



ZHONGXIN
Fruit and Juice Limited
中新果业有限公司

**COMMITTED TO
SUSTAINABLE GROWTH**



ANNUAL REPORT 2020

Corporate Profile

Zhongxin Fruit and Juice Limited

Zhongxin Fruit and Juice Limited (the "Company", and together with its subsidiaries, the "Group") is a subsidiary of the world's leading producer of fruit and vegetable juice concentrates and beverages, SDIC Zhonglu Fruit Juice Co., Ltd. ("SDICZL"). The Group's primary business is the production of concentrated apple juice mainly for export to multinational F&B corporations in the United States, European Union, South Africa, Canada, Japan and Australia via SDIC Zhonglu. The concentrated apple juice produced is used as an ingredient in packet juice drinks, soft drinks, cider, yoghurt and candies.

Currently, the Group operates two wholly-owned subsidiaries – Yuncheng Zhongxin Fruit & Juice Company Limited ("Yuncheng Zhongxin"), Xuzhou Zhongxin Fruit & Juice Company Limited ("Xuzhou Zhongxin") and a 50%-owned joint venture – Linyi SDIC Zhonglu Fruit Juice Co., Ltd. ("Linyi SDICZL").

The Group's subsidiary in Xuzhou city, Jiangsu province and Yuncheng city, Shanxi province and the joint venture in Linyi county, Yuncheng city, Shanxi province are each equipped with an apple processing capacity of 40 tons per hour and production capacity of approximately 10,000 to 15,000 tons of concentrated apple juice per year. Consistent in its efforts towards research and development, the Group aligns with the "National R&D Center for Apple Processing" of the "Ministry of Agriculture of the People's Republic of China" for new product development.

Leveraging on the resources and network of its parent company, SDIC Zhonglu, the Group aims to strengthen its foothold in the concentrated fruit juice industry and broaden its product varieties to include other value-added products. Besides this, the Group will also develop new use of residues from its fruit juice production to produce by-products like animal feed, extract pectin and dietary fiber. It will also seek to extend its business arms into the health food sector in the future.

The Company was listed on the SGX Sesdaq (now known as the SGX Catalyst) in 2004.

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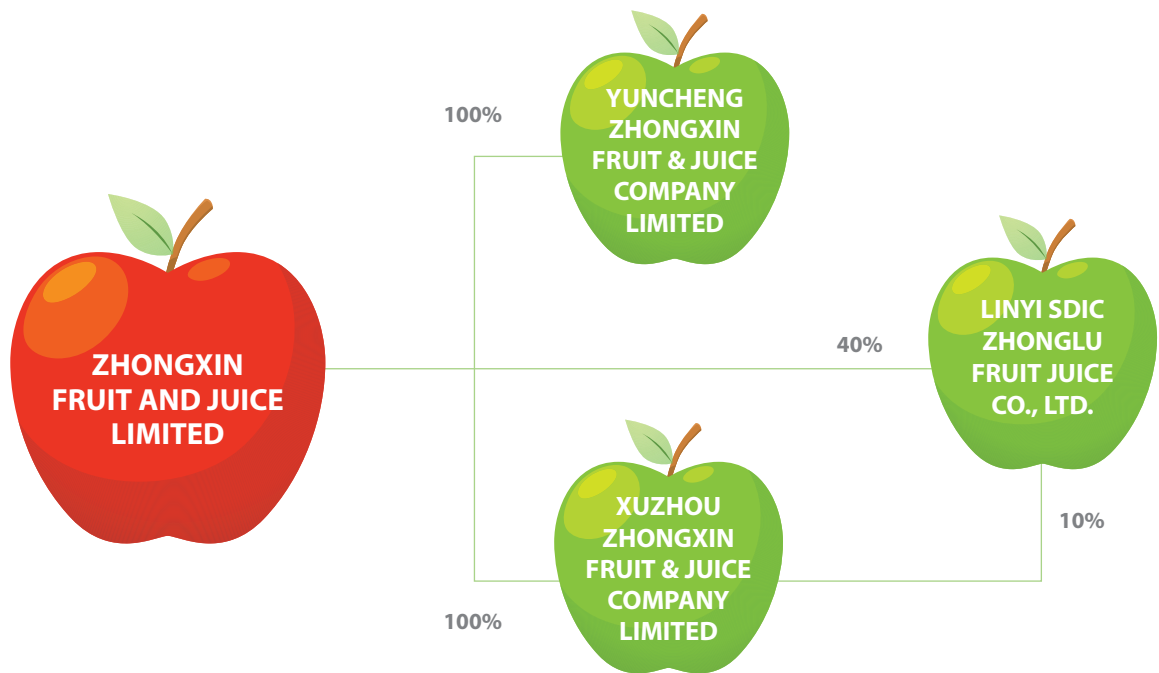
This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

This annual report has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any information, statements or opinions made or reports contained in this annual report.

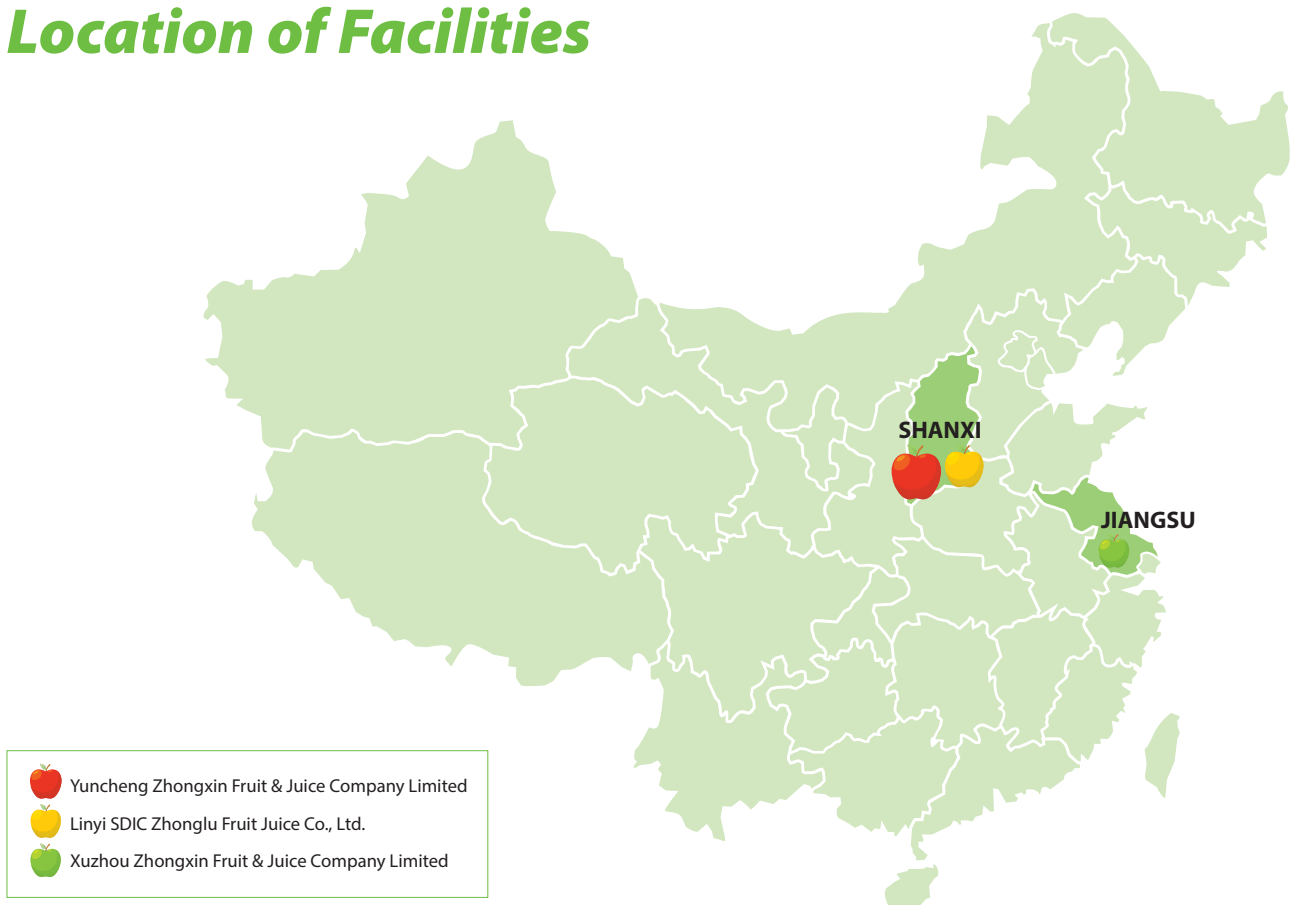
The contact person for the Sponsor is Mr Lance Tan, Senior Vice President at 8 Anthony Road, #01-01 Singapore 229957, telephone (65) 6590 6881



Group Structure



Location of Facilities



Chairman's Message



Dear Shareholders,

I am honoured to present to you our annual report for the financial year ended 30 June 2020 ("FY2020"). Over the past year, Zhongxin Fruit achieved significant sales growth due to the upswing in apple juice sales. With the strong support of our shareholders and the close cooperation of our business partners, Zhongxin Fruit remained profitable in FY2020. Therefore, on behalf of the Company, I would like to express my gratitude to all our shareholders and various stakeholders for their support.

During the reporting period, Zhongxin Fruit has been committed to providing high quality and safe juice concentrate to consumers. We have a comprehensive quality control system and set of stringent food safety management and risk management measures in place. At the same time, paying great attention to the coordinated development of an enterprise's economic returns and social responsibilities, we have been caring for the interests of employees, complying with national and local requirements, ensuring appropriate safety and environmental protection measures at work, and actively assuming social responsibilities.

The unfortunate COVID-19 outbreak that caused major lockdown in many cities in China occurred since January 2020. The lockdown did not impact the Company materially in FY2020 as the procurement and production activities of the Company in FY2020 were mainly undertaken during the first half of the financial year prior to the implementation of various restrictive measures by the Chinese government. Pursuant to the pandemic situation, the Company has also implemented various precautionary measures and thus managed to keep the workplace safe for the employees and minimise operational disruption.

The recovery of the COVID-19 pandemic is expected to take longer than expected. To drive the growth in sales, the Company expand the product offerings to cater to the evolving consumer tastes and needs, and also support the end customers' initiatives to develop and broaden geographical market reach and product distribution channels.

Lastly, I would like to express my sincere gratitude to all our shareholders for their trust and support, and all directors, management staff, and employees for their contributions and efforts. Moving forward, we will keep focusing on innovation

Chairman's Message



and development of Zhongxin Fruit to create new profit growth drivers, so as to maximise returns to shareholders. We will also undertake social responsibilities, including looking into increasing its investment in environmental treatment facilities, stepping up efforts on environmental governance in accordance with relevant national environment protection policies in order to ensure continued sustainable development of the Company, as well as to further enhance the Company's brand reputation and competitiveness.

Quan Yuhong
Chairman & Executive Director
2020

Board of Directors and Key Management

BOARD OF DIRECTORS

QUAN YUHONG

Chairman and Executive Director

Ms Quan was appointed as Chairman of the Board and Executive Director on 17 August 2020. She is currently in charge of the business development of the Company.

She holds a Master's Degree in Economics and was a Senior Accountant and Senior Economist at the Ministry of Human Resources and Social Security of the People's Republic of China. Ms Quan was also a Finance Manager with Beijing Logistic Economics and Technology Development Co. Ltd from 2001 to 2004, and an Audit Manager and Office (Board of Directors) Manager in SDIC Zhonglu Fruit Juice Co., Ltd. from 2004 to 2010. Currently, she is the Chief Financial Officer of SDIC Zhonglu Fruit Juice Co., Ltd.

XIAO YAO

Non-executive Director

Mr Xiao was appointed as a Non-executive Director of the Company on 17 August 2020. He is also a member of Audit Committee, Remuneration Committee and Nominating Committee of the Company.

He holds a Masters Degree in Economics with 10 years of project investment and management experience. Currently, he is the investment manager of SDIC Zhonglu Fruit Juice Co., Ltd.

LIU XIUWEN

Independent Director

Ms Liu joined as the Independent Director of the Group on 1 January 2014 and is currently the Chairperson of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

She graduated from Shenyang Industrial University in 1987 majoring in Engineering. She is a Certified Public Accountant and Chinese Registration Property Appraiser. She is currently an accountant of Da Hua Certified Public Accountants.

She was formerly the independent director of Hubei Huachangda Intelligent Equipment Co Ltd and had obtained the qualifying Independent Director certificate.

Board of Directors and Key Management

THAM MUN CHEE

Lead Independent Director

Mr Tham joined the Board on 1 January 2015 as Independent Director. He was re-designated from Independent Director to Lead Independent Director and filled the vacancy of Chairman of the Audit Committee with effect from 27 August 2018. He is also Chairman of the Remuneration Committee and a member of the Nominating Committee. He was appointed as a Director of the two subsidiaries and a joint venture company with effect from 27 August 2018. He is presently the Accounting and Administration Manager of Elms Industrial Pte Ltd and Elms Industrial (Philippines) Co., Inc. since October 2008.

Prior to the above, he was a remiser of CIMB-GK Securities Pte Ltd from August 2007 to September 2008. Mr Tham was the Financial Controller of Handy & Harman Manufacturing (S) Pte Ltd from 1989 to 2006. From 1983 to 1988, he worked in Finance and Accounting Department of Japanese Companies. From 1980 to 1983, he was a tax officer of the Inland Revenue Authority of Singapore.

Mr Tham graduated from Nanyang University of Singapore with Bachelor Degree in Commerce (Accountancy) in 1980. He is a non-practising member of Institute of Singapore Chartered Accountants.

KEY MANAGEMENT

MA FEI

General Manager

Mr Ma Fei was appointed as General Manager of the Company on 5 August 2016. Mr Ma is responsible for the overall operation of the Group. He was appointed as General Manager of Liaoning SDIC Zhonglu Fruit Juice Co. Ltd., from 2012 to 2016.

Mr Ma Fei graduated from North University of China, majoring in financial management in 2007.

LIU ZHENZHE

Deputy General Manager (Finance)

Mr Liu was appointed as Deputy General Manager (Finance) of the Company on 26 October 2012. He is responsible for the overall financial operations of the Group.

He was the Finance Manager of Shanxi SDIC Zhonglu Fruit Juice Co., Ltd from 2005 to 2006 and the Finance Manager of Linyi SDIC Zhonglu Fruit Juice Co., Ltd. from 2006 to 2012.



Business Overview



In FY2020, the Group generated total revenue of RMB174.52 million and net profit of RMB3.35 million.



FY2020 REVIEW

In FY2020, the Group generated profit before tax of RMB4.34 million, an income tax expense of RMB996,000, and a net profit after tax of RMB3.35 million. As of 30 June 2020, the Group recorded total assets of RMB208.61 million and total liabilities of RMB123.33 million, while equity stood at RMB85.28 million.

The revenue growth in FY2020 was mainly attributed to the higher customer demand for concentrated fruit juice as reflected by its higher sales volume; which was partially offset by the lower average selling price of the concentrated fruit juice in FY2020. The average selling price of concentrated fruit juice decreased by approximately 29% in FY2020 as compared to FY2019 due to the volatility in market price attributed to the escalated pressure from the trade friction between United States ("US") and China.

The disruption in raw materials supply due to the unforeseeable catastrophic freeze occurred in the previous financial year had eased in the current financial year. Average procurement costs of raw materials in FY2020 was lower as compared to FY2019 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 higher demand from its end customers during the financial year to procure higher volume of apples and pears and increase its production volume of Yuncheng Zhongxin in FY2020.

Although supplies are available in other regions, the shortage of quality raw materials in the procurement region of a subsidiary, Xuzhou Zhongxin Fruit and Juice Company Limited ("Xuzhou Zhongxin") persisted in FY2020. After considering the costs and benefits, including the anticipated volume of business, 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 its production and has taken the decision to continue the suspension of Xuzhou Zhongxin's fruit juice concentrate production which took place since the 2nd half of calendar year 2015.

Business Overview

Xuzhou Zhongxin has resumed its sales activities in the first half of FY2020 to build up the sales volume as market demand improved. The manufacturing of the concentrated apple juice was outsourced to contract manufacturers to support the volume of business. Management will continuously evaluate the viability of resuming the fruit juice concentrate production.

Yuncheng Zhongxin increased its fructose production in FY2020 in view of the availability of satisfactory raw materials' supply. The sales of fructose constituted less than 3% of the Group's sales in FY2020.

The decrease in the average selling price of the concentrated fruit juice outweighed the decrease in average procurement costs. Hence, the Group recorded lower gross profit margin of 12.8% in FY2020 as compared to 26.1% in FY2019. These resulted in the gross profit decreased from approximately RMB26.1 million in FY2019 to RMB22.3 million in FY2020.

Other income increased by approximately RMB1.5 million in FY2020 mainly attributable to the following:

- RMB0.6 million grant received from the government to subsidise the costs of dismantling the coal-fire boilers in production plants of Yuncheng Zhongxin 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;
 - increase in the interest income by RMB1.8 million in relation to the interest charged by Yuncheng Zhongxin for outstanding accounts receivables due from SDIC Zhonglu Fruit and Juice Co., Limited ("SDICZL"); and
- offset by
- lower write-back of trade payables by RMB0.7 million in relation to payable amounts that were assessed to be no longer payable due to passage of time.

The increase in distribution expenses was mainly due to higher transportation and warehousing costs incurred in FY2020 following the increase in the level of production and volume of sales in FY2020 as well as the carrying of significantly higher level of inventories during the current financial year.

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 FY2019 relating to its coal-fired boilers and the ancillary facilities. There was no such impairment in FY2020.

The increase in finance costs was mainly due to interest incurred for the new borrowings secured in FY2020 as well as higher interest paid by Xuzhou Zhongxin with respect to the higher level of average loans and advances throughout the financial year made by the Group's immediate holding company, SDICZL in FY2020 to Xuzhou Zhongxin to finance its working capital requirements.

In FY2020, the Group shared the profit from its equity-accounted joint venture, Linyi SDIC Zhonglu Fruit Juice Co., Ltd ("Linyi SDICZL") of approximately RMB3.9 million as compared to a share of loss of RMB3.7 million in FY2019. Linyi's performances improved in FY2020 as compared to FY2019 mainly due to the higher revenue recorded in FY2020 attributed to increased sales volume. The sales in Linyi SDIC strengthened in FY2020 due to the better harvesting season in the financial year and Linyi SDIC was able to increase its production volume to meet its customers' increased demand.

Income tax expense was related to Yuncheng Zhongxin with respect to the following:

- approximately RMB0.2 million income tax for the government grant received in FY2020; and
- approximately RMB0.8 million under provision of income tax related to the previous financial years.

Due to the reasons explained above, the Group recorded a lower profit after taxation of RMB3.3 million in FY2020 as compared to RMB4.2 million in FY2019.

Non-current assets decreased by approximately RMB1.7 million from RMB73.9 million as at 30 June 2019 to RMB72.2 million as at 30 June 2020 mainly due to the following:

- Investment in joint venture increased by approximately RMB3.9 million due to a higher carrying amount of the investment in Linyi SDICZL following the share of profit in FY2020.
- PPE decreased by approximately RMB5.5 million mainly due to depreciation charges of RMB5.4 million and disposal/write-off of RMB1.3 million, offset by addition of PPE amounted to RMB1.2 million.

Included in the depreciation charges in FY2020 was an amount of approximately RMB4.3 million (FY2019: RMB4.5 million) that was absorbed into inventories costing while the remaining amount of RMB1.1 million (FY2019: RMB1.1 million) was charged to distribution and administrative expenses.

Current assets increased by approximately RMB62.8 million from RMB73.7 million as at 30 June 2019 to RMB136.5 million as at 30 June 2020 mainly due to the following:

- The Group recorded notes receivables of RMB50.0 million as at 30 June 2020. This represented the promissory notes issued by SDICZL 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 SDICZL to the Group. In turn, the Group has endorsed these promissory notes in favour of a finance company who is a related party of SDICZL to obtain working capital financing for the Group.
- Receivable from immediate holding company decreased by approximately RMB5.3 million due to the decrease in trade amount owing by SDICZL through the issuance of the promissory notes for the partial settlement as explained above.
- Prepayments increased by approximately RMB1.7 million as compared to 30 June 2019 mainly due to higher prepaid expenses to suppliers as at 30 June 2020 in preparation for the higher level of garlic procurement and processing activities in the next financial year.
- Inventories increased by approximately RMB11.6 million as the Group carried higher level of finished goods as at 30 June 2020 as compared to 30 June 2019 in tandem with the higher level of procurement and increased level of production in FY2020 as mentioned above.

Included in the inventories as at 30 June 2020 were approximately RMB2.9 million of raw and processed garlic further to the commencement of garlic processing activity by Xuzhou Zhongxin since June 2020.

Business Overview



Current liabilities increased by approximately RMB57.7 million from RMB65.4 million as at 30 June 2019 to RMB123.1 million as at 30 June 2020 mainly due to the following:

- Trade and other payables increased by approximately RMB1.6 million mainly due to increase in trade payables as a result of higher level of procurement during FY2020.
- Payable to immediate holding company increased by approximately RMB6.5 million mainly due to advances received for the funding of the Group's working capital in the financial year.
- The borrowings of RMB49.6 million as at 30 June 2020 were in relation to trade financing obtained by Yuncheng Zhongxin, secured by the endorsement of the notes receivable from SDICZL in favour of Yuncheng Zhongxin. The borrowings were provided by a finance company who is a related party of SDICZL, and were obtained to support the Group's increase in working capital requirements in tandem with the higher volume of business in FY2020. The proceeds were primarily utilised for the purchase of raw materials.

Net cash used in operating activities of RMB49.3 million in FY2020 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 receivables and inventories and offset by the decrease in receivable from immediate holding company.

Net cash generated from investing activities of RMB2.7 million in FY2020 was due to the interest received and proceed from disposal of PPE, offset by additions of PPE.

Net cash generated from financing activities of RMB51.5 million in FY2020 was mainly due to the drawdown of borrowings as explained in above.

Notwithstanding the improvement in the sales performance and that the Group remained profitable in FY2020, the Group expects sustaining the growth momentum of the business to remain challenging in the mid to long-term. The Group takes a prudent view of the growth prospects of the international fruit juice market and is watchful as the general outlook of the economy is uncertain due to the impact of the CoronaVirus Disease 19 ("Covid-19") pandemic, as well as the dynamic trade tensions between the US and China, the world's two largest economies. These have created uncertainty and is expected to affect the business sentiments and the operating environment.

FY2021 OUTLOOK

Global market demand for juices is expected to be adversely impacted and is expected to create an indubitable pressure on the Group's sales activities in the fruit juice concentrate market. China is the major producer of apple juice concentrate and is the main source of apple juice supply in overseas markets such as the US, European Union and Japan. The Covid-19 pandemic has led to unprecedented public health measures being put in place

by governments, which have far-reaching impacts and brought about significant pressure on the domestic and global economy. This includes the disruption in global and domestic supply chain, and fear of increasing unemployment rate and recession that reduce consumer spending. The performance of the Group in the near term is depending on factors including the speed of recovery of the economies and consumer spending as well as the outcome of the US and China trade tension.

The Group estimates that there will be a dip in the market demand for its fruit juice concentrate products in the next 6 to 12 months. The impact is likely to be more severe in the first 6 months and the Group is hopeful that the situation may ease in the second half of FY2021. The Group strives to continue driving the growth in sales by expanding the product offerings to cater to the evolving consumer tastes and needs, and also supporting the end customers' initiatives to develop and broaden geographical market reach and product distribution channels.

In June 2020, the Group expanded into fresh garlic processing business by working with a reputable strategic partner that has strong global reputation and international distribution channels in the supply of garlic. The Group utilises the sorting and processing facilities of Xuzhou Zhongxin to process the garlic. The sales of processed garlic will commence in the first half of FY2021.

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 environment 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.

CORPORATE GOVERNANCE

The Company has established a sound corporate governance structure and a sound organizational structure and business process in accordance with the requirements of the internal control system. Adhering to the sound leadership of the Board, our management team, led by the general manager, thoroughly implemented the business objectives for the year, ensured ordinary operation of the business, and strengthened supervision and risk control.

QUALITY ASSURANCE

As a food and beverage processing manufacturer, the Company always accord top priority to food safety in terms of the production process, the Company implements raw material prevention control, processing control and export clearance control to provided healthy and safe concentrated raw materials for the end market. Our products are certified by ISO, HACCP, SGF and KOSHER, and meet the standards of the U.S. FDA. These certifications offer operational system protection for processing safe and assured food products, thereby laying a solid foundation for penetrating the international markets.

Corporate Information

BOARD OF DIRECTORS

QUAN YUHONG
Chairman and Executive Director

XIAO YAO
Non-Executive Director

THAM MUN CHEE
Lead Independent Director

LIU XIUWEN
Independent Director

AUDIT COMMITTEE

THAM MUN CHEE
Chairman

LIU XIUWEN

XIAO YAO

NOMINATING COMMITTEE

LIU XIUWEN
Chairman

THAM MUN CHEE

XIAO YAO

REMUNERATION COMMITTEE

THAM MUN CHEE
Chairman

LIU XIUWEN

XIAO YAO

COMPANY SECRETARY

LEE WEI HSIUNG

REGISTERED OFFICE

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Singapore 609916
T: (65) 65572308

COMPANY REGISTRATION NUMBER

200208395H

SHARE REGISTRAR & SHARE TRANSFER OFFICE

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Singapore 048623

CONTINUING SPONSOR

UOB Kay Hian Private Limited
8 Anthony Road
#01-01
Singapore 229957

INDEPENDENT AUDITORS

RT LLP
Public Accountants and Chartered Accountants
1 Raffles Place
#17-02 One Raffles Place
Singapore 048616

Partner-in-charge:
Ravinthran Arumugam
(Year of appointment: Financial year ended 30 June 2019)

PRINCIPAL BANKERS

Industrial and Commercial Bank of China Limited,
Singapore Branch
6 Raffles Quay #12-01
Singapore 048580

Corporate Governance Report

The Board of Directors (the “**Board**”) of Zhongxin Fruit and Juice Limited (the “**Company**” and together with its subsidiaries and associated company, the “**Group**”) recognises the importance of corporate governance and good business practices within the Group to ensure greater transparency and to protect the interests of its shareholders. The Company is fully committed in maintaining a high standard of corporate governance within the Group.

The following report describes the Company’s corporate governance practices which were in place throughout the financial year ended 30 June 2020 (“**FY2020**”) with specific reference to the principles and provisions set out in the revised Code of Corporate Governance 2018 (the “**2018 CG Code**”), which forms part of the continuing obligations of the Catalist Rules of the Singapore Exchange Securities Trading Limited. The 2018 CG Code supersedes and replaces the Code of Corporate Governance 2012 (the “**2012 CG Code**”), and applies to annual reports of listed entities relating to financial years commencing from 1 January 2019.

The Board has confirmed that for FY2020, the Company has adhered to the principles and provisions as set out in the 2018 CG Code and, where applicable, has specified and explained the deviation from the 2018 CG Code in this Report.

(A) BOARD MATTERS

The Board’s Conduct of its Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The current Board has four (4) members and comprises the following:

Name of Directors	Designation
Quan Yuhong	Chairman and Executive Director
Xiaoyao	Non-Executive Director
Tham Mun Chee	Lead Independent Director
Liu Xiuwen	Independent Director

The Board’s primary roles are to protect and enhance long term shareholders’ value and returns, set the Group’s corporate strategies and directions, oversee management of the Group’s business affairs, financial performance and key operational initiatives, and implementations of risk management policies and practices. Each individual Director is obliged to act in good faith and exercise due diligence as well as independent judgement in dealing with the business affairs of the Group so as to observe the best interests of shareholders of the Company at all times.

The Directors are aware of the requirements in respect of disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company’s securities and restrictions on the disclosure of price-sensitive information.

To assist the Board in discharging of its functions, the Board is assisted by board committees which comprise Audit Committee (“**AC**”), Nominating Committee (“**NC**”) and Remuneration Committee (“**RC**”) (collectively, the “**Board Committees**”). Each Board Committee has its own specific terms of reference setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken. The current compositions of the Board Committees are as follows:

	AC	NC	RC
Chairman	Tham Mun Chee	Liu Xiuwen	Tham Mun Chee
Member	Xiaoyao	Xiaoyao	Xiaoyao
Member	Liu Xiuwen	Tham Mun Chee	Liu Xiuwen

Corporate Governance Report

The Board has delegated certain matters to the Board Committees to assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively. The dates of Board and Board Committees meetings as well as the Annual General Meeting (“AGM”) will be scheduled in advance. To assist directors in planning their attendance, the Company Secretary will first consult every director before fixing the dates of these meetings. The Board will meet at least two times a year and as warranted by particular circumstances. Ad hoc meetings will also be convened to deliberate on urgent substantive matters when necessary.

Directors are free to discuss and voice their concerns on any matter raised at the Board meetings. Telephonic and videoconferencing meetings of the Board are allowed under the Company’s Constitution in the event when Directors were unable to attend meetings in person. All Directors are provided with the agenda and a set of board papers prior to the meetings. These are issued in advance to give the Directors sufficient time to better understand the matters to be discussed and to obtain further clarifications or explanations at the relevant meetings where necessary. The Company and the Board acknowledge that an unimpeded flow of relevant information in a timely manner is crucial for the Board to be effective in discharging its duties and responsibilities. During FY2020, the Board conducted two (2) Board meetings with full attendance.

The details of the number of meetings held for the Board and Board Committees during FY2020 and the attendance of each Director at the meetings are disclosed as follows:

	Board	NC	AC	RC	AGM
Number of meetings held	2	1	2	1	1
Name	Number of meetings attended				
Zhang Jiming ⁽¹⁾	2	1*	2*	1*	1
Quan Yuhong ⁽²⁾	2	1	2	1	1
Liu Xiuwen	2	1	2	1	0
Tham Mun Chee	2	1	2	1	1
Xiaoyao ⁽³⁾	–	–	–	–	–

* Attended as invitees.

Notes:

- (1) Mr Zhang Jiming resigned as the Executive Director and Chairman of the Company on 17 August 2020.
- (2) Ms Quan Yuhong re-designated as the Executive Director and Chairman of the Company on 17 August 2020 and relinquished her position as a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company.
- (3) Mr Xiaoyao appointed as a Non-Executive Director of the Company and as a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company on 17 August 2020.

The Company has adopted internal guidelines setting forth matters that require Board’s approval. The Board has identified, without limitation, the following matters that require its approval:

- Declaration of dividends and other returns to shareholders of the Company;
- Major corporate policies on key areas of operation;
- Major funding proposals or bank borrowings;
- Corporate or financial restructuring and share issuances;
- Mergers and acquisitions;
- Material acquisitions and disposals;

Corporate Governance Report

- Approval of transactions involving interested person transactions; and
- Appointments of new Directors.

All Directors are updated regularly on changes in Company's policies and business updates. Newly appointed Directors will be provided with a formal letter, setting out the Director's duties and obligations and will be given appropriate briefings by the management on the business activities of the Group, its strategic directions and the Company's corporate governance policies and practices. Director who has no prior experience as a director of an issuer listed on the Singapore Exchange ("SGX") will undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX for the purposes of Rule 406(3)(a) of the Catalist Rules.

Mr Xiaoyao was appointed as a Non-Executive Director on 17 August 2020. He will be attending the Directors' training organized by Singapore Institute of Directors ("SID") as soon as practicable.

Directors are encouraged to attend relevant training to enhance their skills and knowledge, particularly on new laws and regulations affecting the Group's operations.

The Directors are provided with continuing briefings from time to time and are kept updated on relevant new laws and regulations including directors' duties and responsibilities, corporate governance and developing trends and financial reporting standards to enable them to properly discharge their duties as members of the Board and/or Board Committees.

The Directors may also attend other trainings, conference and seminar which may have a bearing on their duties and contribution to the Board, organised by the professional bodies, regulatory institutions and corporations at the Company's expense, if required.

During FY2020, Mr Tham Mun Chee has attended the seminar on SGX-SID Audit Committee that was jointly conducted by the Accounting and Corporate Regulatory Authority (ACRA), Singapore Exchange Regulation and Singapore Institute of Director (SID).

The Board is provided with complete, adequate and timely information on operation and financial performance of the Company. For matters where the Board is required to make decision, the management provides the Board with sufficient background and explanation information on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered. The Board has separate, independent access to the senior management of the Group at all times. Requests for information from the Board are dealt with promptly by the senior management. The Board is informed of all material events and transactions as and when they occur.

The Company Secretary attends all Board and Board Committees' meetings and is responsible for ensuring that established procedures and all relevant statutes and regulations that are applicable to the Company are complied with. The Company Secretary assists the Executive Chairman by preparing meeting agendas, attending Board and Board Committees' meetings and preparing minutes of Board and Board Committees' proceedings. The Board has separate and independent access to the Company Secretary. Under the direction of the Executive Chairman, the Company Secretary, with the support of the management staff, ensures good information flows within the Board and the Board Committees and between senior management and Non-Executive Directors.

The appointment and replacement of the Company Secretary is a matter for the Board as a whole, and is subject to the Board's approval.

The Board seeks independent professional advice as and when necessary to enable it to discharge its responsibilities effectively. The Directors, whether as a Group or individually, may seek and obtain legal and other independent professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their roles and responsibilities as Directors.

Corporate Governance Report

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The NC determines the independence of each Director annually. An Independent Director is one who has no relationship with the Company, its related companies, its substantial shareholders (as defined in the 2018 CG Code) or its officers that can interfere, or be reasonably perceived to interfere with the exercise of the Director's independent business judgement to the best interests of the Company.

As at the date of this report, the Board comprises four Directors, three of whom are Non-Executive Directors with two of them being independent. As the Chairman of the Board, Ms Quan Yuhong, is not an Independent Director, the NC has reviewed the composition of Independent Directors on the Board and is of the view that based on the current level of operations of the Group and the Board with two Independent Directors makes up half of the Board gives an appropriate level of independence and diversity of thought to enable it to make decisions in the best interests of the Company. Although the independent directors are not in a majority, the Board has always discussed important issues robustly and have always been able to reach a consensus on the votes without having to rely on any majority votes to decide nor having an individual or small group of individuals dominate the Board's decision-making process. As there is strong independent and non-executive element on the Board and given the size of the Board, the Board is of the view that it is not necessary or cost-effective to have independent directors to make up a majority of the Board.

Each Director possesses the appropriate core competencies, quality and diversity of experience to lead and contribute to the development of the Group's strategies and performance. The NC is also of the view that the current Board members comprise persons with a broad range of expertise and experience in diverse areas such as accounting, finance, business and management, and strategic planning. As the Board consists of professionals from various disciplines, it has yet to adopt a Board diversity policy. Nonetheless, the Board acknowledges and embraces the benefits of diversity on the Board and would look into setting board diversity objective from time to time.

The current Board comprises persons who as a group provide an appropriate balance and diversity of skills, experience, gender and capabilities required for the Board to be effective.

	Number of Directors	Proportion of Board
Core Competencies		
– Accounting or finance	4	100%
– Business management	4	100%
– Legal or corporate governance	2	50%
– Relevant industry knowledge or experience	2	50%
– Strategic planning experience	4	100%
– Customer based experience or knowledge	3	75%
Gender		
– Male	2	50%
– Female	2	50%

Non-Executive Directors are encouraged to participate and provide constructive challenge, and develop strategies and review and monitor the performance of management, agreed goals and objectives. Where circumstance requires, the Non-Executive Directors will meet without the presence of management to review any matters that need to be raised privately. During FY2020, the Non-Executive Directors met once in the absence of management.

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Ms Quan Yuhong and Mr Xiaoyao are the representatives from SDIC Zhonglu Fruit Juice Co., Ltd. ("**SDICZL**"), the major shareholder holding 53.11% interest in the share capital of Company as at the date of this report.

Ms Quan Yuhong and Mr Tham Mun Chee are also the Directors of the Company's two principal subsidiaries namely Xuzhou Zhongxin Fruit & Juice Company Limited and Yuncheng Zhongxin Fruit & Juice Company Limited in China since February 2013 and August 2018 respectively. Mr Tham Mun Chee also concurrently acting as a director of Linyi SDIC Zhonglu Fruit Juice Co., Ltd., a 50%-owned joint venture of the Company.

The Board is of the view that its current size and composition are appropriate and provide sufficient diversity of expertise to lead and govern the Company effectively, considering the scope and nature of its operations.

The independence of each Director is reviewed annually, and upon notification by a Director of a change in circumstances, by the NC based on the criteria of independence defined in the 2018 CG Code and Rules 406(3)(d)(i) and (ii) of the Catalist Rules. The NC will recommend to the Board as to whether the Director is considered independent. No individual or small group of individuals dominates the Board's decision making.

The Independent Directors, namely Mr Tham Mun Chee and Ms Liu Xiuwen, have confirmed that they have no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere with the exercise of their independent business judgement with a view to the best interests of the Company and its shareholders. The NC had reviewed and confirmed the independence of the above named Directors in accordance with the 2018 CG Code and Rules 406(3)(d)(i) and (ii) of the Catalist Rules.

None of the Independent Directors have served on the Board beyond nine years from their respective date of appointment.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The role of Chairman is assumed by Ms Quan Yuhong, the Executive Director of the Company. Ms Quan Yuhong leads the Board and is responsible for the management of the Group. The Executive Chairman is in charge of charting the business direction as well as corporate planning and strategic developments of the Group. The Executive Chairman encourages Board's interaction with the Management, facilitates effective contribution of the Directors, encourages constructive relationships among the Directors and promotes high standards of corporate governance. In addition, the Executive Chairman ensures that the Directors receive accurate, timely and clear information and there is effective communication with shareholders of the Company.

The Company currently has no chief executive officer. Ms Quan Yuhong is an Executive Director overseeing the management of the Group. She is supported by Mr Ma Fei, the General Manager of the Company, who is responsible for overseeing the operations of the Group.

Ms Quan Yuhong and Mr Ma Fei are not related to each other.

Given that the Chairman is not an Independent Director and is part of the management team, Mr Tham Mun Chee ("**Mr Tham**") has been appointed as Lead Independent Director, for the shareholders in situation where they have concerns/issues and for which contact through the normal channels of the Executive Chairman, the General Manager or the Deputy General Manager (Finance) have failed to provide a satisfactory resolution or when such contact is inappropriate. Mr Tham will also take the lead in ensuring compliance of the 2018 CG Code and Catalist Rules.

Where circumstance requires, led by the Lead Independent Director, the Independent Directors will meet without the presence of other Directors and provide feedback to the Executive Chairman after such meetings as appropriate. There were no instances arising in FY2020 which required the Independent Directors to meet in the absence of other Directors.

Corporate Governance Report

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

As at the date of this report, NC comprises the following members, the majority of whom, including the NC Chairman, are independent:

Liu Xiuwen – Chairman
Tham Mun Chee – Member
Xiaoyao – Member

The principal functions of the NC are summarised as follows:

- (a) Reviews and makes recommendations to the Board on all Board appointment and re-appointment;
- (b) Reviews the Board structure, size and composition and makes recommendations to the Board with regards to any adjustments that are deemed necessary;
- (c) Reviews the Board's succession plans for Directors, in particular, the Executive Chairman;
- (d) Determines the independence of each Director using the guidelines in the 2018 CG Code;
- (e) Assesses the effectiveness of the Board, Board Committees and contribution of each Director; and
- (f) Reviews training and professional development programmes for the Board.

During FY2020, the NC held one scheduled meeting with full attendance.

For new appointments to the Board, the NC will consider the Company's current board size and its composition and decide if the candidate's background, expertise and knowledge will complement the skills and competencies of the existing Directors on the Board. The candidate must be a person of integrity and must be able to commit sufficient time and attention to the affairs of the Company, especially if he/she is serving on multiple boards.

If a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new Director, the NC, in consultation with the Board, will determine the selection criteria and select the appropriate candidate for the position.

In its search and nomination process for new Director, other than through a formal search process via external search consultants, if required, the NC will also tap on to the resources of the Directors' personal contacts and their recommendations for potential candidates. The NC will shortlist and interview potential candidates with the appropriate profile to assess his/her suitability before nominating the most suitable candidate to the Board for approval and appointment as a Director. The Board is also advised by the Sponsor on the appointment of directors as required under Catalist Rule 226(2)(d).

The NC is charged with the responsibility of re-nomination of Directors having regard to the Director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, independency. Each member of the NC will abstain from voting on any resolutions in respect of the assessment of his/her performance or re-nomination as a Director.

Pursuant to the provision of the Company's Constitution, one-third of the Director(s) shall retire from office at every AGM and a retiring Director shall be eligible for re-election at the said AGM. All Directors shall retire from office at least once every three years in accordance with Rule 720(4) of the Catalist Rules. A newly appointed Director shall also submit himself/herself for retirement at the AGM immediately after his/her appointment and shall be eligible for election at the said AGM.

Corporate Governance Report

The NC has recommended to the Board in which the Board has agreed for the following Directors to retire and seek re-election at forthcoming AGM:

- Ms Liu Xiuwen – retiring pursuant to Article 107 of the Company's Constitution
- Mr Xiaoyao – retiring pursuant to Article 117 of the Company's Constitution

In making the above recommendation, the NC had considered the said Directors' overall contribution and performance. The NC members have abstained from deliberation in respect of their own nomination and assessment.

Ms Liu Xiuwen will, upon re-election as a Director of the Company, remain as Independent Director, the Chairman of the Nominating Committee and members of the Audit Committee and Remuneration Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Mr Xiaoyao will, upon re-election as a Director of the Company, remain as Non-Executive Director and members of the Audit Committee, Nominating Committee and Remuneration Committee and will not be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

Both independent directors, Mr Tham Mun Chee and Ms Liu Xiuwen have also confirmed their independence.

The following sets out the date of Directors' initial appointment and last re-election and their directorship and/or principal commitments:

Name and age of Directors	Position	Country of Principal Residence	Date of initial appointment	Date of last re-election	Membership of Board Committees	Present directorship in other listed companies	Past (preceding 3 years) directorship in listed companies	Other Principal Commitments, if any
Ms Quan Yuhong (Age: 48)	Executive Chairman	China	19/10/2012	30/10/2019	–	Nil	Nil	1 Yuncheng Zhongxin Fruit and Juice Co., Ltd. – Director 2 Xuzhou Zhongxin Fruit and Juice Co., Ltd. – Director 3 Wanrong Zhonglu Fruit and Juice Co., Ltd. – Director 4 SDIC Zhonglu Fruit Juice Co., Ltd. – Chief Financial Officer
Mr Xiaoyao (Age: 37)	Non-Executive Director	China	17/08/2020	–	AC Member NC Member RC Member	Nil	Nil	Investment Manager in SDIC Zhonglu Fruit Juice Co., Ltd.

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Name and age of Directors	Position	Country of Principal Residence	Date of initial appointment	Date of last re-election	Membership of Board Committees	Present directorship in other listed companies	Past (preceding 3 years) directorship in listed companies	Other Principal Commitments, if any
Mr Tham Mun Chee (Age: 64)	Lead Independent Director	Singapore	01/01/2015	25/10/2018	AC Chairman NC Member RC Chairman	Nil	Nil	1 Yuncheng Zhongxin Fruit and Juice Co., Ltd. – Director 2 Xuzhou Zhongxin Fruit and Juice Co., Ltd. – Director 3 Linyi SDIC Zhonglu Fruit Juice Co., Ltd., – Director 4 Elms Industrial Pte Ltd – Accounting and Administration Manager 5 Elms Industrial (Philippines) Co., Inc. – Accounting and Administration Manager
Ms Liu Xiuwen (Age: 56)	Independent Director	China	01/01/2014	25/10/2018	AC Member NC Chairman RC Member	Nil	Nil	Director of JiLin University Information Technologies Co., Ltd. and Partner of Reanda Certified Public Accountants

Please refer to the 'Board of Directors' section in the Annual Report for the profile of the Directors.

All Directors are required to declare their Board appointments and other principle commitments. The considerations in assessing the capacity of Directors would include the following:

- Expected and/or competing time commitments of Directors, including whether such commitment is a full-time or part-time employment capacity;
- Geographical location of Directors;
- Size and composition of the Board;
- Nature and scope of the Group's operations and size; and
- Capacity, complexity and expectations of the other listed directorships and principle commitments held.

The NC has reviewed the time spent and attention given by each Director to the Company's affairs, taking into account the multiple directorships and other principal commitments of each Director, and is satisfied that all Directors have discharged their duties adequately for FY2020.

The Company currently does not have any alternate director.

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Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The Board and the NC strive to ensure that Directors on the Board possess the experience, knowledge and skills critical to the Group's business so as to enable the Board to make sound and well-considered decisions.

The NC had implemented a process for evaluating the effectiveness of the Board as a whole, its Board Committees and the contribution by each individual Director to the effectiveness of the Board and set objective performance criteria for such evaluation. Each member of the NC abstains from voting on any resolution and participating in the review process in respect of the assessment of his/her performance or re-nomination as a Director. Evaluations of individual Director aim to assess whether that individual continues to contribute effectively and demonstrate commitment to the role (including commitment of time for Board and Board Committee meetings, and any other duties).

Annually, the Directors will complete a board and board committee assessment checklist which sets out the performance criteria for evaluating the effectiveness of the Board and Board Committee in its monitoring role and the attainment of the strategic objectives set by the Board. Performance criteria to assess the Board and Board Committees' effectiveness as a whole include size and composition, access to information, Board processes, roles, responsibilities, and conduct.

Each Director will also complete a self-assessment checklist individually. Some factors considered in the individual review include the Director's attendance, his preparation and participation in the Board or Board Committees meetings, the quality of Director's intervention and the industry and business knowledge of the Director.

The NC has performed the assessment in FY2020 and is of the view that the performance of the individual Directors, the Board Committees and the Board as a whole were satisfactory and the Board has met its performance objectives.

No external facilitator was used in the evaluation process in FY2020.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The RC comprises the following members, all of whom are non-executive directors and the majority of whom, including the RC Chairman, are independent:

Tham Mun Chee – Chairman
Liu Xiuwen – Member
Xiaoyao – Member

The functions of the RC include the following:

- recommend to the Board a framework of remuneration for the Directors and key management personnel, and determine specific remuneration packages for each Director and key management personnel, with the recommendations of the RC submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be covered by the RC; and

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- perform an annual review of the remuneration of employees related to the Directors and key management personnel (if applicable) to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. RC also reviews and approves any bonuses, pay increases and/or promotions for these employees.

The RC will meet at least once a year. During FY2020, the RC held one scheduled meeting with full attendance.

The RC also reviews the Company's obligations arising in the event of termination of the Executive Director' and key management personnel's contracts of service, if any, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous and avoid rewarding poor performance. If necessary, the RC would seek expert advice inside and/or outside the Company on remuneration of all Directors. Each member of the RC will abstain from voting on any resolutions in respect of his/her remuneration package or that of employees related to him/her.

No remuneration consultants were engaged by the Company in FY2020.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

The Company adopts a remuneration policy for Executive Director and key management personnel comprising a fixed component and a variable component. The Executive Director does not receive Director's fees but is instead remunerated as a member of management. The fixed component is in the form of a base salary and the variable component is in the form of a variable bonus that is linked to the performance of the Company and the individual. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

Ms Quan Yuhong was re-designated as the Chairman and Executive Director of the Company on 17 August 2020 and had opted not to receive Director's fee for her services as a Non-Executive Director and member of the Board Committees prior her re-designation. There was no remuneration paid to Ms Quan Yuhong in FY2020.

Service contract for the Executive Director is for a fixed appointment period and does not contain onerous termination clauses.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Director and key management personnel owes a fiduciary duty to the Company, therefore the Company should be able to avail itself to remedies against them in the event of such breach of fiduciary duties.

The Non-Executive Directors are paid Directors' fees, in accordance with their contributions, taking into account factors such as effort, time spent, responsibilities of the Directors and the need to pay competitive fees to attract, motivate and retain such Directors. Directors' fees are recommended by the Board for approval by the shareholders at the Company's AGM.

Mr Xiaoyao was appointed as a Non-Executive Director on 17 August 2020 and had opted not to receive Director's fee for his services as a Non-Executive Director and member of the Board Committees since then. There was no remuneration paid to Mr Xiaoyao in FY2020.

The Company has no share-based compensation scheme or any long-term incentive scheme involving the offer of shares or options in place.

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Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Details on the remuneration of Directors and Key Management Personnel for the year under review are presented below. There are no termination, retirement and post-employment benefits granted to the Directors and/or the top key management personnel during FY2020.

A breakdown of the level and mix of remuneration paid/payable to each Director in FY2020 is as follows:

	Directors' Fees	Salary	Bonus	Other Benefits	Total
Below S\$250,000	S\$	S\$	S\$	S\$	S\$
Quan Yuhong ⁽¹⁾	–	–	–	–	–
Xiaoyao ⁽²⁾	–	–	–	–	–
Liu Xiuwen ⁽³⁾	11,808	–	–	–	11,808
Tham Mun Chee	36,000	–	–	–	36,000
Zhang Jiming ⁽⁴⁾	–	–	–	–	–

Notes:

- (1) Ms Quan Yuhong was appointed as the Executive Director and Chairman of the Company and she has opted not to receive fee/remuneration in FY2020.
 (2) Mr Xiaoyao was appointed on 17 August 2020 and he has opted not to receive fee/remuneration in FY2021.
 (3) Ms Liu Xiuwen's director fee is payable in RMB at RMB60,000. The fee was converted into S\$ at the exchange rate of S\$1: RMB5.0813 as at 30 June 2020.
 (4) Mr Zhang Jiming resigned as Executive Director and Chairman of the Company on 17 August 2020 and did not receive remuneration in FY2020.

The remunerations paid to the top (2) key management personnel (who are not Directors or the CEO) of the Group set out in bands of S\$250,000 in FY2020 are as follows:

Name of key management personnel (who are not Directors)	Base/Fixed Salary (%)	Variable or Bonuses (%)	Benefits in Kind (%)	Total (%)	Remuneration in compensation band of S\$250,000
Ma Fei ⁽¹⁾	37	47	16	100	<S\$250,000
Liu Zhenzhe ⁽²⁾	41	46	13	100	<S\$250,000

Notes:

- (1) Mr Ma Fei is the General Manager of the Company.
 (2) Mr Liu Zhenzhe is Deputy General Manager (Finance) of the Company.

The Company has only two key management personnel. The aggregate remuneration paid to the abovementioned top key management personnel during FY2020 was approximately S\$84,358.

The Company did not fully disclose the remuneration of its key management personnel as the Board is of the view that it is not in the interests of the Company to disclose such details due to sensitivity and competitive reasons.

There was no employee of the Group who are substantial shareholders of the Company or are immediate family member of any Director, CEO or substantial shareholders of the Company, and whose remuneration exceeded S\$100,000 during FY2020.

The Company has no share-based compensation scheme or any long-term incentive scheme involving the offer of shares or options in place.

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(C) ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board is responsible for the overall risk governance, risk management and internal control framework of the Group and is fully aware of the need to put in place a system of internal controls within the Group to safeguard Shareholders' interests and the Group assets, and to manage risks.

The Company does not have a risk management committee. However, the Group regularly reviews its business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The internal auditor reviews regularly all significant control policies and procedures and highlight all significant matters to the senior management, the AC and the Board.

The AC will review, at least annually, the reports submitted by the external and internal auditors relating to the adequacy and effectiveness of the Group's significant internal controls, including financial, operational, compliance and information technology controls, risk management system, and risks of fraud and irregularities. Any material non-compliance and recommendations for improvement are reported to the AC. A copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

The AC will also review the effectiveness of the actions taken by the management on the recommendations made by the external and internal auditors in this respect.

For FY2020, the General Manager and Deputy General Manager (Finance) have provided their confirmation and assurance to the Board that (i) financial records have been properly maintained and that the consolidated financial statements for the financial year ended 30 June 2020 give a true and fair view of the Company's operations and finances and (ii) the Company's risk management systems and internal controls as at 30 June 2020 are adequate and effective.

Based on the internal controls established and maintained by the management, the negative assurance provided by the General Manager and Deputy General Manager (Finance), the works performed by internal and external auditors and reviews performed by management and various Board Committees and the Board, the Board, with the concurrence of the AC, is of the opinion that the Group's current internal controls procedures in place to address financial, operational, compliance, information technology controls and the risk management systems were adequate and effective for FY2020.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. The Group is also consistently seeking to improve its internal controls and adopting the recommendations highlighted by the internal and external auditors to further enhance the Group's operations.

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Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

The AC comprises the following members, all of whom are Non-Executive Directors and majority of whom, including the AC Chairman, are independent:

Tham Mun Chee – Chairman

Liu Xiuwen – Member

Xiaoyao – Member

All of the AC members, including the Chairman, have accounting and related financial management expertise and experience. None of the AC members were previous partners or directors of the Company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

To enable the AC to discharge its function properly, it has full access to and cooperation by management and has full discretion to invite any Director or executive officer to attend its meetings. The AC has power to conduct or authorise investigations into any matter within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if it deems necessary to discharge its responsibilities properly. Such expenses if incurred would be borne by the Company.

The AC members met twice in FY2020, where the Executive Director and senior management were invited to attend the meetings.

The AC assists the Board in discharging its responsibility to safeguard the assets of the Company, maintain adequate accounting records, and develop and maintain effective systems of internal control. The AC provides a channel of communication between the Board, the management and the external auditors on matters relating to audit.

The AC has been entrusted with the following functions:

- Review with the external and internal auditors their audit plans, evaluation of the internal control, audit reports, their letter to management and the management's response. The AC also reviews the cooperation given by the Company's officers to the internal and external auditors;
- Review the scope and results of the audit and its cost effectiveness;
- Review the adequacy of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management policies and systems established by the management;
- Review key financial risk areas and the outcome of such review to be disclosed in the annual reports, with a view to provide an independent oversight on the Group's financial reporting;
- Review the financial statements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from audit compliance with accounting standards and compliance with the Catalist Rules and other relevant statutory or regulatory requirements;
- Conduct investigation into any matter within the AC's scope of responsibility and review of any significant findings of investigations with full access to management;
- Review and discuss with the external auditors any suspected fraud or irregularities, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;

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- Make recommendation to the Board on the appointment, re-appointment and removal of external auditors and approve the remuneration and terms of engagement of the external auditors. The AC also assesses the independence and objectivity of the external auditors;
- Review interested person transactions falling within the scope of Chapter 9 of the Catalist Rules;
- Undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- Undertake such other functions and duties as may be required by the statute or by the Catalist Rules, or by such amendments as may be made thereto from time to time.

The AC has been granted full authority and access to the Company's external and internal auditors and finance and accounts department without the presence of the senior management.

The AC is kept abreast by the management and the external auditors of changes to accounting standards, Catalist Rules and other regulations which could have an impact on the Group's business and financial statements.

As at the date of this report, the AC had met once with the external auditors and internal auditors without the presence of the management in FY2020.

The AC constantly bears in mind the need to maintain a balance between the independence and objectivity of the external auditors and the work carried out by the external auditors based on value for money consideration. During the financial year under review, the aggregate amount of fees paid to the external auditors for the audit and non-audit services amounted to S\$86,500 and S\$2,200 respectively.

The AC reviews the independence and objectivity of external auditors annually. During the financial year under review, the AC has reviewed the independence of RT LLP including the volume of all non-audit services provided to the Group, and is satisfied that the nature and extent of such services do not prejudice the independence and objectivity of the external auditors.

The AC has recommended to the Board for the shareholders' approval of the re-appointment of RT LLP as external auditors of the Company at the forthcoming AGM.

The Group has appointed different auditors for its subsidiaries and joint venture based in the People's Republic of China. RT LLP will review the audit for consolidation purposes. The Board and the AC have reviewed the appointment of the different auditors for its subsidiaries and joint venture and are satisfied that the appointment of the different auditors would not compromise the standard and effectiveness of the audit of the Group.

The AC is satisfied that the Company has complied with Rule 712 and 715 of the Catalist Rules.

The Company has adopted a whistle-blowing policy which provides well-defined and accessible channels in the Group through which employees of the Group may raise concerns about improper conduct within the Group. The AC will review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters directly to Mr Tham Mun Chee, the AC Chairman and Lead Independent Director via phone or through email. Details of the whistle blowing policies and arrangement have been made available to all employees. Other than the employees of the Group, any other persons including members of the public may also, in confidence, raise concerns about the possible corporate improprieties in matters of financial reporting or other matters to the AC Chairman at email address AC@zhongxinfj.com. The AC's objectives are to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

There have been no reported incidents pertaining to whistle-blowing for FY2020.

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Internal Audit

The AC's responsibilities over the Group's internal controls and risk management are complemented by the work of the Internal Auditors.

The Group has outsourced its internal audit function to Pan-China Singapore PAC, a qualified professional firm that is independent of the Company's business activities. The internal audit team that provide expertise and industry insights to strengthen the Company's internal audit function comprises a director, a senior manager and supported by other staff, which have more than 20 years of relevant experience combined. The internal auditors conduct the audit based on the standards set by internationally recognized professional bodies. The annual internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. The internal auditors review the effectiveness of key internal controls in accordance with the internal audit plan.

The key members of the engagement team comprise of:

- | | | | |
|-----------------------|---------------|---------------------------------------|------------|
| • Engagement Director | Wong Kian Kok | • 2 nd Engagement Director | Adrian Yap |
| • Engagement Manager | Jason Lam | • Lead Auditor | Liu Qi |

The main objective of the internal audit function is to assist the Group in evaluating and assessing the adequacy and effectiveness of internal controls and to consequently highlight the areas where control weaknesses exist, if any, and thus improvements could be made.

The internal auditor function is independent and the internal auditors report directly to the AC on audit matters and to the General Manager and Deputy General Manager (Finance) on administrative matters. The internal auditors assist the AC and the Board in monitoring and managing risks and internal controls of the Group.

The AC ensures that the management provides good support to the internal auditors and provides unfettered access to all of the company's documents, records, and personnel when requested in order for the internal auditors to carry out their function accordingly.

The AC also reviews and approves the internal auditors' plan for each financial year to ensure that the scope of the plan is adequate and effective to cover the review of the significant internal controls of the Group, including financial, operational, compliance, information technology controls and risk management systems. The internal auditors will report its audit findings and recommendations to the AC.

The management, together with the Board, had reviewed all the audit reports and findings from internal auditors and external auditors respectively during the AC meetings.

The AC had reviewed the adequacy and effectiveness of the internal audit function and is satisfied that the team is independent, effective, adequately resourced and has appropriate standing within the Company.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder rights and conduct of general meeting

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Shareholders are encouraged to attend AGMs and/or general meetings to stay informed of the Company's goals and strategies and to ensure a high level of accountability by the management. Notice of the meeting will be dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), within the stipulated time before

Corporate Governance Report

the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the meeting. The Chairman of the respective Board Committees is normally available at the meeting to answer those questions relating to the work of these committees. The Company's external auditors are also present to assist the Directors in addressing queries relating to the audited financial statements raised by shareholders. A polling agent is appointed by the Company for general meetings who will explain the rules, including the voting procedures that govern the general meetings of shareholders. An independent scrutineer is also appointed for results verification purpose.

Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Company's Constitution allow each shareholder to appoint up to two proxies to attend AGM and any other general meetings. The Board will review the Company's Constitution from time to time, and where an amendment to the Company's Constitution is required to align the relevant provisions with the requirements of the Catalist Rules, shareholders' approval will be obtained.

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other issues are satisfactorily resolved. This is also subject to legislative amendment to recognize electronic voting.

Resolutions to be passed at general meetings are always separate and distinct in term of issue and are consistent with the 2018 CG Code's recommendation that companies should avoid "bundling" resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

The Group does not have a fixed dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. For FY2020, no dividend to be declared or was recommended in view of the Company currently did not have retained profits available and the Board deemed it appropriate to conserve funds for the Group's business activities and working capital requirement.

All resolutions put forth at the general meetings are voted by way of poll. Detailed voting results including each of the total number of votes cast 'For' or 'Against' the resolutions are announced on the same day after the conclusion of the general meetings via SGXNET.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and management. The minutes of general meetings will be announced within one month from the date of AGM via SGXNET.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Board believes in regular, timely and effective communication with shareholders. The Company does not practise selective disclosure. In line with continuous obligations of the Company pursuant to the Catalist Rules, it is the Board's policy that shareholders are kept informed of all important developments concerning the Group that will or expect to have an impact on the Company or the Group through timely dissemination of information via SGXNET announcements, press releases, annual reports and various other announcements made whenever necessary.

The Company currently does not have an investor relations policy but considers advice from its professionals on appropriate disclosure requirements before announcing material information to shareholders. The Company will consider the appointment of a professional investor relations officer to manage the function should the need arises.

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Company has identified stakeholders as those who have the ability to influence the business performance and provide effective solutions to incorporate sustainability approach into the Company's operations.

Corporate Governance Report

The Company believes in working closely with its stakeholders to operate the business and achieve the Group's goals, to understand day-to-day activities and business. For more information on the Company's stakeholder engagement, please refer to the Company's Sustainability Report for FY2020 which will be published by end of November 2020.

The Company does not have a corporate website to communicate with stakeholders. Nevertheless, the Company welcomes any comment, feedback and query from the stakeholders addressed to the Company's registered office address at 25 International Business Park, #02-53 German Centre, Singapore 609916 or telephone at +65 6557 2308. The Company strives to engage and manage relationships with the stakeholders.

(E) OTHER CORPORATE GOVERNANCE MATTERS

Code of Conduct and Practices

The Group recognises the importance of integrity, professionalism on the conduct of its business activities. Employees are expected to embrace, practise and adopt these values while performing their duties and always to act in the best interest of the Group and avoid situations that may create conflicts of interest.

Dealings in Securities

The Company has adopted an internal code on compliance to deal with securities. The Company, its Directors, senior management and employees (collectively the "Officers") are not permitted to deal in the Company's securities during the periods commencing one month before the announcement of the Group's half year and full financial year results and ending on the date of announcement of such result, or when they are in possession of unpublished price-sensitive information on the Group. In addition, the Officers are advised not to deal in the Company's securities for a short term considerations and are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading periods. The Group confirmed that it adhered to its internal securities code of compliance for FY2020.

Interested Person Transactions ("IPTs")

In compliance with Rule 920 of the Catalist Rules, the value of IPTs conducted in FY2020 was as follow:

Name of interested persons	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than SGD100,000 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 SGD100,000) (RMB'000)
Associates of SDICZL ⁽¹⁾	(a) Payment to a subsidiary of SDICZL for lease of certain storage facility 660	(b) Sales by the Group to SDICZL and its group of companies 171,473
		(c) Interest income received by a subsidiary of the Company from SDICZL with respect to the interest charged on the outstanding trade receivable due from SDICZL 2,658
		(d) Interest paid by a subsidiary of the Company with respect to the working capital provided by SDICZL 3,217
		(e) Interest paid by a subsidiary of the Company with respect to the short-term borrowings secured from a related party of SDICZL 1,396
Total	660	178,744⁽²⁾

Corporate Governance Report

Notes:

1. SDICZL is a controlling shareholder of the Company.
2. Transactions (b) to (e) were conducted pursuant to the renewed shareholders' mandate for IPTs approved by the shareholders on 30 October 2019.

Save as disclosed above, there are no other IPTs above S\$100,000 in FY2020.

Material Contracts

Save as disclosed in the IPT section, there were no material contracts entered into by the Group involving the interest of any Director or controlling shareholder of the Company, either still subsisting at the end of the financial year, or if not then subsisting, entered into since the end of the previous financial year.

Non-sponsor fees

There were no non-sponsor fees paid to the former Continuing Sponsor (PPCF) by the Company during FY2020.

The Company had since on 23 May 2020 appointed UOB Kay Hian Pte. Ltd. as the new Continuing Sponsor. There were no non-sponsor fees paid to the current Continuing Sponsor, UOB Kay Hian Pte. Ltd. by the Company during FY2020.

Sustainability Report

The Company is working towards the issuance of its sustainability report for the financial year ended 30 June 2020 by 30 November 2020 and such report will be made available to shareholders on the SGXNET in due course.

Disclosure of Information on Directors Seeking Re-election

Ms. Liu Xiuwen and Mr. Xiaoyao are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 30 October 2020 ("AGM") (collectively, the "Retiring Directors" or each a "Retiring Director")

Pursuant to Rule 720(5) of the Catalist Rules of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7F to the Listing Manual of the SGX-ST are as follows:-

	Re-election	Re-election
	Ms Liu Xiuwen	Mr Xiaoyao
Date of Appointment	1 January 2014	17 August 2020
Date of last re-appointment (if applicable)	25 October 2018	–
Age	56	37
Country of principal residence	China	China
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered the recommendation of the Nominating Committee and has assessed Ms Liu Xiuwen's contribution, performance, attendance, preparedness, participation, candour and suitability of re-election as Independent Director of the Company. The Board has reviewed and concluded that Ms Liu Xiuwen possesses the experience, expertise, knowledge and skill to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered the recommendation of the Nominating Committee and has assessed Mr Xiaoyao's contribution, performance, attendance, preparedness, participation, candour and suitability of re-election as Non-Executive Director of the Company. The Board has reviewed and concluded that Mr Xiaoyao possesses the experience, expertise, knowledge and skill to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director Chairman of the Nominating Committee Member of the Audit Committee and Remuneration Committee.	Non-Executive Director Member of the Audit Committee, Nominating Committee and Remuneration Committee.
Professional qualifications	Certified Public Accountant	N/A
Working experience and occupation(s) during the past 10 years	• Year 1998 – November 2016: Partner of Reanda Certified Public Accountants • November 2016 – present: Director of Da Hua Certified Public Accountants (in charge of the No. 4 audit department of Liaoning Branch). • June 2017 – present: Independent Director of JiLin University Information Technologies Co., Ltd.	• July 2016 – Present: Investment Manager in SDIC Zhonglu Fruit Juice Co., Ltd. • April 2012 – June 2016: Senior Manager of Investment in CECEP (HK) Investment Co., Ltd. • November 2009 – March 2012: Project Assistant in CECEP Technology Investment Co., Ltd.

Disclosure of Information on Directors Seeking Re-election

	Ms Liu Xiuwen	Mr Xiaoyao
Shareholding interest in the listed issuer and its subsidiaries	No	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* including Directorships# * "Principal Commitments" has the same meaning as defined in the Code # These fields are not applicable for announcements of appointments pursuant to Rule 704(8) of Catalist Rules		
Past (for the last 5 years)	Nil	Nil
Present	• Director of Da Hua Certified Public Accountants (in charge of the No. 4 audit department of Liaoning Branch). • Independent Director of JiLin University Information.	Nil

Disclosure of Information on Directors Seeking Re-election

Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.

		Ms Liu Xiuwen	Mr Xiaoyao
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

Disclosure of Information on Directors Seeking Re-election

		Ms Liu Xiuwen	Mr Xiaoyao
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No No No No	No No No No
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

Disclosure applicable to the appointment of Director only.

	Ms Liu Xiuwen	Mr Xiaoyao
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	N/A	N/A
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N/A	N/A

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Directors' Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

The directors present their statement together with the audited consolidated financial statements of Zhongxin Fruit and Juice Limited (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2020.

Opinion of the Directors

In the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this statement are:

Quan Yuhong
Liu Xiuwen
Tham Mun Chee
Xiaoyao (Appointed on 17 August 2020)

In accordance with Regulation 107 and 117 of the Company's Constitution, Liu Xiuwen and Xiaoyao would be retiring and being eligible, offer themselves for re-election at the forthcoming AGM for the financial year ended 30 June 2020.

Arrangements to enable directors to acquire shares and debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement who object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

Directors' interests in shares or debentures

The directors of the Company holding office at the beginning of the financial year, or date of appointment if later, or at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the company under section 164 of the Singapore Companies Act, Chapter 50.

There was no change in any of the above-mentioned interests in the Company and related corporations between the end of the financial year and 21 July 2020.

Directors' Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Share options

The Company has no share-based compensation scheme or any long-term incentive scheme involving the offer of shares or options in place.

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

During the financial year, there were no shares of the Company or any corporation in the Group issued by vesture of the exercise of an option to take up unissued shares.

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

Audit Committee

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, the SGX Listing Manual and the Code of Corporate Governance. The functions performed are detailed in the Corporate Governance Report.

Independent Auditor

The independent auditor, RT LLP, has expressed its willingness to accept re-appointment as auditor.

On behalf of the Board of Directors

Quan Yuhong

Director

Tham Mun Chee

Director

15 October 2020

Independent Auditor's Report

To the Members of Zhongxin Fruit and Juice Limited
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Zhongxin Fruit and Juice Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the matter was addressed in the audit
Impairment assessments on: (a) Xuzhou Zhongxin Fruits and Juice Co., Ltd's ("Xuzhou Zhongxin") – Property, plant and equipment ("PPE"); (b) Yuncheng Zhongxin Fruits and Juice Co., Ltd's ("Yuncheng Zhongxin") – Property, plant and equipment ("PPE"); and (c) the Company's cost of investment in a subsidiary – Xuzhou Zhongxin As of 30 June 2020, the Group's carrying amount of Xuzhou Zhongxin's PPE and Yuncheng Zhongxin PPE comprised 26.74% (2019: 19.73%) of the total assets of the Group. The Company's investment in a subsidiary – Xuzhou Zhongxin comprised 31.60% (2019: 17.66%) of the total assets of the Company.	Our audit procedures include evaluating and challenging key assumptions used by the external valuer and management in the impairment assessments of the PPE. The recoverable amounts for the PPE were determined using fair value less costs of disposal and value in use respectively. (a) For the impairment assessment on Xuzhou Zhongxin's PPE, the following audit procedures were performed: - Evaluated the independence and competency of the external valuer for the PPE; - Assessed the methodology used by the external valuer to estimate the replacement costs of the PPE; and - Considered the reasonableness of replacement costs of PPE estimated by the valuer.

Independent Auditor's Report

To the Members of Zhongxin Fruit and Juice Limited
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Key Audit Matters (Cont'd)	How the matter was addressed in the audit (Cont'd)
Management had assessed that there were preliminary indicators of impairment of the PPE and investment in subsidiary as of 30 June 2020. Xuzhou Zhongxin had ceased production since FY2015 and the economic slowdown in China precipitated by the COVID-19 pandemic, resulted in deterioration of profits in Yuncheng Zhongxin. Consequently, management has assessed a need for impairment of its production assets. As such, management has performed impairment tests on the carrying values of the PPE and investment in subsidiary. The recoverable amount of Xuzhou Zhongxin's PPE, Yuncheng Zhongxin's PPE and investment in the subsidiary were determined using fair value less costs of disposal and value in use respectively, which involves significant judgement, assumptions and estimation by management. The recoverable amount is defined as the higher of an asset's or cash generating unit's fair value less costs of disposal and its value in use. Based on the impairment test performed by management the following were determined: (a) no impairment is required to be provided for the PPE recorded in both the above subsidiaries; and (b) no additional impairment is required to be provided for investment in the subsidiary The key assumptions to the impairment assessment of PPE and the cost of investment in the subsidiary are disclosed in Note 3.2 (iii) to the financial statements.	(b) For the impairment assessment on Yuncheng Zhongxin's PPE and investment in subsidiary – Xuzhou Zhongxin, the following audit procedures were performed: - Held discussions and challenged management to understand the basis of assumptions, judgements and estimations used in the model underpinning the assessment of the recoverable amount (i.e. value in use). Some of these estimates included those relating to future revenue, operating costs, growth rates and discount rate – forecast inputs; - Challenged management's assumptions and estimates based on our knowledge of the business and our understanding of different possible recovery scenarios based on the degree of sensitivity of the scenarios. - Compared management's forecasted performance for FY2021 against July and August 2020, being actual performance data, which was extrapolated over 12 months; - Recomputed discount rates and re-assessed the discount rates used by management; - Performed sensitivity test on key assumptions used against possible changes in key assumptions and estimates; - Assessed the arithmetical accuracy of the computation used in assessing the recoverable amount; and - Obtained the approved Board Memo on management's estimates.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

To the Members of Zhongxin Fruit and Juice Limited
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Responsibilities of Management and Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

To the Members of Zhongxin Fruit and Juice Limited
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ravinthran Arumugam.

RT LLP

Public Accountants and
Chartered Accountants
Singapore

15 October 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group	
		2020 RMB'000	2019 RMB'000
Revenue	4	174,515	99,993
Cost of sales		(152,217)	(73,866)
Gross profit		22,298	26,127
Other income:			
Other operating income	5	3,467	1,987
Expenses:			
Distribution expenses		(11,493)	(7,297)
Administrative expenses		(9,151)	(10,349)
Finance costs	7	(4,722)	(2,616)
Share of profit/(loss) from equity-accounted joint venture	11	3,944	(3,684)
Profit before income tax	8	4,343	4,168
Income tax expense	9	(996)	(10)
Profit for the financial year		3,347	4,158
Other comprehensive income for the financial year, net of tax		–	–
Total comprehensive income for the financial year attributable to owners of the Company		3,347	4,158
Earnings per share for earnings attributable to owners of the Company (RMB cents)			
– Basic	10	0.32	0.39
– Diluted	10	0.32	0.39

The accompanying notes form an integral part of these financial statements.

Statements of Financial Position

AS AT 30 JUNE 2020

		Group		Company	
	Note	30 June 2020 RMB'000	30 June 2019 RMB'000	30 June 2020 RMB'000	30 June 2019 RMB'000
ASSETS					
Non-current Assets					
Investment in joint venture	11	10,291	6,347	6,347	6,347
Investment in subsidiaries	12	–	–	31,402	31,402
Property, plant and equipment	13	54,986	60,463	4	9
Right of use assets	14	6,879	–	–	–
Land use rights	14	–	7,065	–	–
		72,156	73,875	37,753	37,758
Current Assets					
Cash and cash equivalents	15	7,139	2,229	6,489	1,965
Notes receivables	16	50,000	–	–	–
Other receivables	17	3,654	3,866	–	–
Receivable from subsidiaries	18	–	–	20,647	27,718
Receivable from immediate holding company	19	52,695	57,948	–	–
Prepayments		2,317	595	–	–
Inventories	20	20,644	9,033	–	–
		136,449	73,671	27,136	29,683
Total Assets		208,605	147,546	64,889	67,441
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	21	252,093	252,093	252,093	252,093
Contributed surplus	22	22,000	22,000	–	–
Statutory and other reserves	23	6,606	5,949	–	–
Accumulated losses		(195,422)	(198,112)	(188,470)	(186,024)
Equity attributable to owners of the Company		85,277	81,930	63,623	66,069
Non-current Liability					
Deferred capital grant	24	218	224	–	–
		218	224	–	–
Current Liabilities					
Trade and other payables	25	6,549	4,919	1,266	1,372
Payable to immediate holding company	26	66,933	60,467	–	–
Deferred capital grant	24	6	6	–	–
Borrowings	27	49,622	–	–	–
		123,110	65,392	1,266	1,372
Total Liabilities		123,328	65,616	1,266	1,372
Total Equity and Liabilities		208,605	147,546	64,889	67,441

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	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
The Group					
Balance at 1 July 2018	252,093	22,000	4,156	(200,477)	77,772
Profit for the year, representing total comprehensive income for the financial year	–	–	–	4,158	4,158
Transfer to statutory and other reserves representing transaction with equity Group	–	–	1,793	(1,793)	–
Balance at 30 June 2019	252,093	22,000	5,949	(198,112)	81,930
Profit for the year, representing total comprehensive income for the financial year	–	–	–	3,347	3,347
Transfer to statutory and other reserves representing transaction with equity holders as owners of the Group	–	–	657	(657)	–
Balance at 30 June 2020	252,093	22,000	6,606	(195,422)	85,277

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	Group	
		2020 RMB'000	2019 RMB'000
Operating activities			
Profit before income tax		4,343	4,168
Adjustments for:			
Allowance for doubtful debts		–	2
Amortisation of deferred capital grant		(6)	(6)
Amortisation of land use rights		186	183
Depreciation of property, plant and equipment		1,075	1,078
Impairment of property, plant and equipment		–	1,996
Share of (profit)/loss from equity-accounted joint venture		(3,944)	3,684
Loss/(Gain) on disposal of property, plant and equipment		86	(17)
Write-back of trade payables		(31)	(706)
Interest expense		4,613	2,607
Interest income		(2,724)	(880)
Operating cash flows before working capital changes		3,598	12,109
Inventories		(7,282)	6,640
Notes receivables		(50,000)	–
Other receivables		212	(1,672)
Receivable from immediate holding company		5,253	(15,914)
Prepayments		(1,722)	1,535
Trade and other payables		1,661	(3,046)
Cash flows from operations		(48,280)	(348)
Income tax paid		(996)	(10)
Net cash used in operating activities		(49,276)	(358)
Investing activities			
Interest received		2,724	880
Proceeds from disposal of property, plant and equipment		1,197	292
Receivables from related parties		–	294
Purchase of property, plant and equipment		(1,210)	(1,983)
Net cash generated from/(used in) investing activities		2,711	(517)
Financing activities			
Advances from immediate holding company	26	6,466	1,542
Payable to related parties		–	(20)
Interest paid		(3,217)	(2,607)
Proceed/(Repayment) of borrowings	27	48,226	(2,000)
Net cash generated from/(used in) financing activities		51,475	(3,085)
Net change in cash and cash equivalents		4,910	(3,960)
Cash and cash equivalents at beginning of the financial year		2,229	6,189
Cash and cash equivalents at end of the financial year	15	7,139	2,229

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Reconciliation of liabilities arising from financing activities

	As at 1 July 2018 RMB'000	Principal RMB'000	Interest payments RMB'000	Non-cash changes Interest expense RMB'000	As at 30 June 2019 RMB'000
Borrowings	2,000	(2,000)	–	–	–
Payable to related parties	20	(20)	–	–	–
Advances from immediate holding Company (Note 26)	58,925	1,542	(2,607)	2,607	60,467

	As at 1 July 2019 RMB'000	Principal RMB'000	Interest payments RMB'000	Non-cash changes Interest expense RMB'000	As at 30 June 2020 RMB'000
Borrowings	–	48,226	–	1,396	49,622
Advances from immediate holding Company (Note 26)	60,467	6,466	(3,217)	3,217	66,933

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

1. GENERAL INFORMATION

Zhongxin Fruit and Juice Limited (Co. Reg. No. 200208395H) is a limited liability company incorporated and domiciled in Singapore and is listed on the Catalist of the Singapore Exchange Securities Trading Limited. The immediate holding company is SDIC Zhonglu Fruit Juice Co., Ltd ("SDICZL") which is incorporated in the People's Republic of China ("PRC") and listed on the Shanghai Stock Exchange. The Company's ultimate holding company is State Development and Investment Corporation ("SDIC"), a state-owned enterprise in PRC.

The registered office of the Company and its principal place of business are located at 25 International Business Park #02-53, German Centre, Singapore 609916.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are shown in Note 12 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

The financial statements are presented in Chinese Renminbi, which is the Group's and the Company's functional currency. All financial information presented in Chinese Renminbi has been rounded to the nearest thousand (RMB'000), unless otherwise indicated.

The preparation of financial statements in conformity with SFRS(I)s requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 New accounting standards effective on 1 January 2019

On 1 July 2019, the Group and the Company adopted all the new and revised SFRS(I) pronouncement that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as discussed below.

SFRS(I) 16 Leases

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lease accounting by removing the distinction between operating and finance lease requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contracts to lease accounting, the requirements for lessor accounting have remaining largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's consolidated financial statements is described as below.

The date of initial application of SFRS(I) 16 for the Group is 1 July 2019.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New accounting standards effective on 1 January 2019 (Cont'd)

SFRS(I) 16 Leases (Cont'd)

The Group has applied SFRS(I) 16 using the modified retrospective approach without restating prior period's information as at 1 May 2019.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 and SFRS(I) INT 4 will continue to be applied to those leases entered or changed before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease based on whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This contrasts with the focus on 'risks and rewards' in SFRS(I) 1-17 and SFRS(I) INT 4.

The Group applies the definition of a lease and related guidance set out in SFRS(I) 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in SFRS(I) 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on lessee accounting

Former finance leases

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the leased assets and obligations under financial leases measured applying SFRS(I) 1-17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in the cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liabilities are accounted for applying SFRS(I) 16 from 1 July 2019. Under SFRS(I) 16, right-of-use assets are tested for impairment in accordance with SFRS 1-36 Impairment of Assets.

Former operating leases

SFRS(I) 16 changes how the Group accounts for leases previously classified as operating leases under SFRS(I) 1-17, which were off-balance-sheet.

Applying SFRS(I) 16, for short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within distribution expenses and administrative expenses in the consolidated statement of profit or loss.

The Group has used the following practical expedient when applying the cumulative catch-up approach to leases previously classified as operating leases applying SFRS(I) 1-17.

- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 New accounting standards effective on 1 January 2019 (Cont'd)

SFRS(I) 16 Leases (Cont'd)

(c) Impact on lessor accounting

SFRS(I) 16 does not change substantially how a lessor accounts for leases. Under SFRS(I) 16, a lessor continues to classify leases as operating leases.

(d) Financial impact of initial application of SFRS(I) 16

The land use rights are reclassified to right-of-use assets (Note 14) as at 1 July 2019 and 30 June 2020.

	Land use right RMB'000	Right-of-use assets RMB'000
At 1 July 2019		
Opening balance – as previously stated	7,065	–
Reclassify from land use rights to right-of-use assets	(7,065)	7,065
Opening balance – as restated	–	7,065

There was no impact on the Group's retained earnings as at 1 July 2019 as a result of adoption of SFRS(I) 16.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 3 <i>Business Combinations: Definition of a Business</i>	1 January 2020
Amendments to SFRS(I) 1-1 <i>Presentation of Financial Statements and SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material</i>	1 January 2020
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 16 <i>Covid-19-Related Rent Concessions</i>	1 June 2020
Amendments to SFRS(I) 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to SFRS(I) 1-16 <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to SFRS(I) 1-37 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023

Management anticipates that the adoption of the above in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has ability to use its power to affect its returns.

The Company reassess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of subsidiary begins when the company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (Cont'd)

Changes in the Group's ownership interests in existing subsidiaries (Cont'd)

When the Group loses control of subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's separate financial statements, investments in subsidiaries and joint venture are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

2.5 Business combinations

Acquisition of subsidiaries are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 Income Taxes and SFRS(I) 1-19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Business combinations (Cont'd)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

2.6 Financial assets

Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

(i) Debt instruments

Debt instruments mainly comprise cash and bank balances and trade and other receivables.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are amortised cost, FVOCI and FVPL. The Group only has debt instruments at amortised cost.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Financial assets (Cont'd)

At subsequent measurement (Cont'd)

(i) Debt instruments (Cont'd)

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains/losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

2.7 Financial liabilities

At initial recognition

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

The Group has not designated any financial liability upon initial recognition as fair value through profit or loss.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Financial liabilities (Cont'd)

At subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

(i) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.8 Impairment of financial assets

The Group and Company has the following types of financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- trade and other receivables

The Group assesses on a forward-looking basis the expected credit loss associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.9 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash on hand and cash at bank that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Costs of conversion include direct labour, other direct costs and related production overheads which are allocated based on normal capacity of the production facilities. Normal capacity is the production expected to be achieved on average over a number of periods or season under normal circumstances. A write down on cost is made when the cost is not recoverable or if their selling prices have declined.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Work-in-progress are fruit juice concentrate produced that have not been packaged.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Property, plant and equipment

(i) Measurement

(a) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(b) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset.

(ii) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Buildings	20 – 40 years
Plant and machinery	20 years
Furniture, fittings and office equipment	3 – 10 years
Motor vehicles	5 – 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

(iii) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(iv) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Land use rights

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

The amortisation period and amortisation method are reviewed at the end of each financial period. The effects of any revision are included in profit or loss when the changes arise.

2.13 Joint Venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint venture are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of SFRS(I) 1-28 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Joint Venture (Cont'd)

In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a Group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the group.

2.14 Impairment of non-financial assets

As at each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.16 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.17 Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

2.18 Leases

Applicable before 1 July 2019

(i) *When the Group is the lessee:*

The Group leases warehouse under operating leases.

Lessee – Operating leases

Leases of property, plant and equipment where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised as storage cost included in the distribution expenses in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in the profit or loss when incurred.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Leases (Cont'd)

Applicable before 1 July 2019 (Cont'd)

(ii) When the Group is the lessor:

The Group leases its properties under operating leases.

Lessor – Operating leases

Leases of properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

Applicable beginning 1 July 2019

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If the ownership of the leased assets transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment under Note 2.14.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 Leases (Cont'd)

Applicable beginning 1 July 2019 (Cont'd)

Group as a lessee (Cont'd)

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of premise, machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in income in surplus or deficit due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as income in the period in which they are earned.

2.19 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Revenue recognition (Cont'd)

Revenue excludes value-added-tax and is arrived at after deduction of rebates and discounts, if any. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Specifically, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Sale of goods is recognised upon the controls of the goods is transferred to the customer at the point the customer raised the purchase order with agreed transaction price at customer's designated warehouse.

(ii) Interest income

Interest income is recognised using the effective interest method unless collectability is in doubt.

(iii) Rental income

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

2.20 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over 40 years by equal annual instalments.

2.21 Taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, in the countries where the Group operates and generates taxable income.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and joint venture except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Taxes (Cont'd)

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Value-added-tax

The Group's sales of goods in the PRC are subject to value-added tax ("VAT") at the applicable tax rate of 17% for PRC domestic sales. Input VAT on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position, respectively.

Revenue, expenses and assets are recognised net of the amount of VAT except:

- (i) where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) receivables and payables that are stated with the amount of VAT included.

2.22 Employee benefits

Employee benefits are recognised as an expense, unless they can be capitalised as an asset.

- (i) Pension obligation

Pursuant to the relevant regulations of the PRC government, the employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government ("the Central Pension Scheme"), whereby the subsidiaries of the Company in the PRC are required to contribute a certain percentage of the basic salaries of their employees to the Central Pension Scheme. The only obligation of the Group with respect to the Central Pension Scheme is to pay the ongoing required contributions under the Central Pension Scheme. Contributions under the Central Pension Scheme are charged to profit or loss as incurred. The assets of the Central Pension Scheme are held separately from those of the Group in independently administered funds.

A defined contribution national pension scheme is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. The contributions to national pension scheme are charged to profit or loss in the period to which the contributions made. The Group is subject only to defined contribution schemes.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Employee benefits (Cont'd)

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for leave as a result of services rendered by employees up to the end of the reporting period.

2.23 Foreign currency transactions and translation

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Chinese Renminbi, which is the Company's functional currency.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in profit or loss.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

2.24 Segment reporting

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

For management purposes, there is no breakdown by operating segments in the financial year as the Group's operations and sales were predominantly related to fruit juice concentrate.

2.25 Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

3.1 Critical judgements made in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates, which have the most significant effect on the amounts recognised in the consolidated financial statements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

3.1 Critical judgements made in applying the Group's accounting policies (Cont'd)

(i) Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (i) whether an event has occurred that may affect the asset value, or such an asset value has been in existence, (ii) whether the carrying value of an asset can be supported either by the net present value of future cash flows, which are estimated based upon the continued use of the asset or the fair value less costs of disposal, based on independent professional valuation report; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate, or the appropriate key assumptions used by the independent external professional valuer in their valuation report. Changing the assumptions selected by management to determine the level of impairment could have a material effect on the net recoverable amount used in the impairment test.

3.2 Critical accounting estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Provision for expected credit losses ("ECLs") of trade receivables

The Group determines the ECL by using debtor by debtor basis, since the trade receivables of the Group solely comprised immediate holding company as at 30 June 2020.

There is critical judgement used in the measurement of lifetime expected credit losses and forward-looking assumptions. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The carrying amounts of trade receivables at the end of the reporting period was RMB52,695,000 (2019: RMB57,948,000).

(ii) Useful lives of property, plant and equipment

The estimates for the useful lives and related depreciation charges for property, plant and equipment is based on commercial and production factors which could change significantly as a result of technical innovations and competitor actions in response to severe market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete or non-strategic assets that have been abandoned or sold.

Management estimates the useful lives of property, plant and equipment to be within 3 to 40 years. The carrying amount of the Group's property, plant and equipment as at the end of reporting period was RMB54,986,000 (2019: RMB60,463,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore future depreciation charges could be revised.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

3.2 Critical accounting estimates and assumptions (Cont'd)

(iii) Impairment of non-financial assets – Property, Plant and Equipment

As at 30 June 2020, the carrying amount of the property, plant and equipment of a subsidiary of the Company, Xuzhou Zhongxin Fruit and Juice Company Limited ("Xuzhou Zhongxin") amounted to RMB28,838,000 (2019: RMB31,351,000). Management has assessed that there is an indication of impairment of Xuzhou Zhongxin's property, plant and equipment as Xuzhou Zhongxin had ceased production since FY2015.

As such, management has performed an impairment test on the property, plant and equipment. The recoverable amount of property, plant and equipment was determined using fair value less costs of disposal which involves significant judgements and estimations by management. Based on the fair value less costs of disposal test by management, no impairment of the property, plant and equipment is required.

The recoverable amounts of the property, plant and equipment can be affected by factors which are largely beyond the control of the Group, for example: stability of the industry and market demand; technical, technological, commercial and other types of obsolescence; actions by competitors or potential competitors; and changes in the legal and other regulatory framework. The recoverable amounts of the property, plant and equipment could change significantly as a result of changes in the assumptions and inputs used in determining the market value.

The estimated recoverable amounts are determined based on fair value less costs of disposal. The valuation techniques are based on the replacement cost method using unobservable inputs (residual ratio) applied by an independent valuer. The significant assumptions included the market replacement cost of similar property, plant and equipment taking into account factors like construction, transport and installation cost, and the residual ratio used to discount the market replacement cost. An increase in residual ratio would result in an increase in the fair value of the property, plant and equipment.

As at 30 June 2020, the carrying amount of the property, plant and equipment of a subsidiary of the Company, Yuncheng Zhongxin Fruit and Juice Company Limited ("Yuncheng Zhongxin") amounted to RMB28,838,000 (2019: RMB31,351,000). Management has assessed that there is an indication of impairment of Yuncheng Zhongxin's property, plant and equipment as Yuncheng Zhongxin made worse economic performance than expected in FY 2020.

As such, management has performed an impairment test on the property, plant and equipment. The recoverable amount of property, plant and equipment was determined using fair value less costs of disposal which involves significant judgements and estimations by management. Based on the value in use test by management, no impairment of the property, plant and equipment is required.

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years. In estimating the future cash flows, management has taken into account past performance, market expectation and the Group's marketing plan.

The carrying amount of the property, plant and equipment at the end of the reporting period as disclosed in Note 13 to the financial statements of the Group is RMB54,986,000 (2019: RMB60,463,000).

(iv) Impairment of cost of investment in a subsidiary

As at 30 June 2020, the carrying amount of the Company's cost of investment in a subsidiary, Xuzhou Zhongxin amounted to RMB11,929,469 (2019: RMB11,929,469). Management has assessed that there is an indication of impairment of carrying amount of investment in the subsidiary as Xuzhou Zhongxin had ceased production since FY2015.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONT'D)

3.2 Critical accounting estimates and assumptions (Cont'd)

(iv) Impairment of cost of investment in a subsidiary (Cont'd)

As such, management has performed an impairment test on the cost of investment in the subsidiary. The recoverable amount of the investment in subsidiary was determined using value in use which involves significant judgements and estimations by management. Based on the value in use test by management, the Company did not provide an additional allowance for impairment amounting to RMB Nil (2019: RMB16,821,407) for the carrying amount of investment in the subsidiary.

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years. In estimating the future cash flows, management has taken into account past performance, market expectation and the Group's marketing plan.

The carrying amount of the investment in subsidiaries at the end of the reporting period as disclosed in Note 12 to the financial statements of the Company is RMB31,402,000 (2019: RMB31,402,000).

(v) Allowances for slow moving inventories

Management carries out an inventory review at the end of each reporting period to determine any need for allowance for slow moving inventory items. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. In the event of significant changes to the current market conditions, possible changes in these estimates could result in revisions to the carrying amount of the inventories. The carrying amount of the inventories at the end of the reporting period as disclosed in Note 20 to the financial statements of the Group is RMB20,644,000 (2019: RMB9,033,000).

(vi) Income tax

The Group has exposure to income taxes in PRC jurisdictions. Significant judgement and estimation process is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the determination of ultimate tax is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax computation in the financial year in which such determination is made. The carrying amount of income tax liabilities and deferred income tax assets and deferred income tax liabilities at the end of the reporting period are disclosed in Note 9 to the financial statements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

4. REVENUE

Revenue of the Group represents the value of the goods sold to customers, net of sales discount and returns. It includes sales of fruit juice concentrate to related parties and immediate holding company as disclosed in Note 30.

	Group	
	2020 RMB'000	2019 RMB'000
Revenue:		
Concentrated Apple Juice	168,944	93,376
Apple Essence	278	145
Fructose	4,718	5,819
Sales of component parts	575	653
	174,515	99,993
Timing of transfer of goods or service		
At a point in time	174,515	99,993
Over time	–	–
	174,515	99,993

5. OTHER OPERATING INCOME

	Group	
	2020 RMB'000	2019 RMB'000
Amortisation of deferred capital grant	6	6
Foreign exchange gain	–	148
Gain on disposal of property, plant and equipment	–	17
Government grants/incentives	644	4
Interest income from immediate holding company	2,663	879
Interest income from bank	61	1
Write-back of trade payables	31	706
Rental income	59	225
Others	3	1
	3,467	1,987

During the financial year, the Management has gone through a detailed analysis and assessment of the trade payables recorded by the Company's subsidiaries, Yuncheng Zhongxin Fruit and Juice Company Limited ("Yuncheng Zhongxin") and Xuzhou Zhongxin and concluded that the outstanding trade payables of approximately RMB31,000 in FY2020 and RMB706,000 in FY2019 were no longer liable to be paid. Consequently, these amounts were written back to profit or loss as other income in the respective financial year.

During the financial year, outstanding receivables from the Group's immediate holding company bear interest at variable rates according to the People's Bank of China at 4.35% (2019: 4.35%) based on the closing interest rates for each quarter.

Rental income is an ad-hoc transaction under normal business operating and it did not incur any future commitment.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

6. STAFF COSTS

	Group	
	2020 RMB'000	2019 RMB'000
Wages and salaries	5,345	4,725
Employer's contribution to defined contribution plans including PRC's defined contribution national pension scheme	1,003	1,740
Other staff costs	377	318
	6,725	6,783

Compensation of key management personnel

Key management's (directors and key executive officers) remuneration includes salary, bonus, commission and other emoluments computed based on the costs incurred by the Group and the Company and where the Group and the Company did not incur any costs, the value of the benefit is included. The directors' and key management's remuneration (included as part of staff cost above) are as follows:

	Group	
	2020 RMB'000	2019 RMB'000
Wages and salaries	1,198	1,080
Directors' fees (Note 8)	263	283
	1,461	1,363

7. FINANCE COSTS

	Group	
	2020 RMB'000	2019 RMB'000
Interest on borrowings:		
– with respect to advances received from immediate holding company	3,217	2,569
– with respect to trade financing	1,396	–
Others	109	47
	4,722	2,616

8. PROFIT BEFORE INCOME TAX

	Group	
	2020 RMB'000	2019 RMB'000
This was arrived at after charging:		
Allowance for doubtful debts	–	2
Amortisation of land use rights (Note 14)	186	183
Audit fees to auditors of the Company	435	469
Audit fees to other auditors	155	173
Directors' fees (Note 6)	263	283
Depreciation of property, plant and equipment (Note 13)	1,075	1,078
Foreign currency exchange loss	93	–
Impairment of property, plant and equipment (Note 13)	–	1,996
Loss on disposal of property, plant and equipment	676	–
Operating lease expense (Note 28b)	2,113	1,450

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

9. INCOME TAX EXPENSE

	Group	
	2020 RMB'000	2019 RMB'000
Current income tax		
– under provision in the previous financial year	846	10
– for the financial year	150	–
	996	10

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 30 June 2020 and 2019 were as follows:

	Group	
	2020 RMB'000	2019 RMB'000
Profit before income tax	4,343	4,168
Income tax using the statutory tax rate of 17% (2019: 17%)	738	709
Effect of different tax rate in PRC	227	333
Income not subject to tax	(423)	(1,558)
Expenses not deductible	454	526
	996	10

Income tax expense was related to Yuncheng Zhongxin with respect to the under provision of income tax in the previous financial years and the income tax paid with respect to the government grant received in the financial year.

Pursuant to Section 149 of Finance Bill (2008), a special incentive was granted by the Tax Authorities of PRC to companies engaging in preliminary processing of farm products. Pursuant to this special incentive, the operating profits of the subsidiaries would be fully exempted from PRC corporate income tax for the financial years 2019 and 2020. Certain provinces in the PRC will require the application of tax exemption in year 2019 and 2020.

No provision for Singapore tax has been made as the Company did not derive taxable income in Singapore in the financial year.

10. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net profit for the financial year attributable to owners of the Company, by the weighted average number of ordinary shares.

The basic earnings per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. There were no potential dilutive shares for financial years 2020 and 2019.

	Group	
	2020	2019
Net earnings for the year (RMB'000)	3,347	4,158
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,055,459,201	1,055,459,201
Basic earnings per share (RMB cents per share)	0.32 cents	0.39 cents

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

11. INVESTMENT IN JOINT VENTURE

	Group		Company	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Unquoted share at cost	28,336	28,336	23,336	23,336
Less: Allowance for impairment	–	–	(16,989)	(16,989)
Share of loss	(18,045)	(21,989)	–	–
	10,291	6,347	6,347	6,347
Movement in share of profit/(loss):				
Balance at beginning	(21,989)	(18,305)		
Share of profit/(loss) for the financial year	3,944	(3,684)		
Balance at end	(18,045)	(21,989)		

The details of the joint venture as at 30 June 2020 and 30 June 2019 are as follows:

Name of Joint venture	Principal Activities	Country of incorporation/principal place of business	Proportion of ordinary shares directly held by the Group	
			30 June 2020 %	30 June 2019 %
Linyi SDIC Zhonglu Fruit Juice Co., Ltd ("Linyi SDICZL")*	Production of fruit juice concentrate and apple pomace animal feed.	The People's Republic of China ("PRC")	50	50

* The statutory financial statements of the joint venture for compliance of the laws of the PRC are audited by Baker Tilly China Certified Public Accountants; and reviewed by RT LLP for equity method of accounting purposes.

The activities of the joint venture are strategic to the Group's activities.

Summarised financial information in respect of the joint venture based on its FRS financial statements (and not the Group's share of those amounts), and reconciliation with the carrying amount of the investment in the consolidated financial statements were as follows:

Summarised statement of financial position

	30 June 2020 RMB'000	30 June 2019 RMB'000
Cash and cash equivalents	170	204
Other current assets	6,791	19,105
Total current assets	6,961	19,309
Non-current assets	30,784	26,756
Total assets	37,745	46,065
Current financial liabilities (excluding trade payables)	(2,153)	(32,654)
Other current liabilities (including trade payables)	(15,010)	(716)
Total current liabilities	(17,163)	(33,370)
Net assets	20,582	12,695
Proportion of the Group's ownership	50%	50%
Group's share of net assets	10,291	6,347

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

11. INVESTMENT IN JOINT VENTURE (CONT'D)

Summarised statement of profit or loss and other comprehensive income

	2020 RMB'000	2019 RMB'000
Revenue	112,279	12,273
Cost of sales	(94,618)	(12,826)
Gross profit/(loss)	17,661	(553)
Other operating income	803	10
Operating expenses	(8,289)	(5,366)
Interest expense	(1,819)	(1,135)
Depreciation and amortisation	(194)	(325)
Profit/(Loss) before income tax	7,889	(7,369)
Income tax expense	–	–
Profit/(Loss) for the financial year	7,889	(7,369)

12. INVESTMENT IN SUBSIDIARIES

	Company	
	30 June 2020 RMB'000	30 June 2019 RMB'000
Unquoted equity shares, at cost	65,627	65,627
Add: Foreign exchange	21	21
Less: Impairment loss	(34,246)	(34,246)
	31,402	31,402
<i>Movement of impairment loss in investment in subsidiaries is as follows:</i>		
Balance at beginning of the financial year	34,246	17,425
Allowance for impairment loss	–	16,821
Balance at end of the financial year	34,246	34,246

The details of the subsidiaries as at 30 June 2020 and 30 June 2019 are as follows:

Name of Subsidiaries	Principal Activities	Country of incorporation/ principal place of business	Proportion of ownership interest		Cost of investments	
			30 June 2020 %	30 June 2019 %	30 June 2020 RMB'000	30 June 2019 RMB'000
Xuzhou Zhongxin*	Production of fruit juice concentrate	The People's Republic of China	100	100	46,154	46,154
Yuncheng Zhongxin*	Production of fruit juice concentrate	The People's Republic of China	100	100	19,473	19,473
					65,627	65,627

* The statutory financial statements of the subsidiaries for compliance of the laws of the PRC are audited by Baker Tilly China Certified Public Accountants; and reviewed by RT LLP for consolidation purpose.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

13. PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Buildings RMB'000	Plant & machinery RMB'000	Furniture, fittings & office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
30 June 2020					
Cost:					
As at 1 July 2019	62,895	96,665	3,478	2,178	165,216
Additions	586	495	129	–	1,210
Disposals/Write off	(411)	(7,814)	(368)	–	(8,593)
Reclassifications	600	(615)	(246)	261	–
As at 30 June 2020	63,670	88,731	2,993	2,439	157,833
Accumulated depreciation and impairment loss:					
As at 1 July 2019	26,476	73,636	2,968	1,673	104,753
Depreciation for the financial year	2,109	3,119	70	106	5,404
Disposals/Write off	(221)	(6,736)	(353)	–	(7,310)
Reclassifications	435	(479)	(168)	212	–
As at 30 June 2020	28,799	69,540	2,517	1,991	102,847
Carrying amount:					
As at 30 June 2020	34,871	19,191	476	448	54,986
30 June 2019					
Cost:					
As at 1 July 2018	62,058	99,888	3,643	2,143	167,732
Additions	837	1,020	27	98	1,982
Write off	–	(4,243)	(192)	(63)	(4,498)
As at 30 June 2019	62,895	96,665	3,478	2,178	165,216
Accumulated depreciation and impairment loss:					
As at 1 July 2018	24,009	72,893	2,929	1,614	101,445
Depreciation for the financial year	2,104	3,109	218	105	5,536
Impairment loss for the financial year	363	1,618	–	15	1,996
Write off	–	(3,984)	(179)	(61)	(4,224)
As at 30 June 2019	26,476	73,636	2,968	1,673	104,753
Carrying amount:					
As at 30 June 2019	36,419	23,029	510	505	60,463

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) Company

	Furniture, fittings & office equipment
30 June 2020	
Cost:	
As at 1 July 2019/As at 30 June 2020	166
Accumulated depreciation:	
As at 1 July 2019	157
Depreciation for the financial year	5
As at 30 June 2020	162
Carrying amount:	
As at 30 June 2020	<u>4</u>
30 June 2019	
Cost:	
As at 1 July 2018/30 June 2019	166
Accumulated depreciation:	
As at 1 July 2018	152
Depreciation for the financial year	5
As at 30 June 2019	157
Carrying amount:	
As at 30 June 2019	<u>9</u>

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation expense charged to:				
Administrative expenses	885	892	5	5
Distribution expenses	190	186	–	–
Total charged to profit or loss (Note 8)	1,075	1,078	5	5
Capitalised in Inventories (Note 20)	4,329	4,458	–	–
	<u>5,404</u>	5,536	<u>5</u>	5

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

13A LEASE – THE GROUP AS A LESSEE

Nature of the Group's leasing activities

Buildings

The Group has made upfront payments to secure the right-of-use (ROU) of 50 years, which is used in the Group's production. This ROU asset of the buildings is recognised within property, plant and equipment (Note 13).

The ROU of the land is classified as right of use assets (Note 14).

There are no externally imposed covenants on these lease arrangements.

(a) Carrying amount of ROU assets classified within property, plant and equipment

	Group	
	30 June 2020	1 July 2019
	RMB'000	RMB'000
Leasehold buildings	34,871	36,419

(b) Depreciation charge during the year

	Group
	30 June 2020
	RMB'000
Leasehold buildings	2,109

(c) Lease expenses not capitalised in lease liability

	Group
	30 June 2020
	RMB'000
Lease expenses – short-term leases (Note 8)	2,113

(d) Total cash outflow for all the leases in financial year 2020 was RMB2,113,000.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

14. RIGHT OF USE ASSETS/LAND USE RIGHTS

(a) Right of use assets

	Group 30 June 2020 RMB'000
Cost:	
At beginning of financial year and at end of financial year	–
Adjustment for change in accounting policy (Note 2.2)	9,253
	9,253
Accumulated amortisation:	
At beginning of financial year	–
Adjustment for change in accounting policy (Note 2.2)	2,188
Charge to profit or loss (Note 8)	186
At end of financial year	2,374
Carrying amount:	
At end of financial year	6,879

(b) Land use right

	Group 30 June 2019 RMB'000
Cost:	
At beginning of financial year and at end of financial year	9,253
Accumulated amortisation:	
At beginning of financial year	2,005
Charge to profit or loss (Note 8)	183
At end of financial year	2,188
Carrying amount:	
At end of financial year	7,065

The details of the transferable land use rights are as follows:

Address of land plot	Tenure	Total land area (Square Metres)
Eastern Part of Fengyu Road, Fengxian, Xuzhou, Jiangsu Province, PRC	From 25 May 2004 to 23 May 2054	141,592
Southern Part of Sanzhao Road, Sunji Town, Linyixian, Yuncheng, Shanxi Province, PRC	From 4 March 2010 to 31 July 2059	64,724

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	7,139	2,229	6,489	1,965

The Renminbi is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Renminbi	650	264	–	–
Singapore dollar	6,489	1,965	6,489	1,965
	7,139	2,229	6,489	1,965

16. NOTES RECEIVABLES

	Group	
	2020	2019
	RMB'000	RMB'000
Current:		
Notes receivables	50,000	–

The notes receivables represent 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.

17. OTHER RECEIVABLES

	Group		Company	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables:				
– Non-related parties	2,242	2,037	–	–
Less: Allowance for doubtful debts:				
As at beginning and end of year	(120)	(120)	–	–
Net other receivables	2,122	1,917	–	–
Deposits	1,500	1,682	–	–
Value-added-tax receivable	32	267	–	–
	3,654	3,866	–	–

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

17. OTHER RECEIVABLES (CONT'D)

The Group and Company's trade receivables that were impaired as at 30 June 2020 and 2019 and the movements of the allowance accounts used to record the impairment were as follows:

	Group		Company	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RMB'000	RMB'000	RMB'000	RMB'000
Movement in allowance accounts:				
At 1 July and At 30 June	120	120	–	–

18. RECEIVABLE FROM SUBSIDIARIES

Amount receivable from subsidiaries was non-trade, unsecured, interest-free and was repayable on demand.

	Company	
	30 June 2020	30 June 2019
	RMB'000	RMB'000
Receivable from subsidiaries	61,857	68,928
Less: Allowance for doubtful debts	(41,210)	(41,210)
	20,647	27,718

The Company's receivables from subsidiaries that were impaired as at 30 June 2020 and 2019 and the movements of the allowance accounts used to record the impairment were as follows:

	Company	
	30 June 2020	30 June 2019
	RMB'000	RMB'000
Movement in allowance accounts:		
At 1 July	41,210	41,210
Additional	–	–
At 30 June	41,210	41,210

19. RECEIVABLE FROM IMMEDIATE HOLDING COMPANY

Amount receivable from immediate holding company was trade in nature, interest bearing at 4.35% (FY 2019: 4.35%) based on the closing interest rates for each quarter and was generally on 60 days' terms. They were recognised at their original invoice amounts which represent their fair values on initial recognition.

20. INVENTORIES

	Group		Company	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	5,963	3,270	–	–
Work-in-progress	3,339	3,202	–	–
Finished goods	11,567	2,786	–	–
	20,869	9,258	–	–
Less: Allowance for slow moving inventories	(225)	(225)	–	–
	20,644	9,033	–	–

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

20. INVENTORIES (CONT'D)

The cost of inventories recognised as an expense and included in "Cost of sales" amounted to approximately RMB130,426,000 (2019: RMB54,968,000).

Depreciation of approximately RMB4,329,000 (2019: RMB4,458,000) were absorbed into inventories' costing (Note 13).

21. SHARE CAPITAL

	Group and Company			
	2020		2019	
	No of shares	RMB'000	No of shares	RMB'000
Issued and fully paid:				
Ordinary shares				
At beginning and end of financial year	1,055,459,201	252,093	1,055,459,201	252,093

All issued shares are fully paid. The Company has one class of ordinary shares, which carry one vote per share without restriction. The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company. The ordinary shares have no par value.

22. CONTRIBUTED SURPLUS

The contributed surplus relates to waiver of amount owing to a related company with common director for the financial year ended 30 June 2006. This reserve is not available for dividend distribution to shareholders.

23. STATUTORY AND OTHER RESERVES

In accordance with the relevant laws and regulations of the PRC, the subsidiaries of the Company established in the PRC are required to transfer 10% of their profit after income tax prepared in accordance with the accounting regulations in the PRC to the Statutory Reserve Fund ("SRF") until the reserve balance reaches 50% of the respective subsidiary's registered capital. Subject to approval from the relevant PRC authorities, such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital.

The SRF is not available for dividend distribution to shareholders.

24. DEFERRED CAPITAL GRANT

	Group	
	2020 RMB'000	2019 RMB'000
Cost:		
At beginning of financial year	240	240
Received during the financial year	—	—
	240	240
Accumulated amortisation:		
At beginning of financial year	10	4
Amortisation (Note 8)	6	6
At end of financial year	16	10
Carrying amount:		
At end of financial year	224	230

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

24. DEFERRED CAPITAL GRANT (CONT'D)

	Group	
	2020 RMB'000	2019 RMB'000
Net carrying amount:		
Current	6	6
Non-current	218	224
	224	230

Deferred capital grants relate to government grants received by Yuncheng Zhongxin for the development of its factory's water treatment upgrading work and water conservation project. There are no unfulfilled conditions or contingencies attached to these grants.

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Trade payables:				
- Non-related parties	2,332	1,320	-	-
Other payables:				
- Non-related parties	1,947	1,802	-	-
Advances from customers	310	-	-	-
Accrued salaries, bonus and directors' remunerations	1,749	1,635	300	302
Accruals	211	162	966	1,070
	6,549	4,919	1,266	1,372

26. PAYABLE TO IMMEDIATE HOLDING COMPANY

Amount payable to immediate holding company was non-trade, unsecured, payable on demand and bore variable interest rate according to PRC central bank borrowing rates.

27. BORROWINGS

	Group	
	2020 RMB'000	2019 RMB'000
Current:		
Short-term borrowings	49,622	-

The short-term borrowings as at 30 June 2020 bore a fixed interest rate of 3.50% per annum, repayable within 12 months and were secured by the endorsement of notes receivables.

The Group has obtained working capital financing by endorsing the notes receivables issued SDIC Zhonglu to the Group in favour of a finance company who is a related party of SDIC Zhonglu.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

28. COMMITMENTS

(a) Capital commitments

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

	Group	
	2020 RMB'000	2019 RMB'000
Construction costs	1,464	1,019

(b) Operating lease commitments – where the Group is a lessee

The Group leases warehouses from related and non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as liabilities, are as follows:

	Group 2019 RMB'000
Not later than one year	275

As disclosed in Note 2.2, the Group has adopted SFSR(I) 16 on 1 July 2019.

29. SEGMENT INFORMATION

(a) Business segment

There is no breakdown by business segments as the Group's operations and sales in the financial year were predominantly related to fruit juice concentrate.

(b) Geographical information

There is no breakdown by geographical markets as the Group's operations and customers were predominantly based in the PRC.

(c) Revenue from major products

Revenues from external customers were derived from the sale of fruit juice concentrate.

(d) Information about a major customer

Revenue from one major customer of approximately RMB167,672,000 (2019: RMB98,041,000) was derived from immediate holding company (Note 30), in relation to sale of fruit juice concentrate, constituted approximately 96.1% (2019: 98.0%) of total revenue.

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

30. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties that took place at terms agreed between the parties during the financial year:

	Group	
	2020 RMB'000	2019 RMB'000
Sales to:		
– immediate holding company, SDIC Zhonglu	167,672	98,041
– related party, Qingdao SDIC Zhonglu Fruit Juice Co., Ltd (“Qingdao SDIC”)^	3,772	1,525
– related party, Rushan Zhongcheng Fruit Juice Beverage Co., Ltd (“Rushan Zhongcheng”)^	27	16
– related party, Rushan R&D Center of SDIC Zhonglu Fruit Juice Co., Ltd^	3	–
– related party, Shanxi SDIC Zhonglu Fruit Juice Co., Ltd (“Shanxi SDIC”)^	2	–
– related party, Shandong Luling Fruit Juice Co., Ltd (“Shandong Luling”)^	1	–
– joint venture, Linyi	–	27
– related party, Fuping Zhonglu Fruit and Vegetable Juice Co., Ltd (“Fuping Zhonglu”)^	–	15
Sales of machineries to:		
– related party, Rushan Zhongcheng	528	–
– related party, Yunnan SDIC Zhonglu Fruit Juice Co., Ltd^	126	64
– related party, Liaoning SDIC Zhonglu Fruit Juice Co., Ltd (“Liaoning SDIC”)^	20	–
– related party, Fuping Zhonglu	11	–
– related party, Wan Rong SDIC Zhonglu Fruit Juice Co., Ltd (“Wan Rong SDIC”)^	–	100
– related party, Shanxi SDIC	–	25
Sales of raw materials to:		
– related party, Wan Rong SDIC	–	170
– related party, Shanxi SDIC	–	30
Purchases from:		
– joint venture, Linyi	256	1,169
– immediate holding company, SDIC Zhonglu	1,515	–
– related party, Wan Rong SDIC	84	–
Payment to Qingdao SDIC for lease of certain storage facility	145	433
Interest paid with respect to the loans and advances provided by immediate holding company, SDIC Zhonglu	3,217	2,569
Interest paid with respect to the short-term borrowings secured from a related party, SDIC Finance Co., Ltd	1,396	–
Interest received from SDIC Zhonglu with respect to the interest charged on the outstanding trade receivable due from SDIC Zhonglu	2,658	879
Sales by joint venture, Linyi to:		
– immediate holding company, SDIC Zhonglu	52,229*	4,700*
– related party, Qingdao SDIC^	1,249*	17*
– related party, Rushan Zhongcheng^	1*	13*
– related party, Shandong Luling	–	54*
– related party, Shandong SDIC Zhonglu Fruit Juice Co., Ltd^	190*	9*
– related party, Wan Rong SDIC	–	54*

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30. RELATED PARTY TRANSACTIONS (CONT'D)

	Group	
	2020 RMB'000	2019 RMB'000
Purchases by joint venture, Linyi from:		
– immediate holding company, SDIC Zhonglu	624*	–
– subsidiary, Yuncheng Zhongxin Fruit & Juice Company Limited	128*	–
– related party, Qingdao SDIC	–	27*
– related party, Rushan Zhongcheng	839*	512*
Payment to Qingdao SDIC for lease of certain storage facility	101*	–
Interest paid by joint venture, Linyi to immediate holding company, SDIC Zhonglu for loans and advances received from immediate holding company, SDIC Zhonglu	921*	536*

^ These companies are subsidiaries of SDIC Zhonglu, which has common controlling shareholder with the Company.

• Based on the effective equity interest of the Group in Linyi of 50%.

31. FAIR VALUE OF ASSETS AND LIABILITIES

The fair values of cash and cash equivalents, notes receivables, other receivables from subsidiaries and immediate holding company, trade and other payables, payable to immediate holding company and borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments.

32. FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to a variety of financial risks. The Group's overall business strategies, tolerance of risk and general risk management philosophy are determined by directors in accordance with prevailing economic and operating conditions.

It is the Group's policy not to trade in derivative contracts.

Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group and the Company have cash balances placed with reputable banks.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Cash flow and fair value interest rate risks (Cont'd)

The Group's and the Company's interest bearing financial assets and liabilities are as set out in the table below:

	Interest bearing RMB'000	Group Non- interest bearing RMB'000	Total RMB'000	Interest bearing RMB'000	Company Non- interest bearing RMB'000	Total RMB'000
2020						
Assets						
Cash and cash equivalents	7,139	–	7,139	6,489	–	6,489
Notes receivables	50,000	–	50,000	–	–	–
Receivables from immediate holding company	52,695	–	52,695	–	–	–
	109,834	–	109,834	6,489	–	6,489
Liabilities						
Payable to immediate holding company	66,933	–	66,933	–	–	–
Borrowings	49,622	–	49,622	–	–	–
	116,555	–	116,555	–	–	–
2019						
Assets						
Cash and cash equivalents	2,229	–	2,229	1,965	–	1,965
Receivables from immediate holding company	57,948	–	57,948	–	–	–
	60,177	–	60,177	1,965	–	1,965
Liabilities						
Payable to immediate holding company	60,467	–	60,467	–	–	–

Sensitivity analysis for interest rate risks

The Group's borrowings at floating arrangement on which effective hedges have been entered into is denominated mainly in RMB. If the RMB interest rates had been higher/lower by 0.50% (2019: 0.50%) with all other variables being held constant, the profit before tax of the Group would have been lower/higher by RMB334,665 (2019: RMB302,335) as a result of higher/lower interest expense on these borrowings. The Group and Company are not significantly affected by interest rate fluctuation on its interest-bearing financial assets and borrowings.

Liquidity risk

The Group's and the Company's ability to fund their existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders. Cash and cash equivalents are placed with credit worthy financial institutions.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (Cont'd)

The table below analyses non-derivative financial assets and liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the end of the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2020 RMB'000				2019 RMB'000			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
Group								
Financial assets:								
Cash and cash equivalents	7,139	–	–	7,139	2,229	–	–	2,229
Other receivables	3,654	–	–	3,654	3,866	–	–	3,866
Note receivables	50,000	–	–	50,000	–	–	–	–
Receivable from immediate holding company	55,019	–	–	55,019	60,504	–	–	60,504
Total undiscounted financial assets	115,812	–	–	115,812	66,599	–	–	66,599
Financial liabilities:								
Trade and other payables	6,549	–	–	6,549	4,919	–	–	4,919
Payable to immediate holding company	69,885	–	–	69,885	63,133	–	–	63,133
Borrowings	51,383	–	–	51,383	–	–	–	–
Total undiscounted financial liabilities	127,817	–	–	127,817	68,052	–	–	68,052
Total net undiscounted liabilities	(12,005)	–	–	(12,005)	(1,453)	–	–	(1,453)
	2020 RMB'000				2019 RMB'000			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
Company								
Financial assets:								
Cash and cash equivalents	6,489	–	–	6,489	1,965	–	–	1,965
Receivable from subsidiaries	21,558	–	–	21,558	28,940	–	–	28,940
Total undiscounted financial assets	28,047	–	–	28,047	30,905	–	–	30,905
Financial liabilities:								
Trade and other payables	1,266	–	–	1,266	1,372	–	–	1,372
Total undiscounted financial liabilities	1,266	–	–	1,266	1,372	–	–	1,372
Total net undiscounted financial assets	26,781	–	–	26,781	29,533	–	–	29,533

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Currency risk

Currency risk arises from a change in foreign currency exchange rate, which is expected to have an adverse effect on the Group and the Company in the current reporting period and in future years.

The Group has minimal monetary balances denominated in Singapore dollar. Accordingly, the exposure to foreign exchange risk is minimal. In addition, the Group's operational activities are mainly carried out in Renminbi. The risk arising from movements in foreign exchange rates is minimised as the Group has minimal transactions in foreign currencies.

Exposure to foreign currency risk is insignificant as the Group's income and related expenses, assets and liabilities are substantially denominated in Renminbi which is the functional currency of the Group entities. The exposure is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

The Group and the Company also maintain foreign currency bank accounts for operating purposes.

The Group's and the Company's exposures to currency risk are as follows:

	Renminbi RMB'000	Singapore Dollar RMB'000	Total RMB'000
Group			
2020			
Assets			
Cash and cash equivalents	650	6,489	7,139
Other receivables	3,654	–	3,654
Notes receivables	50,000	–	50,000
Receivable from immediate holding company	52,695	–	52,695
	106,999	6,489	113,488
Liabilities			
Trade and other payables	6,549	–	6,549
Payable to immediate holding company	66,933	–	66,933
Borrowings	49,622	–	49,622
	123,104	–	123,104
Net financial (liabilities)/assets	(16,105)	6,489	(9,616)
Less: Net financial liabilities denominated in the respective entities' functional currency	16,105	–	16,105
Currency exposure	–	6,489	6,489

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Currency risk (Cont'd)

Group

2019

Assets

Cash and cash equivalents	264	1,965	2,229
Other receivables	3,866	–	3,866
Receivable from immediate holding company	57,948	–	57,948

Renminbi RMB'000	Singapore Dollar RMB'000	Total RMB'000
264	1,965	2,229
3,866	–	3,866
57,948	–	57,948
62,078	1,965	64,043

Liabilities

Trade and other payables	4,919	–	4,919
Payable to immediate holding company	60,467	–	60,467

65,386	–	65,386
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Net financial (liabilities)/assets	(3,308)	1,965	(1,343)
Less: Net financial liabilities denominated in the respective entities' functional currency	3,308	–	3,538

3,308	–	3,538
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Currency exposure

–	1,965	2,195
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Company

2020

Assets

Cash and cash equivalents	–	6,489	6,489
Receivable from subsidiaries	20,647	–	20,647

Renminbi RMB'000	Singapore Dollar RMB'000	Total RMB'000
–	6,489	6,489
20,647	–	20,647
20,647	6,489	27,136

Liabilities

Trade and other payables	1,266	–	1,266
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1,266	–	1,266
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Net financial assets	19,381	6,489	25,870
Less: Net financial assets denominated in the Company's functional currency	(19,381)	–	(19,381)

(19,381)	–	(19,381)
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Currency exposure

–	6,489	6,489
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Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Currency risk (Cont'd)

	Renminbi RMB'000	Singapore Dollar RMB'000	Total RMB'000
Company			
2019			
Assets			
Cash and cash equivalents	–	1,965	1,965
Receivable from subsidiaries	27,718	–	27,718
	27,718	1,965	29,683
Liabilities			
Trade and other payables	1,372	–	1,372
Net financial assets	26,346	1,965	28,311
Less: Net financial assets denominated in the Company's functional currency	(26,346)	–	(26,346)
Currency exposure	–	1,965	1,965

If the Singapore Dollar ("SGD") change against the RMB by 5% (2019: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial assets position of the SGD exposure will be as follows:

	Increase/(Decrease)			
	Group		Company	
	2020	2019	2020	2019
	Profit after tax		Loss after tax	
	RMB'000	RMB'000	RMB'000	RMB'000
SGD against RMB				
– strengthened	(269)	98	(269)	98
– weakened	269	(98)	269	(98)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade and other receivables. The Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Company and the Group adopt the policy of dealing only with high credit quality counterparties.

The Group's and the Company's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

The Group and the Company do not hold any collateral. The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The Group has determined the default event on a financial asset to be when the counterparty is unable to fulfil its contract or payment terms.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (Cont'd)

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the group and changes in the operating results of the debtor.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is unable to fulfil its contract or payment terms.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the debtor
- A breach of contract, such as a default or past due event
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (Cont'd)

The Group's current credit risk grading framework comprises the following categories:

Category	Definition of category	Basis for recognising expected credit loss (ECL)
I	Counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
II	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
III	Amount is >60 days past due or there is evidence indicating the asset is credit-impaired (in default).	Lifetime ECL – credit impaired
IV	There is evidence indicating that the debtor is in severe financial difficulty and the debtor has no realistic prospect of recovery.	Amount is written off

The table below details the credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating categories:

The Group

	Note	Category	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
30 June 2020						
Other receivables		I	12-month ECL	3,774	(120)	3,654
Receivable from immediate holding company		Note 1	Lifetime ECL (simplified)	52,695	–	52,695
				56,469	(120)	56,349
30 June 2019						
Other receivables	16	I	12-month ECL	3,986	(120)	3,866
Receivable from immediate holding company	19	Note 1	Lifetime ECL (simplified)	57,948	–	57,948
				61,934	(120)	61,814

Information regarding movement in loss allowance of other receivables is disclosed in Note 17.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk (Cont'd)

The Company

	Note	Category	12-month or lifetime ECL	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
30 June 2020						
Receivable from subsidiaries		I	12-month ECL	20,647	–	20,647
Receivable from subsidiaries		II	Lifetime ECL	41,210	(41,210)	–
				61,857	(41,210)	20,647
30 June 2019						
Receivable from subsidiaries	17	I	12-month ECL	20,858	–	20,858
Receivable from subsidiaries	17	II	Lifetime ECL	48,070	(41,210)	6,860
				68,928	(41,210)	27,718

Information regarding movement in loss allowance of receivable from subsidiaries is disclosed in Note 17.

Receivable from immediate holding company (Note 1)

The Group determines the ECL by using debtor by debtor basis (instead of a provision matrix) as at 30 June 2020 and 2019 in view that the immediate holding company is the only trade debtor.

Capital risk

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing its products and services commensurate with the level of risk.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Given the cyclical nature of the Group's operations, the Group's gearing ratio varies substantially over the course of a financial year, peaking at around November each year at the middle of the apple and pear harvest season before settling down around April the following year.

Management monitors capital based on an analysis of gearing ratio. The amount of interest bearing loans the Group takes up depends on various factors, of which the two most important are: (i) the prices of apples and pears which is the Group's main raw material; and (ii) the quantity of fruit juice concentrate the Group decides to produce taking into account the market conditions, trends and market demand for fruit juice concentrate. To operate within these internally set parameters, the Group may issue new shares or enter into other non-recourse financing arrangements such as entering into joint production arrangements with third parties. There has been no change in the Group's capital management practices during the financial year under review.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Capital risk (Cont'd)

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (as shown in the statements of financial position) less cash and cash equivalents. Total capital is equity plus net debt. The gearing ratios at 30 June 2020 and 30 June 2019 were as follows:

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Total debt	123,328	65,616	1,266	1,372
Less: Cash and cash equivalents	(7,139)	(2,229)	(6,489)	(1,965)
Net debt/(cash)	116,189	63,387	(5,223)	(593)
Total equity	85,277	81,930	63,623	66,069
Total capital	201,466	145,317	58,400	65,476
Gearing ratio	58%	44%	NA	N A

The Company does not have any externally imposed capital requirement. However, both the Group's operating companies, namely Xuzhou Zhongxin and Yuncheng Zhongxin are registered in and under the laws of the PRC. Both these subsidiaries are required by the PRC's Law on Foreign Enterprises to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to the approval of the relevant PRC authorities. As at the date of this report, the Group is in compliance with the aforesaid externally imposed capital requirement.

Categories of financial instruments

The following table sets out the carrying amounts of the financial instruments as at the end of the reporting period:

	Group		Company	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Financial assets				
Loans and receivables				
Cash and cash equivalents	7,139	2,229	6,489	1,965
Other receivables	3,654	3,866	–	–
Receivable from subsidiaries	–	–	20,647	27,718
Notes receivables	50,000	–	–	–
Receivable from immediate holding company	52,695	57,948	–	–
Financial liabilities at amortised cost				
Trade and other payables	6,549	4,919	1,266	1,372
Payable to immediate holding company	66,933	60,467	–	–
Borrowings	49,622	–	–	–

33. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 30 June 2020 were authorised for issue in accordance with a resolution of the Board of Directors dated 15 October 2020.

Statistics of Shareholdings

AS AT 23 SEPTEMBER 2020

SHARE CAPITAL AND VOTING RIGHTS

Number of shares issued	:	1,055,459,201
Issued and fully paid-up capital	:	S\$50,627,565.45
Class of shares	:	ordinary shares
Voting rights	:	One vote per ordinary share
Treasury shares	:	Nil
Subsidiary holdings	:	Nil

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	Direct Interest		Deemed Interest		Total
	Number of Shares	%	Number of Shares	%	%
SDIC Zhonglu Fruit Juice Co., Ltd.	560,598,425	53.114	–	–	53.114
State Development and Investment Corporation	–	–	560,598,425	53.114	53.114 ¹
Ho Kam Har	163,171,897	15.460	–	–	15.460
Go Twan Heng	120,750,399	11.441	–	–	11.441

Note:

- ¹ State Development and Investment Corporation is deemed to be interested in the shares held by SDIC Zhonglu Fruit Juice Co., Ltd. by virtue of Section 6 of the Companies Act, Cap. 50.

SHAREHOLDING HELD IN PUBLIC HANDS

Approximately 19.985% of the shareholding of the Company is held in the hands of the public as at 23 September 2020 and Rule 723 of the Catalist Rule is complied with.

Statistics of Shareholdings

AS AT 23 SEPTEMBER 2020

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF			
	SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	1	0.11	6	0.00
100 – 1,000	36	4.02	30,069	0.00
1,001 – 10,000	410	45.76	2,229,460	0.21
10,001 – 1,000,000	429	47.88	43,676,444	4.14
1,000,001 AND ABOVE	20	2.23	1,009,523,222	95.65
TOTAL	896	100.00	1,055,459,201	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SDIC ZHONGLU FRUIT JUICE CO., LTD	560,598,425	53.11
2	HO KAM HAR	163,171,897	15.46
3	GO TWAN HENG	120,750,399	11.44
4	GO WEI HO	34,212,000	3.24
5	SHANXI BODING INDUSTRY & TRADE CO., LTD	29,000,000	2.75
6	XI'AN KINGFAR ENTERPRISE LTD	28,672,401	2.72
7	LIM CHEE SAN OR TAN TEE GIAM	16,650,000	1.58
8	CHINA ORIGIN INVESTMENT LTD	13,900,000	1.32
9	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	10,715,000	1.02
10	LUM WENG YU	7,090,700	0.67
11	LAKESIDE EMPLOYEE HOLDINGS LIMITED	4,500,000	0.43
12	SOH CHUNG HIAN	4,030,000	0.38
13	PHUA GIM CHUAN	3,000,000	0.28
14	LOW WENG KEONG	2,800,000	0.27
15	GOH GEOK KHIM	2,400,000	0.23
16	NG HENG SAN	2,300,000	0.22
17	LIM HOO PING @ HO PENG	1,829,800	0.17
18	PHILLIP SECURITIES PTE LTD	1,816,800	0.17
19	TAN LYE SENG	1,060,800	0.10
20	YEO LAY SUAN ANGELA	1,025,000	0.10
TOTAL		1,009,523,222	95.66

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Zhongxin Fruit and Juice Limited (the “**Company**”) will be held by way of electronic means on Wednesday, 30 October 2020 at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors’ Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2020 together with the Independent Auditors’ Report thereon. **(Resolution 1)**
2. To approve the proposed Directors’ fees of S\$47,808/- for the financial year ended 30 June 2020. (2019: S\$51,812). **(Resolution 2)**
3. To re-elect Ms Liu Xiuwen who is retiring pursuant to Article 107 of the Company’s Constitution.
[See Explanatory Note (a)] **(Resolution 3)**
4. To re-elect Mr Xiaoyao who is retiring pursuant to Article 117 of the Company’s Constitution.
[See Explanatory Note (b)] **(Resolution 4)**
5. To re-appoint Messrs RT LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**
6. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

7. AUTHORITY TO ALLOT AND ISSUE SHARES

That pursuant to Section 161 of the Companies Act, Chapter 50 and the Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), authority be and is hereby given to the Directors of the Company to:

- (a)
 - (i) allot and issue shares in the capital of the Company (“**Shares**”) (whether by way of rights, bonus or otherwise); and/or
 - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this resolution was in force, provided that:–
 - (i) the aggregate number of the Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to the shareholders of the Company (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below);

Notice of Annual General Meeting

- (ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of the Shares that may be issued under paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the issued Shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time such authority was conferred, after adjusting for:
- (1) new Shares arising from the conversion or exercise of convertible securities;
 - (2) new Shares arising from the exercising of share options or the vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
 - (3) any subsequent bonus issue, consolidation or subdivision of the Shares;
- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Catalist Rules for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution of the Company for the time being; and
- (d) unless revoked or varied by the Company in a general meeting, the authority so conferred shall continue to be in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (c)]

(Resolution 6)

By Order of the Board

Lee Wei Hsiung
Company Secretary

15 October 2020
Singapore

Explanatory Notes:

- (a) Key information on Ms Liu Xiuwen, who is seeking re-election as a Director of the Company, is found on pages 28-31 of the Annual Report. Ms Liu Xiuwen, will remain as Independent Director and Chairman of the Nominating Committee, as well as members of the Audit Committee and Remuneration Committee upon re-election as a Director of the Company. The Board considered Ms Liu Xiuwen to be independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Ms Liu Xiuwen and the other Directors, or the Company, or its 10% shareholders.
- (b) Key information on Mr Xiaoyao, who is seeking election as a Director of the Company, is found on pages 28-31 of the Annual Report. Mr Xiaoyao will remain as Non-Executive Director and members of the Audit Committee, Remuneration Committee and Nominating Committee upon re-election as a Director of the Company. Mr Xiaoyao is considered by the Board to be non-independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr Xiaoyao and the other Directors, or the Company, or its 10% shareholders.
- (c) The proposed ordinary resolution 6, if passed, will empower the Directors of the Company from the date of the above Annual General Meeting until the date of the next annual general meeting, to allot and issue Shares and/or Instruments. The aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted) which the Directors may allot and issue under this Resolution, shall not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings). For issues of Shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings). The authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue Shares pursuant to any convertible securities issued under this authority.

Notice of Annual General Meeting

Notes:

1. The AGM is being convened, and will be held, by electronic means pursuant to the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time). This Notice and Proxy Form will be available to members by electronic means via publication on the SGXNet at <https://www.sgx.com/securities/company-announcements>.
2. Due to the current Covid-19 restriction orders in Singapore, members will not be able to attend the AGM in person. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out below. Any reference to a time of day is made by reference to Singapore time.
3. Members will be able to observe and/or listen to the AGM proceedings through a live audio-visual webcast via their mobile phones, tablets or computers. In order to do so, Members (including CPF and SRS investors) must preregister at the Company's pre-registration website at <http://smartagm.sg/zxfjagm2020> from now till 28 October 2020, 10.00 a.m., to enable the verification of members' status.

Following the verification, authenticated members will receive an email, which will contain the login instructions, password as well as the link to access the live audio-visual webcast of the AGM proceedings, by 29 October 2020, 12 noon. Members who do not receive an email by 29 October 2020, 10.00 a.m., but have registered by the 28 October 2020 deadline should contact the Company's Share Registrar, Boardroom Corporate Advisory Services Pte. Ltd. at +65 6536 5355 or via email to bcasmeetings@boardroomlimited.com.

4. Members (including CPF and SRS investors) may also submit questions related to the resolutions to be tabled for approval at the AGM to the Chairman of the AGM, in advance of the AGM. In order to do so, their questions must be submitted in the following manner by 28 October 2020, 10.00 a.m.:
 - (a) if submitted electronically, be submitted via the Company's pre-registration website at <http://smartagm.sg/zxfjagm2020>; or
 - (b) if submitted by post, be deposited at the registered office of the Company at 25 International Business Park, #02-53 German Centre, Singapore 609916.

Members (including CPF and SRS investors) who submit questions via electronic or by post to the Company must provide the following information:

- (a) the member's full name;
- (b) NRIC/Passport Number/Company Registration No. (last 4 digits);
- (c) the member's address; and
- (d) the manner in which the member holds Shares in the Company (e.g., via CDP, scrip, CPF or SRS).

The Company will endeavour to address all substantial and relevant questions submitted in advance of the AGM prior to or during the AGM. The Company will publish the responses to the substantial and relevant questions on SGXNET. The minutes will also include the responses to the substantial and relevant questions which are addressed during the AGM.

Members will not be able to ask questions at the AGM live during the webcast, and therefore it is important for members who wish to ask questions to submit their questions in advance of the AGM.

5. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM.

In appointing the Chairman of the AGM as proxy, a member must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

6. The proxy form must be submitted to in the following manner:
 - (a) if submitted by post, be lodged at the registered office of the Company at 25 International Business Park, #02-53 German Centre, Singapore 609916; or
 - (b) if submitted electronically, be submitted via email to admin@zhongxinfr.com.

in either case, by 28 October 2020, 10.00 a.m., being 48 hours before the time fixed for the AGM.

A member who wishes to submit a proxy form must complete and sign the proxy form, before submitting it by post to the address provided above, or before sending it by email to the email address provided above.

In view of the Covid-19 restriction orders in Singapore and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

7. Members who hold shares through relevant intermediaries, and who wish to participate in the AGM by:
 - (a) observing and/or listening to the AGM proceedings through live audio-visual webcast;
 - (b) submitting questions in advance of the AGM; and/or

Notice of Annual General Meeting

- (c) appointing the Chairman of the AGM as proxy to attend, speak and vote on their behalf at the AGM, should contact the relevant intermediary through which they hold such shares as soon as possible in order to make the necessary arrangements for them to participate in the AGM.

In addition, CPF and SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 20 October 2020, 5.00 p.m., being 7 working days before the date of the AGM.

“Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
- (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

8. The Chairman of the AGM, as proxy, need not be a member of the Company.
9. Due to the constantly evolving Covid-19 situation in Singapore, the Company may be required to change the arrangements for the AGM at short notice. Members are advised check the announcement on SGXNET for the latest updates on the status of the AGM.

PERSONAL DATA PRIVACY

By (a) submitting a proxy form appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, (b) submitting any questions prior to the AGM or (c) submitting the pre-registration form in accordance with this Notice, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the AGM as proxy for the AGM (including any adjournment thereof); processing the pre-registration forms for purposes of granting access to members for the Live Webcast or Live Audio Stream and providing viewers with any technical assistance, when necessary; addressing substantial and relevant questions from members received in advance of the AGM; the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines, and (ii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ZHONGXIN FRUIT AND JUICE LIMITED

(Incorporated in Singapore)

Company Registration Number 200208395H

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT

1. The Annual General Meeting ("AGM") is being convened, and will be held, by way of electronic means pursuant to the Covid-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time).
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Notice of AGM. The announcement and this proxy form may also be accessed at the <https://www.sgx.com/securities/company-announcements>.
3. Due to the current Covid-19 restriction orders in Singapore, members will not be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM.
4. If a CPF or SRS investor wishes to appoint the Chairman of the AGM as proxy, he/she should approach their respective CPF Agent Banks or SRS Operators to submit his/her votes by 20 October 2020, 5.00 p.m., being 7 working days before the date of the AGM.
5. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the AGM as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

I/We, _____ (name) _____ (NRIC/Passport/Company Registration No.)

of _____ (address)

being a member/members of Zhongxin Fruit and Juice Limited (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting (the "**AGM**") as my/our proxy to attend and vote for me/us on my/our behalf at the AGM of the Company to be held **via electronic means on Wednesday, 30 October 2020 at 10.00 a.m.** and at any adjournment thereof.

I/We direct the Chairman of the AGM to vote for, against or to abstain from voting the resolutions proposed at the AGM as indicated hereunder. In appointing the Chairman of the AGM as proxy, a member must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

Voting would be conducted by poll. Please indicate your vote "For" or "Against" or "Abstain" with a tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing the Chairman not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.

No.	Resolutions	For	Against	Abstain
ORDINARY BUSINESS				
1.	Adoption of Audited Financial Statements of the Company for the financial year ended 30 June 2020 and the Directors' Statement and the Auditors' Report thereon.			
2.	Approval for payment of proposed Directors' fees of S\$47,808/- for the financial year ended 30 June 2020.			
3.	Re-election of Ms Liu Xiuwen as Director of the Company.			
4.	Re-election of Mr Xiaoyao as Director of the Company.			
5.	Re-appointment of Messrs RT LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.			
SPECIAL BUSINESS				
6.	Authority to allot and issue shares.			

Dated this _____ day of _____, 2020

Total Number of Shares Held

Signature(s) of member(s) or
Common Seal of corporate member

IMPORTANT: Please read notes overleaf

Notes:

1. Due to the current Covid-19 restriction orders in Singapore, members will not be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
2. Members who hold shares through relevant intermediaries, and who wish to participate in the AGM by:-
 - (a) observing and/or listening to the AGM proceedings through live audio-visual webcast;
 - (b) submitting questions in advance of the AGM; and/or
 - (c) appointing the Chairman of the AGM as proxy to attend, speak and vote on their behalf at the AGM, should contact the relevant intermediary which they hold such shares as soon as possible in order to make the necessary arrangements for them to participate in the AGM.In addition, CPF and SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 20 October 2020, 5.00 p.m., being 7 working days before the date of the AGM.
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50:
 - (a) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
 - (b) a capital markets services licence holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. The Chairman of the AGM, as proxy, need not be a member of the Company.

Fold along this line

**Affix
Postage
Stamp Here**

The Company Secretary
ZHONGXIN FRUIT AND JUICE LIMITED
25 International Business Park
#02-53 German Centre
Singapore 609916

Fold along this line

4. The instrument appointing the Chairman of the AGM as proxy must be signed by the appointor or of his duly authorised attorney or if the appointor is a corporation, it must be executed under its common seal or signed by its attorney or officer duly authorised.
5. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register as well as shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
6. The Proxy Form must be submitted to in the following manner:-
 - (a) if submitted by post, be lodged at the registered office of the Company at 25 International Business Park, #02-53 German Centre, Singapore 609916; or
 - (b) if submitted electronically, be submitted via email to admin@zhongxinfr.com.in either case, by 28 October 2020, 10.00 a.m., being 48 hours before the time fixed for the AGM.
A member who wishes to submit a Proxy Form must complete and sign the Proxy Form, before submitting it by post to the address provided above, or before sending it by email to the email address provided above.
7. The Company shall be entitled to reject an instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy or proxies which has been lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register at least 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting this proxy form the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 15 October 2020.

ZHONGXIN FRUIT AND JUICE LIMITED

25 International Business Park
#02-53 German Centre
Singapore 609916

XUZHOU ZHONGXIN FRUIT & JUICE COMPANY LIMITED

DongCe, FengYu Road, Feng Xian
Xuzhou City, Jiangsu Province
Postal Code: 221700 People's Republic of China

YUNCHENG ZHONGXIN FRUIT & JUICE COMPANY LIMITED

Sunji Town, Linyi Xian, Yuncheng, Shanxi Province
Postal Code: 044100 People's Republic of China

Joint Venture

LINYI SDIC Zhonglu Fruit Juice Co. Ltd

YanJiaZhuang (GongMao District), Linyi Xian
Yuncheng, Shanxi Province
Postal Code: 044104 People's Republic of China