively that Putian Vegetables was not buying any vegetables from anyone (let alone the Company) in 2009 and 2010. In our opinion, this indicates that Minzhong fabricated its reported sales to this customer during the track record period.

3) Undisclosed Related Party

According to the Company's [Prospectus](#), its top customers were independent third parties. However, SAIC filings show that **Minzhong's Chairman** and founder, Mr. Lin Guo Rong, **co-founded Minzhong's second largest customer, Putian Vegetables, in 1997**. Chairman Lin's signature even appears in the SAIC filings (excerpted below).

Application for Registration of Foreign Invested Enterprise

外商投资企业申请登记表

工商行政管理局:

根据《中华人民共和国企业法人登记管理条例》的有关规定，
申请登记注册，请予审核批准。

Name of Applicant Putian Daziran Vegetables Produce Co., Ltd.

申请企业名称

莆田德源蔬菜制品有限公司

董事长签字

林国荣

副董事长签字

林国荣 吴永光

Vice Chairman Signature Lin Guo Rong

Chairman Signature Lin Guo Zhang

申请日期

92.5.4

Application Date May 4, 1997

Rather than appearing like an independent third party, the above filing shows that Putian Vegetables was co-founded by Minzhong's Chairman. According to the same filings, Chairman Lin resigned in 2002 from his position, but he is not the only undisclosed connection.

SAIC filings also show that Mr. Lin Guo Ping (Chinese: 林国平) was appointed as supervisor of Putian Vegetables in September 2007 for one year until his resignation in September 2008.

Letter of Appointment

委派书

Hereby appoint Mr. Lin Guo Ping to serve as supervisor of Putian Daziran Vegetables Produce Co., Ltd.

兹委派林国平先生担任莆田市大自然蔬菜制品有限公司监事。

任期三年，经投资者继续委派，可以连任。

Putian Daziran Food Co., Ltd.

↓

中方：莆田市大自然食品有限公司

Legal Representative: Lin Guo Zhang → 法定代表人：林国平

外方：香港美成企业有限公司

法定代表人：MAIUBARU ENTERPRISE

二〇〇七年九月六日

September 6, 2007

This should alarm investors because the same Lin Guo Ping, the putative supervisor of Minzhong's second largest customer, appears to have simultaneously served as the legal representative of the Minzhong subsidiary, Sichuan Minzhong Organic Food, from 2007 to 2010, as shown in the following excerpt of the subsidiary's SAIC filings.

Letter of Appointment

委派书

Hereby appoint Lin Guo Ping to serve as executive director, general manager and legal representative of Sichuan Minzhong Organic Food Co., Ltd.

兹委派林国平任四川省闽中有机食品有限公司执行董事兼

总经理，为公司法定代表人；郭管君任四川省闽中有机食品有

限公司监事。执行董事、监事任期三年。

Investor: China Minzhong Organic Food Corporation PTE, LTD.

中国闽中有机食品(新加坡)有限公司
投资者：中国闽中有机食品(新加坡)有限公司
China Minzhong Organic Food Corporation Pte. Ltd.

二〇〇七年一月五日

January 5, 2007

Fujian Minzhong Organic Food Co., Ltd. Document

福建省闽中有机食品有限公司文件

闽中有机 [2010] 16 号

With regard to the dismissal notice of Mr. Lin Guo Ping

关于林国平同志免职的通知

Sichuan Minzhong Organic Food Co., Ltd.:

四川省闽中有机食品有限公司:

根据董事会意见, 决定从二〇一〇年七月二十八日起, 免去林国平同志四川省闽中有机食品有限公司执行董事、总经理、法定代表人职务。

特此通知 Dismiss Mr. Lin Guo Ping's executive director, general manager and legal representative duties at Sichuan Minzhong Organic Food Co., Ltd.

Fujian Minzhong Organic Food Co., Ltd.

福建省闽中有机食品有限公司

二〇一〇年七月二十八日

July 28, 2010

Lin Guo Ping, who served as the legal representative of a Minzhong subsidiary from January 2007 to July 2010, simultaneously served (Sept. 2007- Sept. 2008) as the 'supervisor' of Putian Vegetables during the period in which Minzhong was reporting significant sales to that customer. Minzhong stated unequivocally in its Prospectus that none of its top customers were related parties, whether the interest was direct or indirect.⁵

None of our Directors or Substantial Shareholders has any interest, direct or indirect, in any of the above companies.

We believe that it is a violation of Singapore securities laws for Minzhong to fail to disclose that one of the Company's legal representatives simultaneously served as the supervisor of its second largest customer during of the track record period. We also believe that such undisclosed related party connections corroborate the evidence (discussed above) that Minzhong fabricated sales to its second largest customer.

⁵ IPO Prospectus, p.164

TOP SUPPLIER'S BUSINESS LICENSE REVOKED BEFORE IPO

Chengdu Shufeng Agriculture (“Chengdu Shufeng”) was listed in Minzhong’s Prospectus as the Company’s largest supplier during the pre-IPO track record period, purportedly **accounting for a total of RMB 161 million** of purchases during that time (and 17.8% of Minzhong’s purchases during 1Q 2010):⁶

MAJOR SUPPLIERS

Our suppliers are primarily our Contract Bases, Pre-Processing Agents and other third-party vegetables suppliers who supply us with the raw materials required for our cultivation and processing operations.

We carefully evaluate and select our suppliers based on quality of materials, price and timeliness of delivery. Please refer to the sections “Our Integrated Operations Platform — Sales and Marketing”, “Our Cultivation Bases” and “Our Production Process” of this Prospectus for more information.

During the Period under Review, there were only two suppliers who individually accounted for 5.0% or more of our materials purchases in any of the financial years. We are not reliant on any one supplier. Our suppliers accounting for 5% or more of our total purchases for each financial year during the Period under Review are listed below:

Supplier	Products supplied	Percentage of total purchases (%)			
		FY2007	FY2008	FY2009	1Q2010
Cheng Du Shu Feng Nong Ye (成都蜀丰农业开发有限公司) ⁽¹⁾	Mushroom Spores	—	7.1	7.2	17.8
Xu Tian Lin (徐天林) ⁽²⁾	Fresh vegetables produce	2.5	2.2	5.7	0.8

Notes:

- (1) This supplier supplies mushroom spores to Sichuan Minzhong and the increase is due to the Group's strategy to expand production of mushroom products.
- (2) This supplier supplies fresh champignon mushrooms for our processing activities in Fujian, PRC. The increase is due to the Group's strategy to expand production of mushroom products.

However, filings show that the Chengdu Dayi District SAIC office revoked Chengdu Shufeng’s business license, deregistered it, and ordered the supplier to turn over its official seal to the government on **February 2, 2010, two months before Minzhong went public.**

⁶ Company Prospectus, p.163

Chengdu Dayi Administration For Industry and Commerce Administrative Penalty Decision Notice

Cheng Industry and Commerce City Department Letter [2010] No. 156

成都市大邑工商行政管理局 行政处罚决定书

成工商 大市处 字〔2010〕 156 号

当事人：成都蜀丰农业开发有限公司

法定代表人（负责人）：黎雪峰

经查明：当事人连续两年以上未按规定参加企业年检，其行为违反了《中华人民共和国公司登记管理条例》第六十条的规定，根据《中华人民共和国公司登记管理条例》第七十六条的规定，我局决定吊销其营业执照。限当事人在收到《处罚决定书》后 15 日内将营业执照和公章缴回我局。营业执照被吊销后，当事人的债权债务由股东组织清算组负责清算。

本局在作出处罚决定之前，已依法告知当事人拟作出行政处罚的事实、理由、依据，以及依法享有陈述、申辩、听证的权利。

当事人如不服本处罚决定，可在收到《处罚决定书》之日起 60 日，向成都市工商行政管理局申请复议，或在三个月内依法向大邑县人民法院提起诉讼。



2010 年 2 月 2 日

February 2, 2010

Below we have provided our translation of the Penalty Decision Notice:

Chengdu Dayi Administration For Industry and Commerce
Administrative Penalty Decision Notice
Cheng Industry and Commerce City Department Letter [2010] No. 156

Party: Cheng Du Shu Feng Nong Ye Development Co., Ltd.
Legal Representative (Person in Charge): Li Xuefeng

Identified: The party failed to submit business inspection for more than two consecutive years in accordance with the regulations, which violates the provision of Article 67 of "Regulations of the People's Republic of China on Administration of Registration of Companies." According to the provision of Article 76 of "Regulations of the People's Republic of China on Administration of Registration of Companies," our bureau decides to revoke its business license. The party has to hand over the business license and official seal to our bureau within 15 days of receiving the "Penalty Decision Notice." After the business license is revoked, liquidation team organized by the shareholders is responsible for liquidation of the party's claims and liabilities.

Before making the penalty decision, this bureau has informed the party about facts, reasons, basis on the intention to make the administrative penalty according to the laws, and the legally entitled rights for representation, defense and hearing.

If the party disagrees on this penalty decision, the party may request Chengdu Administration for Industry and Commerce for reconsideration within 60 days of receiving the "Penalty Decision Notice," or initiate legal proceedings at People's Court of Dayi County within three months according to the laws.

February 2, 2010

Article 67 of the Administrative Regulations Governing the Registration of Companies (available here: <http://www.asianlii.org/cn/legis/cen/laws/argtroc660/#9>), requires PRC companies to file annual inspections, typically consisting of basic financials and business information, with the local SAIC office.

The above Penalty Decision Notice states that the SAIC office revoked Chengdu Shufeng's business license after the company failed to file annual inspections with the office for "**more than two consecutive years**" (i.e. for at least calendar years 2008 and 2009). According to SAIC filings, Chengdu Shufeng remains deregistered and it has not had the legal authority to operate a business since February 2010.

We find it highly unlikely that a supplier receiving RMB 161 million in just over two years would allow its business license to be revoked for failure to submit routine filings and financial statements to its local SAIC office. Chengdu Shufeng was supposedly the largest supplier of mushroom spores to a soon-to-be public company. Its sales to Minzhong were supposedly increasing at the time of the IPO. Chengdu Shufeng had every incentive to maintain an operating business, yet it allowed its status to be revoked a mere two months before Minzhong's IPO.

We believe that the revocation of Chengdu Shufeng's business license prior to the IPO indicates that Minzhong was simply fabricating the amount of payments to its largest mushroom-spore supplier in order to deceive bankers, investors and regulators about the scale and profitability of its mushroom business; which was and continues to be the most important produce segment in the Company's growth and profitability forecasts.

In addition, SAIC filings show that Chengdu Shufeng was incorporated on April 6, 2006, **only two months before the beginning of Minzhong's FY2007**:

名称（字号） Name	成都蜀丰农业开发有限公司 Cheng Du Shu Feng Nong Ye Development Co., Ltd.		
注册号/登记证号 Registration Number	510129000023524	法定代表人/负责人/经营者/ 执行事务合伙人/投资人 Legal Rep/Investor	黎雪峰 Li Xuefeng
住所/经营场所/地址 Place of Business	成都市省大邑县蔡场镇蔡场社区 Caichang Community, Caichang Town, Dayi County, Chengdu		
主体类型（经济性质） Entity Type	有限责任公司（自然人独资） Co., Ltd.		
注册资本（金）/资金 数额/认缴出资额 Registered Capital	(人民币)壹佰 RMB 1 million	实收资本/ 实缴出资额 (人民币)壹佰	万元
经营（业务）范围 及方式 Business Scope and Business Mode	食用菌加工、销售。 Processing and Sales of Mushrooms		
经营方式		成立日期 Date of Establishment	2006-04-06 04/06/2006
经营期限自 Operating Period From	2006-04-06 04/06/2006	经营期限至 Operating Period To	2016-04-05 04/05/2016
当前状态 Current Status	已吊销 Revoked		

This is suspicious because it appears that the Company's largest supplier was **incorporated solely for the purpose of Minzhong's track record period (June 2006 – September 2009)**. Supposedly a thriving mushroom spore supplier, Chengdu Shufeng was incorporated two months before the beginning of Minzhong's track record period and **had its business license revoked two months before the Company's IPO**.

We believe that this evidence supports a clear narrative: Chengdu Shufeng was not a thriving mushroom spore business; rather it was established to create a paper trail for Minzhong's IPO and allow the Company to fabricate purchases from its largest supplier to artificially inflate the scale and profitability of its business.

ATTEMPTED COVER UP

SAIC filings also suggest an attempt by the Company to cover its tracks after a wave of S-Chips collapsed under the weight of accounting scandals and impropriety.

We suspect that this ham-fisted attempt was motivated by a wave of S-Chips scandals in early 2011. Trading in the shares of China Hongxing Sports, Sino Techfibre, China Gaoxian and Hongwei Technologies was [suspended](#) in the first half of 2011 under the suspicion of accounting fraud. The frenzy of scandals and trading halts cast a pall on S-Chips and sent shares of PRC-based, SGX-listed companies plummeting.

S-Chip Scandals - in Chronological Order of Date Last Traded					
Company Name	Bloomberg Ticker	Status	IPO	Last Traded	Auditor at IPO
FerroChina	FRC SP	Delisted	05/19/05	10/07/08	Deloitte & Touche
China Printing & Dyeing	CPD SP	Delisted	09/07/06	10/08/08	Foo Kon Tan Grant Thornton
Fibrechem Technologies	FBCM SP	Suspended	04/21/04	02/23/09	Deloitte & Touche
Beauty China	BCH SP	Delisted	07/14/05	03/06/09	Ernst & Young
Oriental Century	ORIC SP	Delisted	06/01/06	03/09/09	KPMG
China Sun Bio-chem	CSBT SP	Suspended	11/08/04	03/20/09	PricewaterhouseCoopers
Celestial NutriFoods	CENU SP	Suspended	01/09/04	06/15/09	PricewaterhouseCoopers
Sino-Environment	SINE SP	Delisted	04/28/06	09/17/09	First Trust Partnership
China Milk Products Group	CMILK SP	Suspended	03/13/06	02/08/10	Foo Kon Tan Grant Thornton
KXD Digital Entertainment	KXD SP	Suspended	10/27/03	05/10/10	PricewaterhouseCoopers
China Hongxing Sports	CHHS SP	Suspended	11/14/05	02/22/11	Grant Thornton
Hongwei Technologies	HONG SP	Suspended	10/24/05	02/24/11	Ernst & Young
China Gaoxian	CGXF SP	Suspended	09/18/09	03/21/11	Ernst & Young
Sino Techfibre	SINOT SP	Suspended	10/20/06	04/13/11	Ernst & Young
China Sky Chemical Fibre	CSCF SP	Suspended	10/03/05	11/16/11	Deloitte & Touche
Sinopipe	SPIP SP	Suspended	12/16/05	03/28/12	Ernst & Young
China Minzhong Food	MINZ SP	?	04/07/10	?	Crowe Horwath

In 2011, while this torrent of accounting scandals threatened to engulf Minzhong, SAIC filings show that the Company switched local accountants and appears to have *doctored the historical balance sheets and income statements* of certain subsidiaries to make their SAIC financial statements more consistent with the Company's Singapore-filed financials. Luckily, SAIC offices preserved the original 2010 filings, which indicate not only that Minzhong vastly exaggerated the scale and profitability of its business, but also that the Company attempted to cover up its historical results at a time when scandals threatened to embroil the S-chip market.

1) Sichuan Minzhong

The 2010 SAIC filings (available in Appendix I) of Sichuan Minzhong Organic Food Co., Ltd. ("Sichuan Minzhong"), a key operating subsidiary of the Company, show that the operating subsidiary had miniscule revenues, few assets and operated at a **net loss of RMB 3 million**.⁷ The subsidiary's 2011 SAIC filings, audited by a different local accountant, show completely different financials **for the same year, 2010!** In the chart below, we have compared key financial data for the calendar year 2010 as found in its 2010 and 2011 SAIC files.

⁷ Copies of the financial statements discussed in this section are available in Appendix I to this report.

Sichuan Minzhong - Difference in 2010 Financials - Doctored SAIC Financials			
<i>Figures are in RMB'million</i>	† 2010 SAIC Filings	* 2011 SAIC Filings	Change
Calendar Year	2010	2010	2010
Revenues	1.8	331.4	329.6
Net Income	(3.0)	73.8	76.8
Total Assets	43.3	822.4	779.1
Total Liabilities	39.8	659.4	619.6
Retained Earnings	(5.0)	150.4	155.4
Sources:			
† 2010 SAIC Filings			
* Suspected Doctored 2011 SAIC Filings			

Sichuan Minzhong was not the only subsidiary whose SAIC financials appear to have been doctored amid the wave of S-Chip accounting scandals in 2011.

2) Putian Minzhong

SAIC filings of Putian Licheng Minzhong Agriculture Development Co., Ltd. (“Putian Minzhong”), another key Minzhong subsidiary, tell the same story. The subsidiary’s 2010 SAIC filings (available in Appendix I) show that in 2010, it had only **RMB 1.5 million in assets, RMB 88,804 in retained earnings and RMB 87,539 in net income.**

Yet according to Putian Minzhong’s 2011 SAIC filings, the beginning balances on its balance sheet (which should obviously be identical to the ending balances from December 31, 2010 found in the 2010 SAIC filings) **show that total assets were RMB 1.44 billion and retained earnings were RMB 864 million.** The increases came from two new categories of assets, “other receivables” and “total intangible and other assets.” The 2011 SAIC filings also stated that 2010 net income was **RMB 194 million**, which was more than a 2000-fold increase over what auditors stated in the 2010 filings. In the chart below we compare the income statements and balance sheets from Putian Minzhong’s 2010 and 2011 filings.

Putian Minzhong - Difference in 2010 Financials - Doctored SAIC Financials			
<i>Figures are in RMB'million</i>	† 2010 SAIC Filings	* 2011 SAIC Filings	Change
Calendar Year	2010	2010	2010
Revenues	0.4	289.1	288.7
Net Income	0.1	194.1	194.0
Other Receivables	-	912.9	912.9
Total Intangible and Other Assets	-	469.8	469.8
Total Assets	1.5	1,442.4	1,440.9
Total Liabilities	0.2	577.5	577.2
Retained Earnings	0.09	864.2	864.1
Sources:			
† 2010 SAIC Filings			
* Suspected Doctored 2011 SAIC Filings			

As with Sichuan Minzhong, the Company changed Putian Minzhong's auditor responsible for preparing its SAIC filings in 2011. This auditor change accompanied almost a 1,000-fold increase in the **historical** total assets and a 9,600-fold increase in earnings of the operating subsidiary for the 2010 calendar year.



Sinopipe Holdings Ltd., another troubled S-Chip whose shares have been halted since March 2012, first came under [scrutiny](#) when its auditors discovered “significant discrepancies between the audited PRC GAAP financial statements of certain PRC subsidiaries for previous financial years filed with the local PRC authorities and audited PRC GAAP financial statements provided by management...” We believe that similar discrepancies appear in Minzhong's records.

We believe that the subsidiaries' SAIC files provide compelling evidence that the Company doctored its SAIC files in 2011 to make the financials of its operating subsidiaries appear more consistent with the Company's Singapore-filed financials. In our opinion, management most likely got scared by the wave of S-Chip accounting scandals and figured that the spotlight would soon fall on the Company. We believe that the Company's auditor, **Crowe Horwath, has a duty to investigate the major discrepancy in the SAIC filings and should refrain from signing off on any financial statements of the Company until management provides a satisfactory explanation.** We suspect none will be forthcoming.

SUSPICIOUS CAPITAL EXPENDITURES

Companies fabricating sales and profits face a problem: they must account for the fake receipts on the balance sheet. Otherwise, an auditor would easily discover that the cash balance fails to match the amount of fabricated receipts. This is why companies engaging in fraud often overstate reported capital expenditures.

In fiscal years 2011 and 2012, Minzhong claims to have spent **RMB 1.2 billion** on the construction of the Putian New Industrial Park (“Putian Industrial Park”). The following screenshot is from the FY2011 annual report and shows RMB 814 million in expenditures on the Putian Industrial Park in that fiscal year alone. This expenditure [increased](#) the Company’s reported property, plant and equipment by 204% to RMB 1.1 billion at the end of FY 2011.

Major Capex Initiatives and Working Capital Requirement (RMB in million)	Initial Capex planned over 2 years	Committed Capex amount ⁽⁴⁾	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.

The Company's Singapore-filed financials state that the capital expenditures continued in FY2012. According to the Company's FY2012 management presentation, the "[i]ncrease in PPE from RMB 1,113.9 million to **RMB 1,832.0 million** was mainly due to the addition of Phase 1 (operational) and 2 (construction in progress) of the **New Industrial Park**." The following screenshot from the 2012 Annual Report shows the purported increase in PP&E.

		2012 RMB'000	2011 RMB'000
ASSETS			
Non-current assets			
Deferred tax assets	18	6,000	–
Property, plant and equipment	5	1,831,968	1,113,928
Land use rights	6	126,500	128,287
Biological assets	7	168,000	176,000
Land improvement costs	8	347,668	215,511
Subsidiaries	9	–	–
Operating lease prepayments	10	448,180	515,873

In aggregate, Minzhong purportedly spent at least RMB 1.2 billion in capital expenditures on the Putian Industrial Park.

But SAIC filings suggest that these expenditures were massively exaggerated, presumably to hide fabricated profits. According to the Putian local government website (www.putian.gov.cn), the Putian Industrial Park belongs to Minzhong subsidiary Fujian Minzhong Organic Food Co., Ltd. ("Fujian Minzhong").⁸

⁸ <http://www.putian.gov.cn/a/20110503/00065.shtml>

[illegible]

Source: <http://www.putian.gov.cn/a/20110503/00065.shtml>

SAIC filings reveal that as of December 31, 2011, Fujian Minzhong only had **RMB 223 million of PP&E** (includes fixed assets and construction in progress), versus RMB 118 million on December 31, 2010, **an increase of only RMB 105 million during the calendar year 2011.**

Fujian Minzhong Organic Food Co., Ltd.

	Year 2011	Year 2010
非流动资产:		
可供出售金融资产	0.00	0.00
持有至到期投资	0.00	0.00
长期应收款	0.00	0.00
长期股权投资	72,813,737.75	72,813,737.75
投资性房地产	0.00	0.00
固定资产 Fixed Assets	135,351,585.95	81,615,101.18
在建工程 ← Construction in Progress	87,475,554.01	56,328,710.96
工程物资	0.00	0.00
固定资产清理	0.00	0.00
生产性生物资产	0.00	0.00
油气资产	0.00	0.00
无形资产	16,505,360.50	16,690,197.82
开发支出	0.00	0.00
商誉	0.00	0.00
长期待摊费用	187,736,308.71	187,742,791.11
递延所得税资产	0.00	0.00
其他非流动资产	0.00	0.00
非流动资产合计	499,682,528.92	395,190,538.82

Likewise, as of December 31, 2012, Fujian Minzhong only had **RMB 321 million of PP&E** (including fixed assets and construction in progress), representing **an increase of RMB 98 million during the calendar year 2012.**

Fujian Minzhong Organic Food Co., Ltd.

Year 2012

Year 2011

非流动资产:		
可供出售金融资产	0.00	0.00
持有至到期投资	0.00	0.00
长期应收款	0.00	0.00
长期股权投资	72,813,737.75	72,813,737.75
投资性房地产	0.00	0.00
固定资产 Fixed Assets	239,690,519.23	135,351,565.95
在建工程 ←	81,435,337.13	87,475,554.01
工程物资 Construction in	0.00	0.00
固定资产清理 Progress	0.00	0.00
生产性生物资产	0.00	0.00
油气资产	0.00	0.00
无形资产	16,505,360.50	16,505,360.50
开发支出	0.00	0.00
商誉	0.00	0.00
长期待摊费用	417,578,226.99	187,736,308.71
递延所得税资产	0.00	0.00
其他非流动资产	0.00	0.00
非流动资产合计	828,023,181.60	499,882,526.92

PP&E figures from Fujian Minzhong's calendar year 2011 and 2012 SAIC filings, when added together, state that the subsidiary only added **RMB 203 million of PP&E!** This suggests that Minzhong overstated its capital expenditures by **over RMB 1 billion**, which, in our opinion, makes sense, because the Company had to find a way to hide fabricated profits on its balance sheet and could not simply tell its auditors or investors that it was sitting on RMB 1 billion in cash.

The collateralization of Minzhong's debt provides further corroborating evidence supporting our opinion that Minzhong inflated its capital expenditures. As of June 30, 2012, Minzhong's balance sheet showed RMB 616 million in bank borrowings.

Strangely, these borrowings are secured by less than RMB 50 million of PP&E⁹ and RMB 3 million¹⁰ of land use rights:

As at 30 June 2012, leasehold buildings and plant and machinery with net carrying amount of approximately RMB49.5 million (2011: RMB40.2 million) were pledged as security for the Group's bank loans (see Note 16).

As at 30 June 2012, the land use rights with net carrying amount of approximately RMB2.7 million (2011: RMB6.8 million) were pledged as security for the Group's bank term loans (see Note 16).

Why would a bank loan RMB 616 million to the Company and not require such debt to be secured by a supposedly brand-new RMB 1.2 billion industrial facility?

Stranger still, the loans are also secured by personal guarantees from the Chairman, a supplier, and even a so-called 'non-related party'.¹¹

Guaranteed loans

The CEO, Lin Guo Rong together with Putian Puhua Agricultural Trading Co (a supplier) and Xia Rui Peng (legal representative of the supplier) is providing a personal/corporate guarantee to this banking facility extended to the Group, amounting to RMB60.0 million (2011: RMB10.0 million), out of which RMB50.0 million (2011: RMB10.0 million) was drawn-down as of 30 June 2012.

Yunnan Yuanmou Minzhong Food Co., Ltd (a subsidiary company of Fujian Minzhong Organic Food Co., Ltd) is providing guarantee to secure RMB5.0 million (2011: Nil) banking facility extended to Fujian Minzhong Organic Food Co., Ltd, which is fully drawn-down as at 30 June 2012. Sichuan Minzhong Organic Food Co., Ltd (a subsidiary) is providing a guarantee to secure RMB68.0 million (2011: Nil) banking facility extended to Fujian Minzhong Organic Food Co., Ltd, out of which RMB60.0 million (2011: Nil) was drawn-down.

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

Such pledges and guarantees are highly suspicious. Why would a bank accept a guarantee from a supplier, the Chairman, and a non-related party to secure a loan when there was supposedly RMB 1.2 billion in gleaming PP&E to serve as collateral? Creditors almost always prefer hard assets to backstop a loan over the promises of individuals and other companies (which are typically not secured by a lien or mortgage on real property, equipment or tangible assets).

In our opinion, the conclusion is obvious: the banks could not secure the loans with the Putian Industrial Park because Minzhong grossly exaggerated its value. Falsifying capital expenditures to hide fake profits is a recurring practice among S-Chips committing fraud – we believe that the glove fits Minzhong snugly.

⁹ Company AR FY2012, p.66

¹⁰ Company AR FY2012, p.67

¹¹ Company AR FY2012, p.75

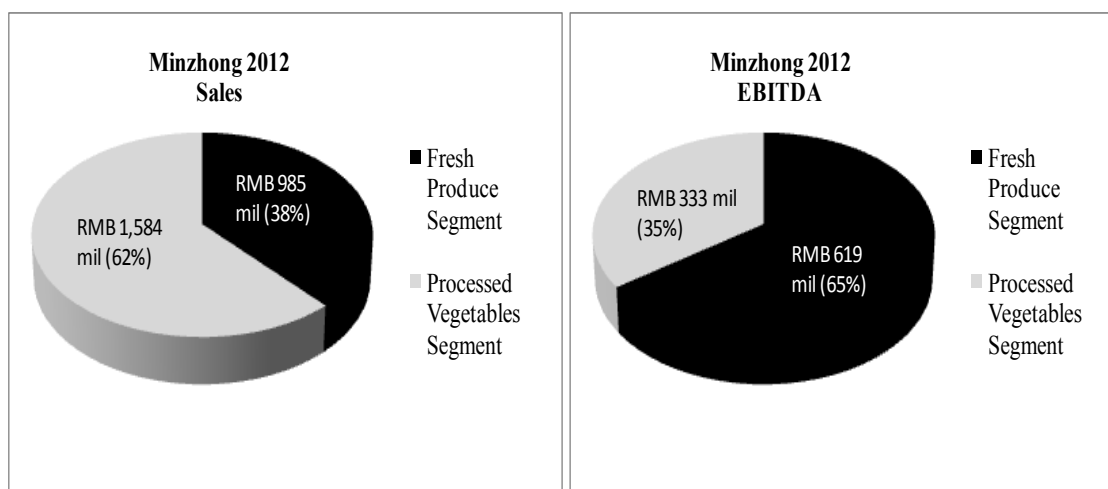
REINVENTING THE WHEEL

Many investors may come to the conclusion that Minzhong is fabricating its financial statements without the amount of due diligence that we performed. In an industry with massive fragmentation among Chinese farmers, we should not expect one grower (without enormous economies of scale) to significantly outperform its peer group.

Yet Minzhong's key EBITDA margins for fresh produce are so far superior to its peers, including **Chaoda**, that its reported financial performance simply does not pass the smell test.

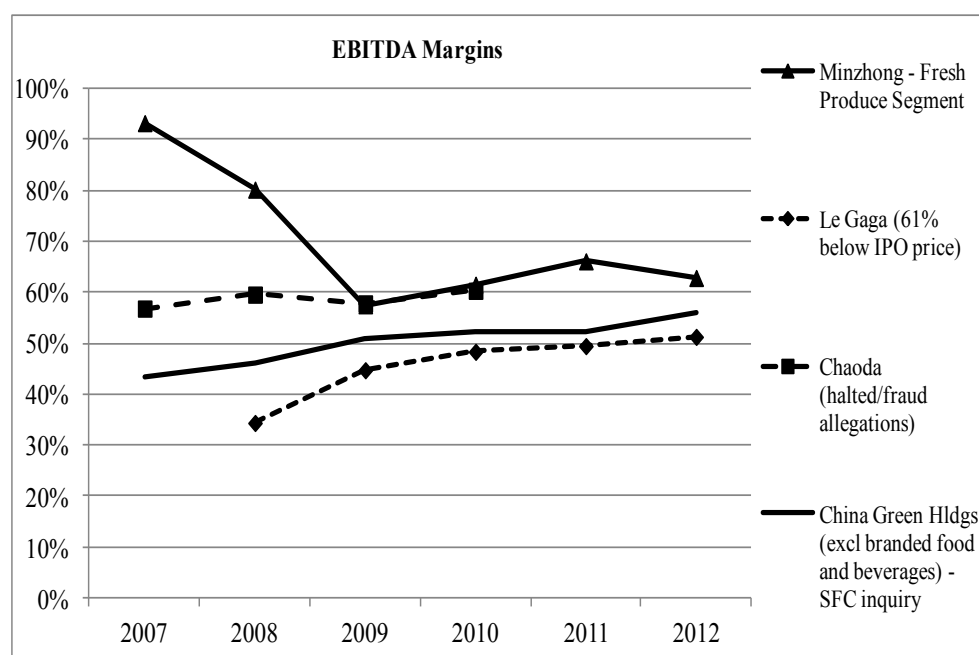
1) EBITDA Margins

Minzhong's business is comprised of two segments: the processed foods segment, which includes processed vegetables, frozen vegetables, and beverages, and accounted for 62% of the Company's FY 2012 revenues, and the fresh produce segment which accounted for 38% of FY 2012 revenues ("Fresh Produce Segment"). Despite comprising a minority of sales, the Fresh Produce Segment reportedly accounted for **65% of the Company's FY 2012 EBITDA**.



The Chinese vegetable farming comps are a motley crew of troubled companies: trading of Chaoda's shares have been suspended since 2011, Le Gaga's (Nasdaq: GAGA) [close links](#) to Chaoda has caused its stock price to drop 61% below its IPO price and lose virtually all trading volume, and China Green Holdings (HK: 904) is the subject of a formal [SFC inquiry](#). Yet Minzhong's Fresh Produce Segment EBITDA margins are by far the best at an absurd 60%. Laughably, Minzhong claimed its 2007 and 2008 EBITDA margins on its Fresh Produce Segment exceeded 80%.

It appears that the publicly listed competitor that came closest to Minzhong's reported ~60% EBITDA margins on growing fresh produce in China was Chaoda.



Sources: Company filings & presentations; [Chaoda website](#).

Minzhong grows vegetables. How can it possibly have generated such EBITDA margins (90% in FY2007, 80% in FY2008 and 63% in FY2012) in its Fresh Produce Segment?

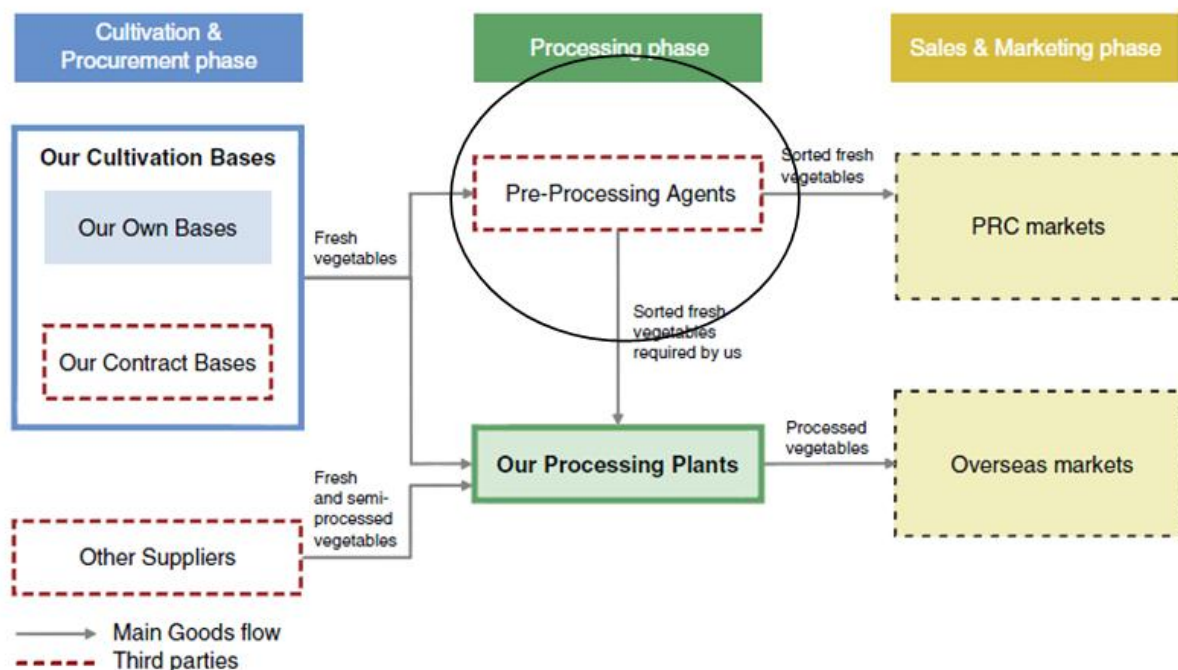
Minzhong's *pretax* margins on fresh vegetables should be inherently low because: a) unprocessed vegetables are the ultimate commodity; b) according to the Prospectus, Minzhong's fresh vegetables are sold exclusively within the PRC, where vegetables are generally cheap and plentiful, and c) Minzhong appears to have several middlemen between their fresh vegetables and the end consumer.

According to a Macquarie Research report dated November 10, 2010:

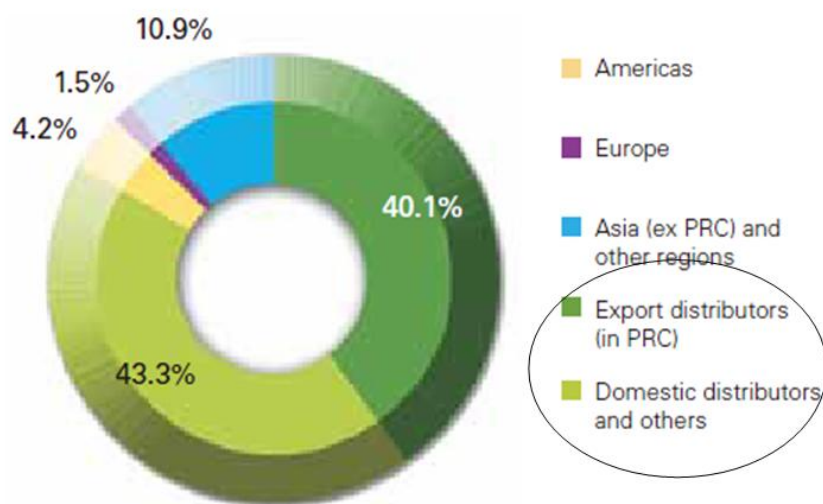
Most of Minzhong's upstream products are first sold to (and subsequently bought back from) third-party *pre-processing* agents (see figure 11) that do the basic cleaning, sorting, cutting, etc. According to the company, about 70% of all vegetables sold to pre-processing agents are sold back to Minzhong after processing as raw material for its downstream business. The pre-processing agent normally makes a 3–5% margin.

Minzhong appears to lose ~4% to a pre-processing agent that washes and sorts ~70% of its fresh produce volume. Those products might then be bought back by Minzhong and sold to a distributor. In our opinion, an unusually high EBITDA margin for a business model that sells to various middlemen before its commoditized product reaches consumers is a major red flag.

The following diagram summarises our business model:



FY2012 Revenue Breakdown by Geography



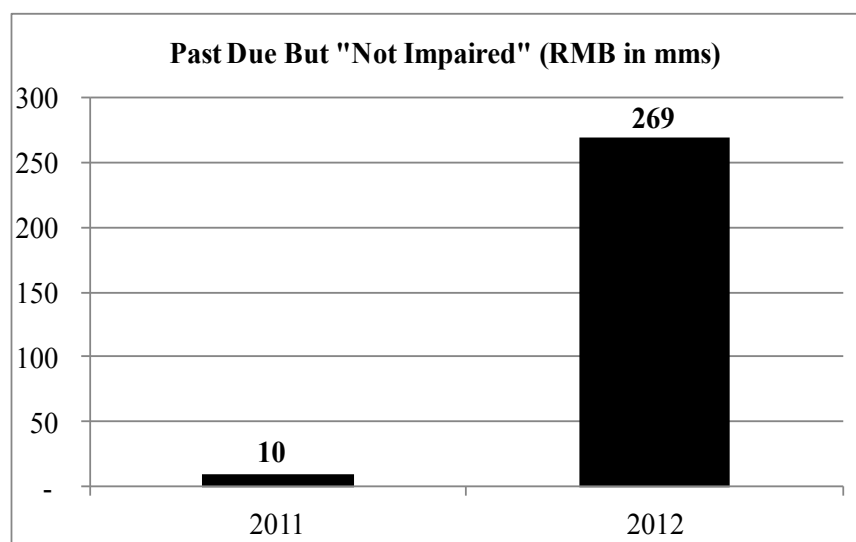
Source: Company Filings

Source: Company Filings

2) Ballooning Receivables

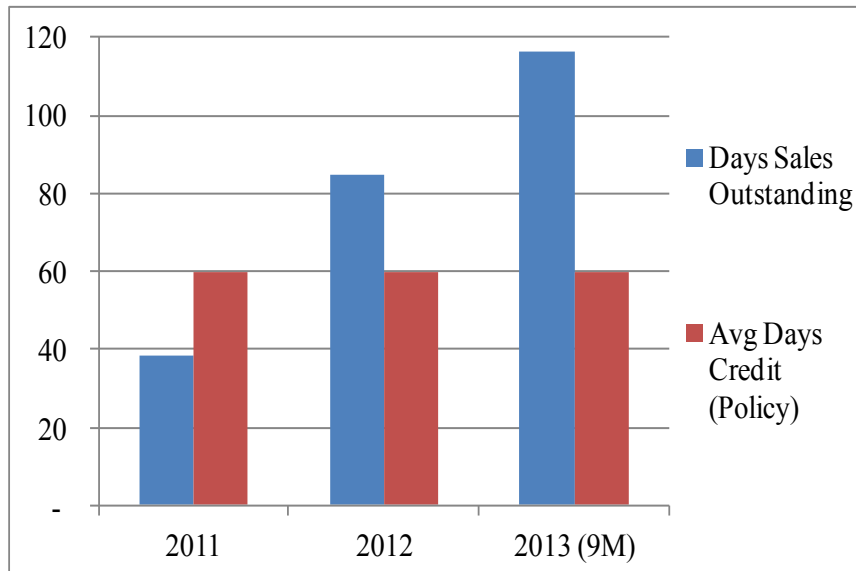
In our view, Minzhong's skyrocketing receivables are further evidence that the Company is fabricating sales. Much like inflated capital expenditures, ballooning receivables are often a convenient way to hide fake receipts on the balance sheet. An enormous receivables balance was a telltale sign of impropriety at China Medical Technologies, a former NASDAQ-listed Chinese company that was delisted after we brought to market evidence of fraud (full report available [here](#)).

Minzhong's collection policy is 30 to 90 days (average 60). In FY2012, the Company's past due accounts grew rapidly, yet were deemed to be "not impaired."



Source: Company 2012 annual report.

The Company's explanation for why these accounts were not impaired is because 97% of the receivables belong to customers that are "currently making regular payments on the receivables."¹² Yet, the Company's average days receivables continued to accelerate through 3Q2013.



Note: Day Sales Outstanding calculated as per page 13 of Company 2012 annual report.

We think the most likely explanation for the jump in receivables is that the Company has fabricated sales and needs a place to stash fake receipts on its balance sheet.

¹² Minzhong 2012 Annual Results Slides, page 14 (available at http://www.chinaminzhong.com.sg/attachment/2013042416232417_en.pdf).

3) Negative Free Cash Flow

Investors should expect companies with 60% or higher EBITDA margins to also accumulate free cash flow, but not Minzhong. Since its IPO, Minzhong has accumulated negative RMB 1 billion in free cash flow. Even excluding its purported RMB 1.2 billion investment in capital expenditures associated with the Putian Industrial Park, cumulative free cash flow is negligible. The poor quality of Minzhong's earnings is another major red flag indicating that the Company's income statement does not reflect the economic reality of the underlying business.

Minzhong Free Cash Flow Analysis				
<i>Figures are in RMB'million</i>	2010	2011	2012	2013 (9mo)
Cash Flow From Operations	599	480	359	887
Less: Capex				
- Property, Plant and Equipment	(118)	(1,001)	(640)	(583)
- Land Improvements	(41)	(235)	(92)	-
- Land Use Rights	-	(193)	(1)	(5)
- Operating Lease Prepayments	(30)	(442)	-	-
Free Cash Flow	410	(1,391)	(374)	299
Cumulative Free Cash Flow since IPO				(1,056)
Exclude purported Capex for Putian Industrial Park				1,200
Cumulative FCF ex Capex on Putian Industrial Park since IPO				144
Source: Company Filings				

The chart above shows that despite the Company's reported profitability, it has not generated free cash flow since its IPO. Much like other S-Chips whose shares have been either delisted or suspended under suspicion of impropriety (e.g. China Sky Chemical Fiber and Celestial Nutrifoods), the Company relies on debt or equity financing as its primary source of cash generation.

VALUATION

We believe that the SGX will quickly verify the evidence presented in this report and halt trading of Minzhong's stock before any more investors are hurt. We also believe that regulators will thereafter delist the Company for what in our opinion are pervasive misrepresentations to regulators and investors.

There is a wealth of evidence to support our opinion that Minzhong has vastly exaggerated its sales and the size of its business. We also believe that the Company has inflated the size of assets such as its receivables and the value of its property, plant and equipment. After all, if a company is booking fake sales, such receipts must be accounted for on the balance sheet.

As of March 31, 2013, Minzhong had approximately RMB 1.1 billion of onshore liabilities outstanding, including bank loans and trade payables due to unsecured onshore creditors. In a liquidation scenario, the holders of onshore liabilities take priority over shareholders.

Investors in Singapore capital markets are already [sadly familiar](#) with the difficulty of recovering anything from Chinese-based companies whose shares are halted under investigation for fraud (e.g. FerroChina). Singapore lacks an extradition treaty with China, leaving management beyond the reach of local authorities and creditors alike.


Given the limited offshore assets available for seizure (cash denominated in USD, SGD, or Euro was limited to RMB 8 million as of 6/30/2012) and the difficulty recovering onshore assets (property and equipment) from alleged fraudsters under China's arbitrary judicial system, we put a price target on Minzhong's shares of **SGD 0.00**.

Valuation	
<i>Figures are in RMBmm</i>	3/31/2013
Offshore Assets	
Cash Denominated in USD†	3
Cash Denominated in SGD†	5
Cash Denominated in Euro†	-
Other Offshore	-
Total Offshore Assets	8
Onshore Liabilities	
Bank Term Loans	(589)
Onshore unsecured creditors	(514)
Total Onshore Liabilities	(1,103)
Offshore Liquidation Value	ZERO
†As of 6/30/2012	

APPENDIX I

Sichuan Minzhong 2010 SAIC Files

1279

	四川中衡安信会计师事务所有限公司 Sichuan Zhongheng Anxin CPA CO.,LTD	地址: 蓬溪县赤城镇政府 街 80 号 (石油公 司宿舍二楼), 邮政编码: 629100	电话: 0825-5428144 0825-5421879 传真: 0825-5426861
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13

报告编号: 川中安会 07E[2011]042 号

Auditor's Report

审计报告

Sichuan Minzhong Organic Food Co., Ltd.

四川省闽中有机食品有限公司:

我们接受委托, 对贵公司截至 2010 年 12 月 31 日的
 财务报表进行审核。我们是根据国家相关法律、法规的
 Financial reports as of December 31, 2010 公司应

保证会计资料的真实、合法、完整并承担会计责任。

审计结论: 四川省闽中有机食品有限公司财务报表已经按照企业会计准则和《企业会计制度》的规定编制, 在所有重大方面公允反映了四川省闽中有机食品有限公司 2010 年 12 月 31 日的财务状况以及 2010 年度的经营成果和现金流量。

附件:

一、 资产负债表

Attachments:

1, Balance Sheet

二、 利润表

2, Income Statement

- 三、 所有者权益变动表
- 四、 现金流量表
- 五、 实收资本明细表
- 六、 外汇收支情况表
- 七、 公司经营情况表

Sichuan Zhongheng Anxin CPA CO., LTD
Pengxi Branch

四川中衡安信会计师事务所



有限公司蓬溪分所

中国注册会计师



中国注册会计师



四川 · 蓬溪

报告日期: 2011 年 4 月 9 日

Report Date: April 9, 2011

Sichuan Minzhong Organic Food Co., Ltd.

Balance Sheet

附件一:

编制单位: 四川民钟有机食品有限公司		2010-12-31		2010-12-31		2010-12-31	
行次		年末余额		年末余额		年末余额	
资产		资产		资产		资产	
1	流动资产	1	流动资产	1	流动资产	1	流动资产
2	货币资金	2	货币资金	2	货币资金	2	货币资金
3	交易性金融资产	3	交易性金融资产	3	交易性金融资产	3	交易性金融资产
4	应收票据	4	应收票据	4	应收票据	4	应收票据
5	应收账款	5	应收账款	5	应收账款	5	应收账款
6	预付款项	6	预付款项	6	预付款项	6	预付款项
7	应收股利	7	应收股利	7	应收股利	7	应收股利
8	应收利息	8	应收利息	8	应收利息	8	应收利息
9	其他应收款	9	其他应收款	9	其他应收款	9	其他应收款
10	存货	10	存货	10	存货	10	存货
11	其中: 原材料	11	其中: 原材料	11	其中: 原材料	11	其中: 原材料
12	在产品 (半成品)	12	在产品 (半成品)	12	在产品 (半成品)	12	在产品 (半成品)
13	库存商品 (产成品)	13	库存商品 (产成品)	13	库存商品 (产成品)	13	库存商品 (产成品)
14	一年内到期的非流动资产 (待摊费用)	14	一年内到期的非流动资产 (待摊费用)	14	一年内到期的非流动资产 (待摊费用)	14	一年内到期的非流动资产 (待摊费用)
15	其他流动资产 (待处理流动资产损失)	15	其他流动资产 (待处理流动资产损失)	15	其他流动资产 (待处理流动资产损失)	15	其他流动资产 (待处理流动资产损失)
16	流动资产合计	16	流动资产合计	16	流动资产合计	16	流动资产合计
17	非流动资产	17	非流动资产	17	非流动资产	17	非流动资产
18	可供出售金融资产	18	可供出售金融资产	18	可供出售金融资产	18	可供出售金融资产
19	持有至到期投资	19	持有至到期投资	19	持有至到期投资	19	持有至到期投资
20	长期股权投资	20	长期股权投资	20	长期股权投资	20	长期股权投资
21	长期债权投资	21	长期债权投资	21	长期债权投资	21	长期债权投资
22	投资性房地产	22	投资性房地产	22	投资性房地产	22	投资性房地产
23	固定资产	23	固定资产	23	固定资产	23	固定资产
24	无形资产	24	无形资产	24	无形资产	24	无形资产
25	递延所得税资产	25	递延所得税资产	25	递延所得税资产	25	递延所得税资产
26	其他非流动资产	26	其他非流动资产	26	其他非流动资产	26	其他非流动资产
27	非流动资产合计	27	非流动资产合计	27	非流动资产合计	27	非流动资产合计
28	资产总计	28	资产总计	28	资产总计	28	资产总计
29	负债	29	负债	29	负债	29	负债
30	短期借款	30	短期借款	30	短期借款	30	短期借款
31	应付票据	31	应付票据	31	应付票据	31	应付票据
32	应付账款	32	应付账款	32	应付账款	32	应付账款
33	预收账款	33	预收账款	33	预收账款	33	预收账款
34	应付职工薪酬	34	应付职工薪酬	34	应付职工薪酬	34	应付职工薪酬
35	应交税费	35	应交税费	35	应交税费	35	应交税费
36	应付利息	36	应付利息	36	应付利息	36	应付利息
37	应付股利	37	应付股利	37	应付股利	37	应付股利
38	其他应付款	38	其他应付款	38	其他应付款	38	其他应付款
39	长期借款	39	长期借款	39	长期借款	39	长期借款
40	应付债券	40	应付债券	40	应付债券	40	应付债券
41	递延所得税负债	41	递延所得税负债	41	递延所得税负债	41	递延所得税负债
42	其他非流动负债 (其他长期应付款)	42	其他非流动负债 (其他长期应付款)	42	其他非流动负债 (其他长期应付款)	42	其他非流动负债 (其他长期应付款)
43	非流动负债合计	43	非流动负债合计	43	非流动负债合计	43	非流动负债合计
44	负债合计	44	负债合计	44	负债合计	44	负债合计
45	所有者权益	45	所有者权益	45	所有者权益	45	所有者权益
46	实收资本 (股本)	46	实收资本 (股本)	46	实收资本 (股本)	46	实收资本 (股本)
47	资本公积	47	资本公积	47	资本公积	47	资本公积
48	盈余公积	48	盈余公积	48	盈余公积	48	盈余公积
49	未分配利润	49	未分配利润	49	未分配利润	49	未分配利润
50	所有者权益合计	50	所有者权益合计	50	所有者权益合计	50	所有者权益合计
51	负债和所有者权益总计	51	负债和所有者权益总计	51	负债和所有者权益总计	51	负债和所有者权益总计

资产总计

负债和所有者权益总计

单位负责人: 曾方洪

15

Retained Earnings

Income Statement

利润表

Sichuan Minzhong Organic Food Co., Ltd.

附件二:

编制单位: 四川民钟有机食品有限公司

2010年12月
December 2010

Amount of this period

Amount of this period

Unit: Yuan

金额单位: 元

本期金额

上期金额

行次

项目

其中: 对联营企业和合营企业的投资收益

三、营业利润 (亏损以“-”号填列)

加: 营业外收入

其中: 非流动性资产处置利得

非货币性资产交换利得 (非货币性交易收益)

政府补助 (补贴收入)

营业外支出

营业利润 (亏损以“-”号填列)

加: 营业外收入

其中: 非流动性资产处置利得

非货币性资产交换利得 (非货币性交易收益)

政府补助 (补贴收入)

Sales

1

1,781,308.53

1,115,470.78

1,115,470.78

1,115,470.78

1,115,470.78

2

1,781,308.53

1,115,470.78

1,115,470.78

1,115,470.78

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Sichuan Minzhong 2011 SAIC Files

福州集源会计师事务所有限公司

Fuzhou JiYuan Certified Public Accountants co., Ltd.

电话: 0591-85539411 传真: 0591-88084680

地址: 福州市五一中路 32 号元洪花园水仙阁 7H

Auditor's Report

审计报告

福源审字(2012)第FS194号

四川省闽中有机食品有限公司: Sichuan Minzhong Organic Food Co., Ltd.

我们审计了后附的四川省闽中有机食品有限公司(以下简称贵公司)财务报表,包括 2011 年 12 月 31 日的资产负债表、2011 年度的利润表和现金流量表及会计报表附注。

December 31, 2011 balance sheet, year 2011 income statement, cash flow statement and notes to the financial statements.

- 报表编制相关的内部控制,以使财务报表不存在由于舞弊或错误而导致的重大错报;(2)选择和运用恰当的会计政策;(3)作出合理的会计估计。

二、注册会计师的责任

- 我们的责任是在实施审计工作的基础上对财务报表发表审计意见。我们按照中国注册会计师审计准则的规定执行了审计工作。中国注册会计师审计准则要求我们遵守职业道德规范,计划和实施审计工作以对财务报表是否不存在重大错报获取合理保证。

- 审计工作涉及实施审计程序,以获取有关财务报表金额和披露的审计证据。选择的审计程序取决于注册会计师的判断,包括对由于舞弊和错误导致的财务报表重大错报风险的评估。在进行风险评估时,我们考虑与财务报表编制相关的内部控制,以设计恰当的审计程序,但目的并非对内部控制的有效性发表意见。审计工作还包括评价管理层选用会计政策的恰当性和作出会计估计的合理性,以及评价财务报表的总体列报。

我们相信，我们获取的审计证据是充分、恰当的，为发表审计意见提供了基础。

三、审计意见

我们认为，四川省润中有机食品有限公司财务报表已经按照《企业会计准则》和《企业会计制度》的规定编制，在所有重大方面公允反映了贵公司 2011 年 12 月 31 日的财务状况和 2011 年度的经营成果及现金流量。

附件：1、贵公司 2011 年 12 月 31 日《资产负债表》；
2、贵公司 2011 年度《利润表》；
3、贵公司 2011 年度《现金流量表》；
4、贵公司 2011 年度《会计报表附注》。

Attachments:

- 1, December 31, 2011 Balance Sheet of the Company
- 2, Year 2011 Income Statement of the Company
- 3, Year 2011 Cash Flow Statement of the Company
- 4, Year 2011 Notes to Financial Statements of the Company

Fuzhou Ji Yuan Certified Public Accountants co., Ltd.



中国注册会计师:



中国注册会计师:

(副主任会计师)



二〇一二年五月二日

May 2, 2012

(本报告无印鉴无效)

Income Statement

Sichuan Minzhong Organic Food Co., Ltd.

Unit: Yuan

利 润 表

项 目	2011年度	2010年度	上 年 数	本 年 数
一、主营业务收入	331,353,276.20	242,194,754.75		
其中：出口产品(商品)销售收入				
减：主营业务成本				
其中：出口产品(商品)销售成本				
主营业务税金及附加				
二、主营业务利润(亏损以“-”号填列)	226,325,617.90	155,816,971.82		
加：其它业务利润(亏损以“-”号填列)	1,877,765.94	1,198,226.72		
减：营业费用	103,179,882.36	84,179,556.21		
管理费用		1,264,995.30		
财务费用	3,890,197.08	1,241.00		
其中：利息支出(减利息收入)	18,022.52	3,384,766.02		
汇兑损失(减汇兑收益)		124,484.48		
三、营业利润(亏损以“-”号填列)	99,271,672.76	89,216.00		
加：投资收益(亏损以“-”号填列)		81,934,050.01		
补贴收入				
营业外收入				
减：营业外支出		2,577,300.00		
四、利润总额(亏损总额以“-”号填列)	1,108,799.98	904,084.13		
减：所得税	98,162,872.78	83,607,275.88		
*少数股东损益	24,383,433.26	17,293,950.01		
加：*未确认的投资损益(以“-”号填列)				
五、净利润(净亏损以“-”号填列)	73,779,439.52	66,403,325.87		
补充资料：Net Profit (net loss "-")				

项目	本年数	上年数
1、出售、处置部门或被投资单位所得收益		
2、自然灾害发生的损失		
3、会计政策变更增加(或减少)利润总额		
4、会计估计变更增加(或减少)利润总额		
5、债务重组损失		
6、其它		

Putian Minzhong 2010 SAIC Files

福建中信达会计师事务所有限公司

FUJIAN ZHONGXINDA CERTIFIED PUBLIC ACCOUNTANTS LIMITED

地址: 福州市鼓楼区五四路19号国泰大厦13层A区 电话: 0591-28080170 传真: 0591-28080178 邮编: 350001

Auditor's Report

审 计 报 告

Putian Licheng Minzhong Agriculture Development Co., Ltd.

莆田市荔城区闽中农业开发有限公司:

我们审计了后附的莆田市荔城区闽中农业开发有限公司(以下简称贵公司)财务报表,包括2010年12月31日的资产负债表以及2010年度的损益表和现金流量表。

December 31, 2010 balance sheet, year 2010 income statement and cash flow statement.

贵公司管理层的责任。这种责任包括:(1)设计、实施和维护与财务报表编制相关的内部控制,以使财务报表不存在由于舞弊或错误而导致的重大错报;(2)选择和运用恰当的会计政策;(3)作出合理的会计估计。

二、注册会计师的责任

我们的责任是在实施审计工作的基础上对财务报表发表审计意见。我们按照中国注册会计师审计准则的规定执行了审计工作。中国注册会计师审计准则要求我们遵守职业道德规范,计划和实施审计工作以对财务报表是否不存在重大错报获取合理保证。

审计工作涉及实施审计程序,以获取有关财务报表金额和披露的审计证据。选择的审计程序取决于注册会计师的判断,包括对由于舞弊或错误导致的财务报表重大错报风险的评估。在进行风险评估时,我们考虑与财务报表编制相关的内部控制,以设计恰当的审计程序,但目的并非对内部控制的有效性发表意见。审计工作还包括评价管理层选用会计政策的恰当性和作出会计估计的合理性,以及评价财务报表的总体列报。

我们相信，我们获取的审计证据是充分、适当的，为发表审计意见提供了基础。

三、审计意见

我们认为，贵公司财务报表已经按照企业会计准则和《企业会计制度》的规定编制，在所有重大方面公允反映了贵公司 2010 年 12 月 31 日的财务状况以及 2010 年度的经营成果和现金流量。

Fujian Zhongxinda Certified Public Accountants Limited

福建中信达会计师事务所有限公司

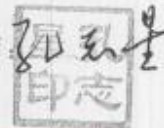


中国注册会计师：

(主任会计师)



中国注册会计师：



二〇一一年三月二十日

March 20, 2011

附送：1、2010 年 12 月 31 日资产负债表

2、2010 年度损益表

3、2010 年度现金流量表

Attachments:

1, December 31, 2010 Balance Sheet

2, Year 2010 Income Statement

3, Year 2010 Cash Flow Statement

Putian Licheng Minzhong
Agriculture Development Co., Ltd.

Balance Sheet

December, 31 2010

资产		期末数	负债及所有者权益	年初数	期末数
资产		End of Year	流动负债:		End of Year
流动资产:			短期借款	30	:
货币资金	1	1,208.98	应付票据	31	
短期投资	2		应付账款	32	12,569.36
交易性金融资产	3		预收账款	33	
应收账款	4		其他应付款	34	160,785.11
坏账准备	5		应付工资	35	65,293.00
应收账款净额	6	-	应付福利费	36	126.93
预付款项	7		未付税金	37	
其他应收款	9		未付利润	38	
存货	10	373,703.81	其他未交款	39	
消耗性生物资产	11		预提费用	40	
处理流动资产净损失	12		一年内到期的长期负债	41	
一年内到期的长期债权投资	13		其他流动负债	42	
其他流动资产	14		流动负债合计	43	238,647.47
流动资产合计	15	683,912.79	长期负债		
长期投资:			长期借款	44	
长期股权投资	16		应付债券	45	
固定资产:			长期应付款	46	
固定资产原值	17	56,000.00	其他长期负债	47	
减:累计折旧	18	2,165.98	其中:住房周转金	48	
固定资产净值	19	56,000.00	长期负债合计	49	
固定资产清理	20		递延税款:		
在建工程	21		递延税款贷项	50	
待处理固定资产净损失	22		负债合计	51	238,647.47
固定资产合计	23	56,000.00	所有者权益:		
无形资产及递延资产:			实收资本	52	500,000.00
无形资产	24		资本公积	53	
递延资产	25		盈余公积	54	
其他长期资产:			未分配利润	55	1,265.32
其他长期资产	27		所有者权益合计	57	501,265.32
递延税项:					
递延税款借项	28				
资产合计	29	739,912.79	负债及所有者权益总计	58	739,912.79

Other Receivables

Other Receivables

Total Intangible and Deferred Assets

Total Intangible and Deferred Assets

Retained Earnings

Retained Earnings

Total Assets

Putian Licheng
Minzhong Agriculture
Development Co., Ltd.

Income Statement

损益表

Year 2010 Unit: Yuan

000020


编制单位: 莆田市荔城区闽中农业开发有限公司 2010年

单位: 元

	行次	本年累计数
一、主营业务收入 Revenue	1	410,904.84
减: 主营业务成本 COGS	2	238,390.15
营业费用	3	
主营业务税金及附加	4	
二、主营业务利润	5	172,514.69
加: 其他业务收入	6	
减: 管理费用	7	102,514.69
财务费用	8	-17,538.81
其中: 利息支出(减利息收入)		
三、营业利润亏损用(" - ")	9	87,538.81
加: 投资收益	10	
补贴收入	11	
营业外收入	12	
减: 营业外支出	13	
加: 以前年度损益调整	14	
四、利润总额	15	87,538.81
减: 所得税	16	
五、净利润 Net Profit	17	87,538.81

Putian Minzhong 2011 SAIC Files

* 000010



厦门良诚会计师事务所有限公司

Xiamen LiangCheng Certified Public Accountants Co., Ltd.

地址: 厦门市思明区厦木路862号金山大厦8楼C-2单元

电话: 0592-5171075 传真: 0592-5172115

Putian Licheng
Minzhong Agriculture
Development Co., Ltd.

Auditor's Report

审计报告

厦良诚会审字 CL0694 号

莆田荔城区闽中农业开发有限公司全体股东:

我们审计了后附的莆田荔城区闽中农业开发有限公司(以下简称贵公司)财务报表, 包括 2011 年 12 月 31 日的资产负债表、2011 年度的利润表和现金流量表以及财务报表附注。

December 31, 2011 balance sheet, year 2011 income statement, cash flow statement and notes to the financial statements.

我们的责任包括: (1) 设计、实施和维护与财务报表编制相关的内部控制, 以使财务报表不存在由于舞弊或错误而导致的重大错报; (2) 选择和运用恰当的会计政策; (3) 作出合理的会计估计。

二、注册会计师的责任

我们的责任是在实施审计工作的基础上对财务报表发表审计意见。我们按照中国注册会计师审计准则的规定执行了审计工作。中国注册会计师审计准则要求我们遵守职业道德规范, 计划和实施审计工作以对财务报表是否不存在重大错报获取合理保证。

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我们相信, 我们获取的审计证据是充分、适当的, 为发表审计意见提供了基础。


三、审计意见


我们认为, 贵公司财务报表已经按照企业会计准则和《企业会计制度》的规定编制, 在所有重大方面公允反映了贵公司 2011 年 12 月 31 日的财务状况以及 2011 年度的经营成果和现金流量。

Xiamen LiangCheng Certified Public Accountants Co., Ltd.

厦门良诚会计师事务所有限公司

中国·厦门

中国注册会计师
授权副主任会计师: 

中国注册会计师: 

二〇一二年六月十一日

June 11, 2012

Putian Licheng Minzhong Agriculture Development Co., Ltd.

Balance Sheet

资产负债表

编制单位: 莆田市荔城区闽中农业开发有限公司	2011年12月31日	Unit: Yuan
行次	年末数	年初数
流动资产:		
货币资金	341,034.53	
短期投资		
应收票据		
应收账款		3,904,478.26
应收股利		
应收利息		
其他应收款	265,496,565.90	11,803,105.25
其他流动资产	100,740,972.84	15,100,686.71
流动资产合计	149,639,075.90	-1,430.00
长期投资:		
长期股权投资	35,542,464.00	1,012.30
长期债权投资		
其他长期投资		
长期投资合计	35,542,464.00	1,012.30
固定资产:		
房屋、建筑物		569,686,821.28
机器设备		
运输设备		
其他固定资产		
固定资产合计		569,686,821.28
无形资产:		
专利权		
非专利技术		
土地使用权		
其他无形资产		
无形资产合计		
长期待摊费用		
其他长期资产		
其他非流动资产		
其他资产合计		
资产总计	1,394,713,207.86	1,207,235,233.29
流动负债:		
短期借款		
应付票据		
应付账款		3,904,478.26
应付股利		
应付利息		
其他应付款		
其他流动负债		
流动负债合计		3,904,478.26
长期负债:		
长期借款		
应付债券		
其他长期负债		
长期负债合计		
所有者权益:		
实收资本(或股本)		500,000.00
资本公积		500,000.00
盈余公积		
未分配利润		1,207,235,233.29
所有者权益合计		1,207,235,233.29
负债和所有者权益总计	1,394,713,207.86	1,207,235,233.29

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Putian Licheng Minzhong
Agriculture Development Co., Ltd.

Income Statement

利 润 表

2011年度 2010年度 2009年度

Unit: Yuan

This Year

Last Year

行次	2011年度	2010年度	2009年度
一、营业收入	389,112,767.38	680,024,598.40	
减：营业成本	51,269,520.03	323,440,980.35	
二、主营业务利润(亏损以“-”号填列)	197,323,247.35	376,583,618.05	
加：其他业务利润(亏损以“-”号填列)	1,957,500.00		
减：营业费用	51,400.00	69,750.00	
管理费用	5,099,865.47	33,657,123.18	
财务费用	-17,846.61	-18,406.65	
其中：利息支出(减利息收入)			
汇兑损失(减汇兑收益)			
三、营业利润(亏损以“-”号填列)	194,147,328.49	342,878,151.52	
加：投资收益(亏损以“-”号填列)			
补贴收入			
营业外收入	15,000.00	20,000.00	
减：营业外支出	36,475.79	28,082.96	
四、利润总额(亏损总额以“-”号填列)	194,125,852.70	342,870,068.56	
减：所得税			
*少数股东损益			
加：*未确认的投资损失(以“-”号填列)			
五、净利润(净亏损以“-”号填列)	194,125,852.70	342,870,068.56	

补充资料：

项目	本年数	上年数
1、出售、处置部门或被投资单位所得收益		
2、自然灾害发生的损失		
3、会计政策变更增加(或减少)利润总额		
4、会计估计变更增加(或减少)利润总额		
5、债务重组损失		
6、其它		