

ZHONGXIN FRUIT AND JUICE LIMITED

(Incorporated in Singapore)
(Co. Reg. No. 200208395H)

UNAUDITED HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTHS PERIOD ENDED 31 DECEMBER 2019
PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS
1(a). A statement of comprehensive income for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Comprehensive Income for the six months period ended 31 December 2019. These figures have not been audited.

	Group		Increase / (Decrease) %
	Unaudited HY 31 Dec 2019 RMB'000	Unaudited HY 31 Dec 2018 RMB'000	
Revenue	140,095	47,080	198%
Cost of sales	(124,838)	(32,000)	290%
Gross profit	15,257	15,080	1%
<u>Other income:</u>			
Other operating income	1,608	304	429%
<u>Expenses:</u>			
Distribution expenses	(8,140)	(4,680)	74%
Administrative expenses	(4,354)	(5,933)	(27%)
Finance costs	(2,388)	(1,330)	80%
Share of profit / (loss) from equity accounted joint venture	2,261	(2,374)	195%
Profit before income tax	4,244	1,067	298%
Income tax expense	(150)	-	NM
Profit for the financial period	4,094	1,067	284%
Other comprehensive income for the financial period, net of tax	-	-	
Total comprehensive income for the financial period attributable to owners of the Company	4,094	1,067	284%

Operating profit is arrived at after charging / (crediting) the following:

	Group	
	Unaudited HY 31 Dec 2019 RMB'000	Unaudited HY 31 Dec 2018 RMB'000
<u>Charges</u>		
Amortisation of land use rights and intangible assets	93	90
Depreciation of property, plant and equipment	537	538
Impairment of property, plant and equipment	-	1,996
Inventories written down	-	1
Interest expense	2,388	1,330
Loss on disposal of property, plant and equipment	86	-
<u>Credits</u>		
Amortisation of deferred capital grant	(3)	(3)
Foreign exchange gain	(42)	(141)
Interest income	(961)	(160)

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1(b)(i). A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	Unaudited	Audited	Unaudited	Audited
	As at 31 Dec 2019 RMB'000	As at 30 June 2019 RMB'000	As at 31 Dec 2019 RMB'000	As at 30 June 2019 RMB'000
ASSETS				
Non-Current Assets				
Investment in joint venture	8,608	6,347	6,347	6,347
Investment in subsidiaries	-	-	31,402	31,402
Property, plant and equipment	58,113	60,463	7	9
Land use rights	6,972	7,065	-	-
	<u>73,693</u>	<u>73,875</u>	<u>37,756</u>	<u>37,758</u>
Current Assets				
Cash and cash equivalents	7,468	2,229	7,209	1,965
Notes receivable	50,000	-	-	-
Other receivables	4,812	3,866	-	-
Receivable from subsidiaries	-	-	20,647	27,718
Receivable from immediate holding company	26,211	57,948	-	-
Prepayments	73	595	-	-
Inventories	43,241	9,033	-	-
	<u>131,805</u>	<u>73,671</u>	<u>27,856</u>	<u>29,683</u>
Total Assets	205,498	147,546	65,612	67,441
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	252,093	252,093	252,093	252,093
Contributed surplus	22,000	22,000	-	-
Statutory and other reserves	6,606	5,949	-	-
Accumulated losses	(194,675)	(198,112)	(186,620)	(186,024)
Equity attributable to owners of the Company	86,024	81,930	65,473	66,069
Non-Current Liability				
Deferred capital grant	222	224	-	-
Current Liabilities				
Trade and other payables	13,054	4,919	139	1,372
Payable to immediate holding company	57,302	60,467	-	-
Deferred capital grant	6	6	-	-
Provision for taxation	150	-	-	-
Borrowings	48,740	-	-	-
	<u>119,252</u>	<u>65,392</u>	<u>139</u>	<u>1,372</u>
Total Liabilities	119,474	65,616	139	1,372
Total Equity and Liabilities	205,498	147,546	65,612	67,441

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

	Group		Group	
	Unaudited	Audited	Unaudited	Audited
	As at 31 Dec 2019	As at 30 June 2019	As at 31 Dec 2019	As at 30 June 2019
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
<u>Repayable in one year or less, or on demand</u>				
- Short-term borrowings	48,740	-	-	-
<u>Repayable after one year</u>				
- Bank borrowings	-	-	-	-
Total	48,740	-	-	-

Details of any collateral

As at 31 December 2019, the short-term borrowings stood at RMB48.74 million. The short-term borrowings were in relation to trade financing obtained and secured by the endorsement of notes receivable. The Group has obtained working capital financing by endorsing the notes receivable issued by its immediate holding company, SDIC Zhonglu Fruit and Juice Co., Limited ("SDIC Zhonglu") to the Group in favour of a finance company who is a related party of SDIC Zhonglu (Refer Note 8 for details on the notes receivable).

There were no borrowings and debt securities as at 30 June 2019.

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1(c). A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	Unaudited HY 31 Dec 2019 RMB'000	Unaudited HY 31 Dec 2018 RMB'000
Operating activities		
Profit before income tax	4,244	1,067
Adjustments for :		
Amortisation of deferred capital grant	(3)	(3)
Amortisation of land use rights and intangible assets	93	90
Depreciation of property, plant and equipment	537	538
Impairment of property, plant and equipment	-	1,996
Inventories written down	-	1
Loss on disposal of property, plant and equipment	86	-
Share of (profit) / loss from equity accounted joint venture	(2,261)	2,374
Interest expense	2,388	1,330
Interest income	(961)	(160)
Operating cash flows before working capital changes	4,123	7,233
Inventories	(32,032)	(37,973)
Notes receivables	(50,000)	-
Other receivables	(946)	(1,238)
Receivable from immediate holding company	31,737	34,737
Prepayments	522	2,008
Trade and other payables	8,136	(2,144)
Net cash (used in) / generated from operating activities	(38,460)	2,623
Investing activities		
Interest received	961	160
Proceed from disposal of property, plant and equipment	480	164
Purchase of property, plant and equipment	(929)	(1,983)
Net cash generated from / (used in) investing activities	512	(1,659)
Financing activities		
Repayment to immediate holding company	(3,165)	(1,123)
Net advances from related parties	-	274
Interest paid	(2,388)	(1,330)
Drawdown / (repayment) of borrowings	48,740	(2,000)
Net cash generated from / (used in) financing activities	43,187	(4,179)
Net change in cash and cash equivalents	5,239	(3,215)
Cash and cash equivalents at beginning of financial period	2,229	6,189
Cash and cash equivalents at end of financial period	7,468	2,974

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- 1(d)(i). A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Equity attributable to owners of the Company				
	Share Capital RMB'000	Contributed Surplus RMB'000	Statutory and Other Reserves RMB'000	Accumulated Losses RMB'000	Total RMB'000
Group					
Current Year:					
Balance as at 1 July 2019	252,093	22,000	5,949	(198,112)	81,930
Profit for the period, representing total comprehensive income for the financial period	-	-	-	4,094	4,094
Transfer to statutory and other reserves representing transaction with equity holders as owners of the Group	-	-	657	(657)	-
Balance as at 31 December 2019	252,093	22,000	6,606	(194,675)	86,024
Previous Year:					
Balance as at 1 July 2018	252,093	22,000	4,156	(200,477)	77,772
Profit for the period, representing total comprehensive income for the financial period	-	-	-	1,067	1,067
Balance as at 31 December 2018	252,093	22,000	4,156	(199,410)	78,839
Company					
Current Year:					
Balance as at 1 July 2019	252,093	-	-	(186,024)	66,069
Loss for the period, representing total comprehensive loss for the financial period	-	-	-	(596)	(596)
Balance as at 31 December 2019	252,093	-	-	(186,620)	65,473
Previous Year:					
Balance as at 1 July 2018	252,093	-	-	(162,995)	89,098
Loss for the period, representing total comprehensive loss for the financial period	-	-	-	(180)	(180)
Balance as at 31 December 2018	252,093	-	-	(163,175)	88,918

- 1(d)(ii). Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There was no change in the Company's issued share capital (excluding treasury shares) of 1,055,459,201 ordinary shares amounting to RMB252,093,405 from 30 June 2019 to 31 December 2019.

As at 31 December 2019 and 31 December 2018, there were no outstanding options, convertibles, treasury shares or subsidiary holdings in the Company.

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- 1(d)(iii). To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares excluding treasury shares	As at 31 Dec 2019	As at 30 June 2019
Total number of issued shares	1,055,459,201	1,055,459,201
Less : Treasury shares	-	-
Total number of issued shares (excluding treasury shares)	<u>1,055,459,201</u>	<u>1,055,459,201</u>

- 1(d)(iv). A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable. The Company did not have any treasury shares during and as at the end of the current financial period reported on.

- 1(d)(v). A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

Not applicable. The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

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

Not applicable.

- 3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-**
(a) Updates on the efforts taken to resolve each outstanding audit issue.
(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

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

Except as disclosed in paragraph 5 below, the Group has adopted the same accounting policies and methods of computation which are consistent with those used in the most recent audited consolidated financial statements for the financial year ended 30 June 2019.

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5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has adopted the new Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 Leases, which took effect on 1 January 2019, using the modified retrospective approach. SFRS(I) 16 introduces a single, on-balance sheet lessee accounting model. The rationale of the change is to better reflect the economic substance of lease transactions where it requires a lessee to recognise a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The adoption of this new SFRS(I) 16 Leases did not result in any material impact on the financial statements of the Group for the financial period ended 31 December 2019 as the lease term for the lease transactions currently entered by the Group ends within 12 months of the date of initial application and hence the Group did not recognise the ROU assets and the corresponding liabilities for these leases as permitted under SFRS(I) 16 Leases.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings per ordinary shares of the Group for the period based on profit after income tax :	Unaudited HY 31 Dec 2019	Unaudited HY 31 Dec 2018
(a) Based on the weighted average number of ordinary shares in issue (basic) (RMB cents)	0.39	0.10
(b) On a fully diluted basis (RMB cents)	0.39	0.10
Weighted average number of ordinary shares in issue	1,055,459,201	1,055,459,201

The basic and fully diluted earnings per share were the same as there were no potentially dilutive ordinary shares in issue as at 31 December 2019 and 31 December 2018.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Unaudited As at 31 Dec 2019	Audited As at 30 June 2019
<u>Group</u>		
Net assets value per ordinary share based on total number of issued shares excluding treasury shares (RMB cents)	8.15	7.76
<u>Company</u>		
Net assets value per ordinary share based on total number of issued shares excluding treasury shares (RMB cents)	6.20	6.26

The net asset value per ordinary share for the Group and Company is calculated based on the total number of issued shares (excluding treasury shares) of 1,055,459,201 as at 31 December 2019 and 30 June 2019.

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8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review for the performance of the Group for the six months ended 31 December 2019 ("HY2020") as compared to the six months ended 31 December 2018 ("HY2019").

Consolidated Statement of Comprehensive Income

Revenue

During HY2020 and HY2019, the Group recorded the following:

	Group	
	HY2020	HY2019
Procurement (Metric tonnes, "MT"):		
- Apples	102,416	62,269
- Pears	3,805	-
- Processed apple juice	10,732	-
Total	116,953	62,269
Production (MT):		
- Apple juice	17,249	10,623
- Pear juice	111	-
- Fructose	927	-
Total	18,287	10,623
Sales volume (MT):		
- Apple juice	22,738	4,723
- Fructose	111	294
Total	22,849	5,017
Average selling price (RMB per MT):		
- Fruit juice	6,092	9,277
- Fructose	8,502	8,339

Production

The disruption in raw materials supply due to the unforeseeable catastrophic freeze occurred in the previous financial year had eased in the current financial period. Average procurement costs of raw materials in HY2020 was lower as compared to HY2019 mainly due to the ample supply of apples and pears in the market attributed to the better harvesting in the current season. The subsidiary of the Company, Yuncheng Zhongxin Fruit and Juice Company Limited ("Yuncheng Zhongxin") leveraged on this trend of lower procurement costs and coupled with the higher demand from its end customers, procured higher volume of apples and pears for its production. This contributed to the increased production volume of Yuncheng Zhongxin in HY2020.

The shortage of quality raw materials in the procurement region of a subsidiary, Xuzhou Zhongxin Fruit and Juice Company Limited ("Xuzhou Zhongxin") persisted in HY2020. Although supplies are available in other region, after considering the costs and benefits, manpower and other resources that need to be put in place to resume production, the Management decided that it may not be commercially viable for Xuzhou Zhongxin to resume production and has taken the decision to continue the suspension of Xuzhou Zhongxin's productions which took place since the 2nd half of calendar year 2015 ("Temporary Suspension").

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To capitalise on the the market demand and lower procurement costs in other procurement region, Xuzhou Zhongxin has resumed its sales activities in HY2020 by outsourcing the manufacturing of the concentrated apple juice to contract manufacturers. Xuzhou Zhongxin was able to benefit from the improved fruit juice market condition through this initiative.

Management will continuously monitor the market situation and is also exploring ways to leverage on the unutilised assets of Xuzhou Zhongxin due to the Temporary Suspension. If market conditions in its procurement region improve, it will consider resuming production in the next fruit harvesting season starting in the next financial year ending 30 June 2021.

Revenue

The increase in revenue was mainly due to higher customer demand for concentrated fruit juices as reflected by its higher sales volume; which was partially offset by the lower average selling price of the concentrated fruit juices in HY2020. The average selling price of concentrated fruit juices decreased by approximately 34% in HY2020 as compared to HY2019 due to the volatility in market price attributed to the escalated pressure from the Sino-US trade friction.

Yuncheng Zhongxin resumed its fructose production in HY2020 in view of the availability of satisfactory raw materials' supply. The sales of fructose constituted less than 1% of the Group's sales in HY2020.

Gross profit

The decrease in the average selling price of the concentrated fruit juice was more significant than the decrease in average procurement costs. Hence, the Group recorded lower gross profit margin of 10.9% in HY2020 as compared to 32.0% in HY2019. Gross profit remained relatively constant at RMB15.1 million in HY2019 and RMB15.3 million in HY2020.

Other income

Other income increased by approximately RMB1.3 million in HY2020 mainly attributable to the following:

- RMB0.6 million grant received from the government to subsidise the costs of dismantling the coal-fire boilers in its production plants pursuant to the exercise of switching from coal-fire boilers to the use of natural gas in its operational plants conducted in the last financial year; and
- increase in the interest income by RMB0.7 million received by Yuncheng Zhongxin in relation to the interest received from SDIC Zhonglu for excess cash deposit by the Group with SDIC Zhonglu.

Expenses

The increase in distribution expenses was mainly due to higher transportation and warehousing costs incurred in HY2020 following the increase in the level of production and volume of sales in HY2020 as well as the carrying of significantly higher level of inventories during the current financial period.

The decrease in administrative expenses was mainly due to the absence of RMB2.0 million impairment of property, plant and equipment recognised by Yuncheng Zhongxin in HY2019 relating to its coal-fired boilers and the ancillary facilities. There was no such impairment in HY2020.

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The increase in finance costs was mainly due to interest incurred for the new borrowings secured in HY2020 as well as higher interest paid by Xuzhou Zhongxin with respect to the higher level of average loans and advances throughout the financial period made by the Group's immediate holding company, SDIC Zhonglu in HY2020 to Xuzhou Zhongxin to finance its working capital requirements.

Share of profit / (loss) from equity-accounted joint venture

In HY2020, the Group shared the profit from its equity-accounted joint venture, Linyi SDIC Zhonglu Fruit Juice Co., Ltd ("Linyi SDIC") of approximately RMB2.3 million as compared to a share of loss of RMB2.4 million in HY2019. Linyi's performances improved in HY2020 as compared to HY2019 mainly due to the higher revenue recorded in HY2020 attributed to increased sales volume. The sales in Linyi SDIC strengthened in HY2020 due to the better harvesting season in the financial period and Linyi SDIC was able to increase its production volume to meet its customers' increased demand.

Profit for the financial period

Due to the reasons explained above, the Group recorded a higher profit after taxation of RMB4.1 million in HY2020 as compared to RMB1.1 million in HY2019.

Statements of Financial Position

The comparative for both the assets and liabilities are based on the Group's financial statements as at 31 December 2019 and 30 June 2019.

Non-current assets decreased slightly by approximately RMB0.2 million from RM73.9 million as at 30 June 2019 to RMB73.7 million as at 31 December 2019 mainly due to the following:

Investment in joint venture

Investment in joint venture increased by approximately RMB2.3 million due to a higher carrying amount of the investment in Linyi following the share of profit in HY2020.

Property, plant and equipment ("PPE")

PPE decreased by approximately RMB2.4 million mainly due to depreciation charges of RMB2.7 million and disposal of PPE of RMB0.6 million, offset by an addition amounted to RMB0.9 million.

Included in the depreciation charges in HY2020 was an amount of RMB2.2 million (HY2019: RMB2.2 million) that was absorbed into inventories costing while the remaining amount of RMB0.5 million (HY2019: RMB0.5 million) was charged to distribution and administrative expenses.

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Current assets increased by approximately RMB58.1 million from RMB73.7 million as at 30 June 2019 to RMB131.8 million as at 31 December 2019 mainly due to the following:

Notes receivable

The Group recorded notes receivable of RMB50.0 million as at 31 December 2019. This represented the promissory notes issued by SDIC Zhonglu in favour of the Group that are due to mature in September 2020. The promissory notes were received by the Group as consideration for trade purchases and the partial settlement of trade receivables owing by SDIC Zhonglu to the Group. In turn, the Group has endorsed these promissory notes in favour of a finance company who is a related party of SDIC Zhonglu to obtain working capital financing for the Group.

Other receivables

Other receivables increased by approximately RMB0.9 million mainly attributable to the increase in value added tax receivable of RMB0.9 million.

In HY2020, Xuzhou Zhongxin received RMB30,000 from the relevant authority of Fengxian county as partial payment to the compensation receivable pursuant to the compulsory land and structure acquisition.

Receivable from immediate holding company

Receivable from immediate holding company decreased by approximately RMB31.7 million due to the decrease in trade amount owing by SDIC Zhonglu through the issuance of the promissory notes for the partial settlement as explained above.

Prepayments

Prepayments decreased by approximately RMB0.5 million as compared to 30 June 2019 due to lesser prepaid expenses required as at 31 December 2019 as the Group had completed most of its procurement requirements in HY2020.

Inventories

Inventories increased by approximately RMB34.2 million as the Group carried higher level of finished goods as at 31 December 2019 as compared to 30 June 2019 in tandem with the higher level of procurement and increased level of production in HY2020 as mentioned above.

The fruit juice industry is cyclical in nature as raw materials such as apples and pears are in season during the first half of the Group's financial year. To ensure the freshness of the ingredients, the Group generally procures and produces the fruit juice during the first half of the financial year for its full year's supply. Therefore, the Group carried higher level of inventories as at 31 December 2019 which were mainly represented by finished goods.

Current liabilities increased by approximately RMB53.9 million from RMB65.4 million as at 30 June 2019 to RMB119.3 million as at 31 December 2019. This was mainly due to the following:

Trade and other payables

Trade and other payables increased by approximately RMB8.1 million mainly due to increase in trade payables as a result of higher level of procurement during HY2020.

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Borrowings

The borrowings of RMB48.7 million as at 31 December 2019 were in relation to trade financing obtained by Yuncheng Zhongxin, secured by the endorsement of the notes receivable from SDIC Zhonglu in favour of Yuncheng Zhongxin and were obtained from a finance company who is a related party of SDIC Zhonglu to support the Group's increase in working capital requirements in tandem with the higher volume of business in HY2020. The proceeds were primarily utilised for the purchase of raw materials.

Positive working capital

As at 31 December 2019, the Group's current assets exceeded its current liabilities by RMB12.6 million, an improvement of RMB4.3 million as compared to the excess of RMB8.3 million as at 30 June 2019. The immediate holding company of the Group has continued to finance the Group's working capital requirements by making available working capital. The Group will continue to be dependent on its immediate holding company for financial support and its connections for entry into new markets. The Group is consistently looking into the various possibilities to expand and diversify its business with the view of improving profitability and the financial position of the Group, hence reducing the dependence on its immediate holding company eventually.

Statement of Cash Flows

Net cash used in operating activities of RMB38.5 million in HY2020 was mainly due to the positive cash flows before working capital changes, offset by changes in working capital outflow largely from the increase in notes receivable and inventories and offset by the decrease in receivable from immediate holding company and increase in trade and other payables.

Net cash generated from investing activities of RMB0.5 million in HY2020 was due to the interest received and proceed from disposal of PPE, offset by additions of PPE.

Net cash generated from financing activities of RMB43.2 million in HY2020 was mainly due to drawdown of borrowings as explained in above paragraph titled 'Borrowings'.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable. No forecast or prospect statement had been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group was able to ride on the growing momentum in the fruit juice market in HY2020 and recorded significant improvement in sales. Despite lower raw materials costs due to the good harvest enjoyed in the financial period, the Group faced numerous external challenges such as intense market competition and the volatilities in market / selling prices of fruit juice. These resulted in the considerably lower product margin recorded in HY2020.

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The Group takes an optimistic view of the growth prospects of the international fruit juice market in the mid to long term and is cautious as the general outlook of the global economy remains uncertain and challenging due to the impact of the trade tensions between the world's two largest economies – US and China, as well as the unpredictable situation of the Corona Virus Disease 19 (“COVID-19”) outbreak in China since January 2020.

The fruit juice industry is cyclical in nature and the raw materials such as apples and pears are in season during the first half of the Group's financial year. The Group has procured the materials and produced the fruit juice during the first half of the financial year for its full year's supply. The second half of the Group's financial year is typically an “off-peak” production season for the Group. Management estimates that the impact from the COVID-19 disease to the operations of the Group will be minimal due to the seasonality nature of the business. Meanwhile, the Chinese government has been implementing various policies and measures to curb the disease's spread. Amid the uncertainty concerning the slowing down of the virus spread, the Group will stay vigilant on the development of the situation and will be responsive to act on any unforeseen circumstances due from the impact of the disease.

The Group will take a market-oriented approach in assessing the factors that will impact its business and adapt its strategies to deal with the challenges accordingly. In addition, the Group is also committed to continuously strengthen the operational efficiencies and internal controls to efficiently deal with operational and financial risks to improve the performance and viability of the business. For instance, the Group has taken the decision to resume the sales activities of Xuzhou Zhongxin despite the Temporary Suspension; and to augment the capacity requirement of the active operating plants to improve cash flow and profitability. The Group will also look into supporting the customers' initiatives to develop and broaden geographical market reach and product distribution channels, thus minimising the external pressure brought by the Sino-US trade friction.

The Group will continue to actively undertake social responsibilities, including looking into increasing its investment in environmental treatment facilities, stepping up efforts on environmental governance in accordance with relevant national environmental protection policies in order to ensure continued sustainable development of the Group, as well as to further enhance the Group's brand reputation and competitiveness.

The Group is cautiously optimistic of the future demand for the concentrated fruit juice market and will remain flexible to address challenges and opportunities as they arise.

11. If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

No dividend was declared for HY2020.

(b) (i) Amount per share (cents)

Not applicable.

(b) (ii) Previous corresponding period (cents)

Not applicable. No dividend was declared for HY2019.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

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(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00 pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared or is recommended for HY2020 as the Company currently does not have retained profits available for the declaration of a dividend and the Board of Directors deems it appropriate to conserve funds for the Group's business activities and working capital requirement.

13. If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (RMB'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) (RMB'000)
SDIC Zhonglu	(a) Interest received from SDIC Zhonglu for excess cash deposit by the Group in relation to financing from SDIC Zhonglu. 936	(c) Sales by the Group to SDIC Zhonglu and its group of companies. 138,991
	(b) Interest paid by a subsidiary of the Company with respect to the short-term borrowings secured from a related party of SDIC Zhonglu 514	(d) Interest paid by a subsidiary of the Company with respect to the working capital provided by SDIC Zhonglu. 1,863
Total	1,450	140,854

During the HY2020, the Group made payment of approximately RMB451,000 to a subsidiary of SDIC Zhonglu for lease of certain storage facility, which falls within the exception set out under Rule 916(1) of the Catalist Rules.

Transaction (a) and (b) were below 3% of the Group's latest audited net tangible assets.

Transactions (c) and (d) were conducted pursuant to the renewed shareholders' mandate for IPTs approved by shareholders on 30 October 2019.

Save as disclosed above, there are no other IPTs above S\$100,000 in HY2020.

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14. Negative confirmation by the Board pursuant to Rule 705(5) of the Catalist Rules

On behalf of the Board of Directors, we hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the six-months financial period ended 31 December 2019 to be false or misleading in any material aspect.

Zhang Jiming
Director

Quan Yuhong
Director

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers in the format as set out in Appendix 7H in accordance with Rule 720(1) of the Catalist Rules

BY ORDER OF THE BOARD

Zhang Jiming
Chairman

14 February 2020

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. This announcement has not been examined or approved by the SGX-ST.

The SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Joseph Au, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).