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

DELIVERING FRESHNESS AND VALUE

ANNUAL REPORT
2017

Corporate Profile

Zhongxin Fruit and Juice Limited

("Zhongxin", 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. ("SDIC Zhonglu") 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 SDIC")

The Group's subsidiary in Xuzhou city, Jiangsu province is equipped with an apple processing capacity of 40 tons per hour and concentrated apple juice production capacity of approximately 10,000 to 15,000 tons per year, while the subsidiary in Yuncheng city, Shanxi province has an apple processing capacity of 60 tons per hour and concentrated apple juice production capacity of approximately 12,000 to 17,000 tons per year and the joint venture in Linyi county, Yuncheng city, Shanxi province has 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 such as vegetable juice, fruit vinegar and fruit wine. 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 and beauty food sector in the future.

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

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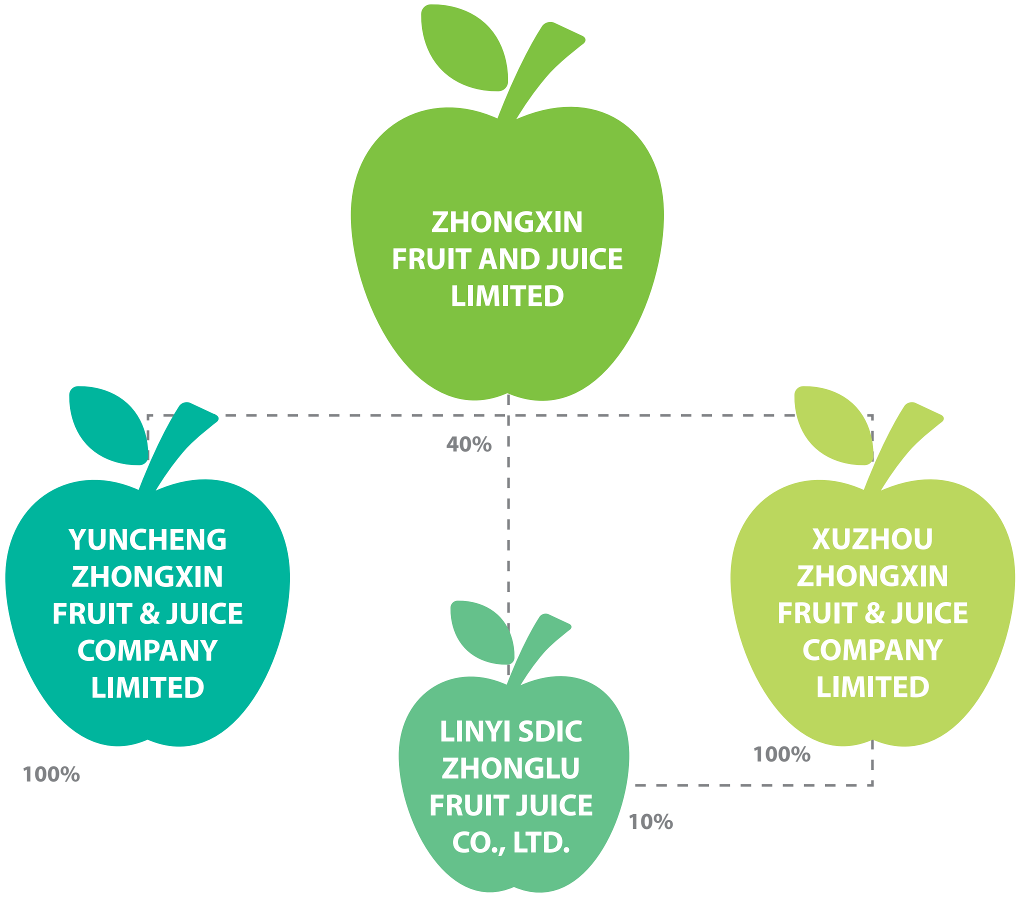
Group Structure



Location of Facilities

Chairman's Message

Given the good growth momentum in the market, we are confident to continue flourishing in our juice concentrate business, to further enhance our productivity as well as to consolidate and expand our existing business.

DEAR SHAREHOLDERS,

I am pleased and honoured to present to you our annual report for the financial year ended 30 June 2017 ("FY2017"). For the financial year under review, we were able to overcome the challenges in the course of production and the risks associated with the global trade market volatilities, whilst effectively accomplishing our production and operation targets, thus reaping economic returns and generating social good. Therefore, on behalf of the Company, I would like to express my gratitude to all our shareholders and various stakeholders for their tremendous support.

Focusing on our principal business, we are committed to providing high quality and safe juice concentrate to consumers. We have a comprehensive quality control system and a set of stringent food safety management and risk management measures in place. In the course of our business development, we have attached great importance to the relationship between profitability and corporate social responsibility, and have devoted great efforts to areas such as environment and social responsibility.

In 2017, a new production season has begun. Given the good growth momentum in the market, we are confident to continue flourishing in our juice concentrate business. In this regard, in addition to our existing production capacity, the Company has sought external outsourcing services to further enhance our productivity as well as to consolidate and expand our existing business.

In addition, we also endeavour to grow beyond being a company with a single product line. Leveraging on our existing R&D platform, we aim to step up our innovative efforts and strengthen collaboration between our businesses and projects to effectively improve corporate returns. At the same time, we would manage the risks associated with a single product market, so as to generate sustainable returns for our shareholders.

Lastly, I would like to take this opportunity to extend my appreciation to the Board, senior management and employees of Zhongxin for their contributions and efforts. Moving forward, we will further strengthen our ties with the community and enhance the general public's and shareholders' understanding of the Company. We sincerely hope that you will place your trust and confidence in us as we endeavour to push ahead the steady progression of the Company.

Zhang Jiming
Chairman & Executive Director
2017

Board of Directors and Key Management

BOARD OF DIRECTORS

ZHANG JIMING

Chairman and Executive Director

Mr Zhang was appointed as Chairman of the Board and Executive Director on 5 June 2015. He is currently in charge of the business development of the Company.

He is an engineer by profession and holds a bachelor's degree with several years of project management and business management experience. He presently serves on the board of related companies of SDIC Zhonglu Fruit Juice Co., Ltd. including SDIC Zhonglu Fruit Juice Co., Ltd, Shangdong Luling Fruit Juice Co., Ltd, Hancheng Zhonglu Fruit Juice Co., Ltd, Shanxi SDIC Zhonglu Fruit Juice Co., Ltd, and Zhonglu America Corporation. He was appointed as Senior Project Manager in State Development Investment Corp, as Senior Project Manager in SDIC Coal Co., Ltd and also as Vice General Manager in SDIC Huikang Investment Co Ltd. He is presently the General Manager of SDIC Zhonglu Fruit Juice Co., Ltd.

QUAN YUHONG

Non-Executive Director

Ms Quan was appointed as a Non-Executive Director and a member of the Audit Committee, Remuneration Committee and Nominating Committee on 19 October 2012.

She holds a Masters Degree in Economics and was a Senior Accountant and Senior Economist at the Ministry of Human Resources and Social Security of the PRC. 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.

NGIAM ZEE MOEY

Lead Independent Director

Mr Ngiam joined the Board on 26 October 2005 and was appointed as Lead Independent Director on 19 February 2014. He is the Chairman of the Audit Committee and a member of Nominating Committee and Remuneration Committee. He is presently the joint company secretary of AEI Corp Ltd.

Between 1987 to March 2005, he was the group financial controller of Lauw & Sons group of companies in Singapore and Australia, a diversified group dealing in real estate development, investment holdings and leisure activities. Mr Ngiam was the accounting manager of Primary Industries Enterprise, a government linked company in primary products trading and farming activities from 1983 to 1987. From 1980 to 1983, he was a tax officer with corporate branch of the Inland Revenue Department.

Mr Ngiam graduated from Nanyang University with Bachelor Degree in Commerce (Accountancy) in 1980. He is a non-practising fellow and member of Institute of Singapore Chartered Accountants as well as a fellow of Association of Chartered Certified Accountants UK.

LIU XIUWEN

Independent Director

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

She graduated from the 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 person-in-charge of China Electronics Corporation & China Satellite Communications Corporation. Previously, she was the person-in-charge of the annual report and public listing audit work for various listing aspirant companies and is equipped with extensive working experience to undertake audit work of large organisations and listed companies.

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

THAM MUN CHEE

Independent Director

Mr Tham joined the Board on 1 January 2015 as Independent Director. Presently, he is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee. He is presently the Accounting and Administration Manager of Elms Industrial Pte Ltd and Elms Industrial (Phils) Co., Inc from October 2008.

Before that, he was a remisier 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 Department.

Mr. Tham graduated from Nanyang University 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 FY2017, the Group generated total revenue of RMB88.96 million and net profit of RMB3.42 million.

FY2017 REVIEW

In FY2017, the Group generated total revenue of RMB88.96 million, income tax expense of approximately RMB28,000 and net profit of RMB3.42 million. As of 30 June 2017, the Group recorded total assets of RMB134.77 million; total liabilities and equity stood at RMB62.35 million and RMB72.41 million respectively.

Demand was seen slowly picking up in the international apple juice market, which overall remained in the doldrums. Added to this, the slow recovery of the global economy placed tremendous pressure on the fruit juice processing manufacturers. With the support of strong funding from SDIC Zhonglu, the Company's production remained stable and our performance were on track with our plans. Driven by all-rounded efforts across the Group, a breakthrough was made in both productivity and costing as we raised our net profits in FY2017. Capitalising on SDIC Zhonglu's sales network and resources, we were able to stabilise our business operations.

CORPORATE GOVERNANCE

In the course of business, the Group has established a sound corporate governance structure. Adhering to the Board's strong leadership, our management team led by the Executive Director, supported by the GM, who is responsible for the overall operation of the Group, have thoroughly implemented the business objectives for the year and built a comprehensive organisational structure and business procedures, based on internal control best practices. This has not only allowed business operations to continue as per normal, but has also effectively strengthened risk monitoring and management.

SYSTEM PROTECTION

As a food and beverage processing manufacturer, food safety is always our top priority. The Group provides healthy and safe raw materials of concentrated fruit juice for the beverage market by implementing stringent controls for raw material prevention, processing and export clearance. Our products adhere with the USA FDA standards and are certified by ISO, HACCP, SGF and KOSHER. These certifications offer operational system assurance for the production of safe food products.

FUTURE OUTLOOK

Moving into FY2018, Zhongxin and its subsidiaries will further step up its efforts in enhancing the Company's management and strengthening its internal control. At the same time, the Group will manage operational risks and food safety hazards, whilst raising environmental awareness and diversifying our product mix to increase profitability. We also strive to enhance the utilisation rate and productivity of equipment and assets. Yuncheng Zhongxin will invest in sewage treatment upgrade and reconstruction, and set up a new production line of juice decolourisation and deacidification; whereas Xuzhou Zhongxin will actively seek business opportunities based on its existing facility resources, introduce outsourcing services and accelerate the launch and implementation of ancillary juice products.

Corporate Information

BOARD OF DIRECTORS

ZHANG JIMING
Chairman and Executive Director

QUAN YUHONG
Non-Executive Director

NGIAM ZEE MOEY
Lead Independent Director

THAM MUN CHEE
Independent Director

LIU XIUWEN
Independent Director

AUDIT COMMITTEE

NGIAM ZEE MOEY
Chairman

THAM MUN CHEE

QUAN YUHONG

LIU XIUWEN

NOMINATING COMMITTEE

LIU XIUWEN
Chairman

NGIAM ZEE MOEY

THAM MUN CHEE

QUAN YUHONG

REMUNERATION COMMITTEE

THAM MUN CHEE
Chairman

NGIAM ZEE MOEY

QUAN YUHONG

LIU XIUWEN

COMPANY SECRETARY

LOH MEI LING

REGISTERED OFFICE

25 International Business Park,
#02-53 German Centre
Singapore 609916
Tel: 6557 2308

SHARE REGISTRAR

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

INDEPENDENT AUDITORS

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

Partner-in-Charge:
SU CHUN KEAT
Year of Appointment: Financial year ended 30 June 2015

PRINCIPAL BANKER

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

COMPANY REGISTRATION NO.

200208395H

CONTINUING SPONSOR

PrimePartners Corporate Finance Pte Ltd
16 Collyer Quay, #10-00
Income at Raffles
Singapore 049318

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**") recognizes 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 2017 ("**FY2017**") with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**"). The Board confirmed that for FY2017, the Company has adhered to the principles and guidelines as set out in the Code and/or the Guide and, where applicable, has specified and explained the deviation from the Code and/or the Guide in this Report. The Company will continually review its corporate governance processes to strive to fully comply with the Code and/or the Guide.

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board has 5 members and comprises the following:

Name of Director	Designation
Zhang Jiming	Chairman and Executive Director
Quan Yuhong	Non-Executive Director
Ngiam Zee Moey	Lead Independent Director
Liu Xiuwen	Independent Director
Tham Mun Chee	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 independent judgment in the best interests of shareholders of the Company at all times.

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 of these Board Committees has its own written terms of reference. The compositions of the Board Committees are as follows:

	AC	NC	RC
Chairman	Ngiam Zee Moey	Liu Xiuwen	Tham Mun Chee
Member	Quan Yuhong	Quan Yuhong	Quan Yuhong
Member	Liu Xiuwen	Ngiam Zee Moey	Ngiam Zee Moey
Member	Tham Mun Chee	Tham Mun Chee	Liu Xiuwen

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.

Minutes of the Board Committees' meetings are available to all Board members.

The Board conducted regular scheduled meetings. In FY2017, the Board conducted two regular scheduled meetings. Ad-hoc meetings are convened when circumstances require. 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. All Directors are provided with the agenda and a set of board papers prior to the Board meeting. 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 Board meeting 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.

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;
- 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.

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.

During FY2017, some Directors have attended the FRS and market briefing conducted by the accounting firms and financial institution and a Director has also attended the seminar on SGX-SID Audit Committee conducted by the Singapore Institute of Directors.

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.

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.

The attendance of the Directors at meetings of the Board and Board Committees held in FY2017 are as follows:

	Board	NC	AC	RC
Number of meetings held	**2**	**1**	**2**	**1**
Name		**Number of meetings attended**		
Zhang Jiming	2	1*	2*	1*
Quan Yuhong	2	1	2	1
Ngiam Zee Moey	2	1	2	1
Liu Xiuwen	2	1	2	1
Tham Mun Chee	2	1	2	1

Note

* By invitation.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises one Executive Director, one Non-Executive Director and three Independent Directors, with the Independent Directors making up more than half 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.

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	80%
– Business management	4	80%
– Legal or corporate governance	3	60%
– Relevant industry knowledge or experience	2	80%
– Strategic planning experience	4	80%
– Customer based experience or knowledge	3	60%
Gender		
– Male	3	60%
– Female	2	40%

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 required, the Non-Executive Directors will meet without the presence of management to review any matters that need to be raised privately. For FY2017, the Non-Executive Directors have met twice in the absence of management.

Mr Zhang Jiming and Ms Quan Yuhong are the representatives from SDIC Zhonglu Fruit Juice Co., Ltd. ("**SDIC Zhonglu**"), the major shareholder holding 53.11% interest in the share capital of Company as at the date of this report. 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 Code. 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 Ngiam Zee Moey, Mr Tham Mun Chee and Ms Liu Xiuwen, have confirmed that they have no relationship with the Company, its related corporations, its 10% 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 Code.

The Lead Independent Director, Mr Ngiam Zee Moey ("**Mr Ngiam**"), has served on the Board since his appointment in 2005. In assessing Mr Ngiam's independence, the NC had taken into consideration amongst others, the evaluation criteria such as the (i) his independent expression of views and deliberations; (ii) his objective and constructive challenge to the assumptions and viewpoints by management and (iii) the benefits received by the Company through the sharing by Mr Ngiam of his knowledge and understanding of the Group and its industry.

The NC was of the view that Mr Ngiam had constructively challenged the assumptions and viewpoints presented by management, expressed his views independently and actively involved in deliberations at the Board and Board Committees meetings. Mr Ngiam has also in the course of his tenure provided his valuable insights, knowledge and expertise to the Board, which is benefited by the management and the Board of Directors.

There was a major change in the substantial shareholders of the Company in October 2012 which led to the establishment of a substantially new management and board of directors since then. Mr Ngiam has been working with the current Board for 5 years since 2012.

The NC, after taking into consideration the above assessment and Mr Ngiam's tenure with the current management and Board, is of the view that although Mr Ngiam has been an Independent Director of the Company since 2005, his length of service with the Company has not affected or impaired his independence and judgement in performing his duty as an Independent Director of the Company.

The Board, on the recommendation of the NC, had reviewed and considered Mr Ngiam to be independent notwithstanding that he has served on the Board beyond nine years. Mr Ngiam had abstained from deliberations in respect of assessment of his own independence.

Mr Ngiam (the Lead Independent Director), and Ms Quan Yuhong (the Non-Executive Director), 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.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The role of Chairman is assumed by Mr Zhang Jiming, the Executive Director of the Company. Mr Zhang Jiming 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. Mr Zhang Jiming is an Executive Director overseeing the management of the Group. He is supported by Mr Ma Fei, the General Manager of the Company, who is responsible for overseeing the operations of the Group.

Mr Zhang Jiming and Mr Ma Fei are not related to each other.

In view that the Chairman is part of the management team, the Lead Independent Director, Mr Ngiam, will be available to address shareholders' concerns when 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.

Where circumstance required, 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. There were no instances arising in FY2017 which required the Independent Directors to meet in the absence of other Directors.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to 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
Ngiam Zee Moey – Member
Quan Yuhong – Member

The principal functions of the NC are summarized 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 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.

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.

There was no new director appointed in FY2017.

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 Directors shall retire from office at every Annual General Meeting ("**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. A newly appointed Director shall also submit himself for retirement at the AGM immediately after his appointment and shall be eligible for re-election at the said AGM.

Corporate Governance Report

The NC had recommended to the Board in which the Board has accepted the re-appointment of the following Directors at forthcoming AGM:–

Mr Zhang Jiming (retiring pursuant to Article 107)
Ms Quan Yuhong (retiring pursuant to Article 107)

All the above named Directors, being eligible for re-election, have offered themselves for re-election. Ms Quan Yuhong being a member of the NC, have abstained from reviewing and approving her own re-election.

Ms Quan Yuhong will, upon re-election as Director, remain as a member of the AC, NC and RC. The Board considers Ms Quan Yuhong to be non- independent for the purpose of Rule 704(7) of the Catalist Rules.

In making the above recommendation, the NC had considered the said Directors' overall contribution and performance. Please refer to the Notice of AGM for the resolutions put forth on their proposed re-election and re-appointment.

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

Name of Director	Date of initial appointment	Date of last re-election	Present directorship in listed companies	Past (preceding 3 years) directorship in listed companies	Other Principal Commitments, if any
Zhang Jiming	05/06/2015	29/10/2015	SDIC Zhonglu Fruit Juice Co., Ltd.	Nil	(1) General Manager of SDIC Zhonglu Fruit Juice Co., Ltd. (2) Director of Hancheng Zhonglu Fruit Juice Co., Ltd. (3) Director of Shandong Luling Fruit Juice Co., Ltd. (4) Director of Shanxi SDIC Zhonglu Fruit Juice Co., Ltd (5) Director of Zhonglu America Corporation. Note: (2) to (5) are either the wholly-owned subsidiaries or joint venture companies of SDIC Zhonglu Fruit Juice Co., Ltd.
Quan Yuhong	19/10/2012	29/10/2015	Nil	Nil	Chief Financial Officer of SDIC Zhonglu Fruit Juice Co., Ltd.
Ngiam Zee Moey	26/10/2005	27/10/2016	1) Courage Marine Group Limited 2) Hosen Group Limited	Nil	Joint Company Secretary of AEI Corporation Ltd.
Liu Xiuwen	1/1/2014	29/10/2015	Nil	Nil	Accountant of Da Hua Certified Public Accountants Co.
Tham Mun Chee	01/01/2015	27/10/2016	Nil	Nil	Accounting and Administration Manager of Elms Industrial Pte Ltd and Elms Industrial (Phils) Co., Inc.

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

The NC has taken cognizance of the Code with regard to the fixing of maximum number of board representations a Director may hold on other listed companies. Based on the attendance of the Directors and their contributions at meetings of the Board and Board Committees, and their time commitment to the affairs of the Company, the NC believes that it would not be necessary to put a maximum limit on the number of listed company board representations of each Director. However, the NC would continue to review from time to time, the Board representations and other principal commitments to ensure that Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

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 (if any), and is satisfied that all Directors have discharged their duties adequately for FY2017.

The Company currently does not have any alternate directors.

Board Performance

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

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 FY2017 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 FY2017.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

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 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 proceedings. 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.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC comprises the following members, the majority of whom, including the RC Chairman, are independent:

Tham Mun Chee – Chairman
Ngiam Zee Moey – Member
Liu Xiuwen – Member
Quan Yuhong – Member

The functions of the RC include the following:–

- recommend to the Board a framework of remuneration for the Directors and key executives, and determine specific remuneration packages for each Director and key executive, 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
- perform an annual review of the remuneration of employees related to the Directors and key executives (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 also reviews the Company's obligations arising in the event of termination of the Executive Director' and key executives' 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 FY2017.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The Company adopts a remuneration policy for Executive Director and key executives 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.

Mr Zhang Jiming ("**Mr Zhang**"), the Chairman and Executive Director of the Company joined the Company since 5 June 2015 and has since then opted not to receive remuneration for his services rendered to the Company. There was no remuneration paid to Mr Zhang in FY2017.

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 executives in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Director and key executives each 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.

Ms Quan Yuhong ("**Ms Quan**") was appointed as a Non-Executive Director on 19 October 2012 and had opted not to receive Director's fee for her services as a Non-Executive Director and member of the Board Committees since then. There was no remuneration paid to Ms Quan in FY2017.

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

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

A breakdown of the level and mix of remuneration paid/payable to each Director in FY2017 is as follows:–

	Fees	Salary	Bonus	Other Benefits	Total
Below S$250,000	**S$**	**S$**	**S$**	**S$**	**S$**
Zhang Jiming#	–	–	–	–	–
Quan Yuhong#	–	–	–	–	–
Ngiam Zee Moey*	40,000	–	–	–	40,000
Liu Xiuwen@	12,194	–	–	–	12,194
Tham Mun Chee	40,000	–	–	–	40,000

Notes

Both Mr Zhang Jiming and Ms Quan Yuhong have opted not to receive fee/remuneration in FY2017.

@ 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 – RMB4.9203 as at 30 June 2017.

* Apart from the S$40,000 director fee, Mr Ngiam also received RMB30,000 (in total) for his directorship in two subsidiary companies and one joint venture company in China.

Remuneration of Key Executives

The remunerations paid to the top key executives (who are not Directors) of the Group set out in bands of S$250,000 in FY2017 are as follows:–

	Base/Fixed Salary (%)	Variable or Bonuses (%)	Benefits in Kind (%)	Total (%)
Below S$250,000				
Ma Fei	100	–	–	100
Liu Zhenzhe	100	–	–	100

The Company has only two key executives. The aggregate remuneration paid to the abovementioned top key executives in FY2017 was S$47,502.

There are no termination, retirement and post-employment benefits granted to the Directors and/or the top key executives.

There was no employee of the Group who was an immediate family member of any Director whose remuneration exceeded S$50,000 in FY2017.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects. Financial reports and other price sensitive information are disseminated to shareholders through announcements and press releases via SGXNET.

Management provides the Board with management accounts and keeps the Board informed of, on a balanced and understandable basis, the Group's performance, position and prospects on a regular basis and enables the Board to discharge its duties efficiently.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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, 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 FY2017, 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 financial statements give a true and fair view of the Company's operations and finances and (ii) the Company's risk management and internal controls systems are effective.

The internal auditors had conducted a comprehensive Control Self-Assessment ("**CSA**") exercise for the Company and its subsidiaries in FY2017. Based on their review and assessment, the internal auditors confirmed to the AC that the system of internal controls of the Group in place in FY2017 was satisfactory and achieved the internal control objectives, as well as addressed the financial, operational, compliance and information technology controls and risks management systems of the Company.

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 internal controls, addressing the financial, operational, compliance and information technology risks and the risk management systems in place were adequate and effective for FY2017.

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 assets.

Audit Committee

Principle 12: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

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

Ngiam Zee Moey – Chairman
Tham Mun Chee – Member
Liu Xiuwen – Member
Quan Yuhong – 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 external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm.

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 FY2017, 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;
- 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 and internal auditors without the presence of the management in FY2017.

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$2,800 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 associated companies 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 associated company, 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 Ngiam Zee Moey, the AC Chairman and Lead Independent Director. 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 FY2017.

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audit.

The Group has outsourced its internal audit function to Virtus Assure Pte Ltd, a qualified professional firm which meets the standards set by internationally recognised professional bodies including the International Professional Practices Framework issued by the Institute of Internal Auditors.

The main objective of the internal audit function is to assist the Group in evaluating and assessing the 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 also reviews and approves the internal auditors' plan for each financial year to ensure that the scope of the plan is adequate and covers the review of the significant internal controls of the Group, including financial, operational, compliance and information technology controls. The internal auditors will report its audit findings and recommendations to the AC.

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

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity 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.

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 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. An independent 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.

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 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 FY2017, the Company did not propose any dividends so as to retain the cash in the Group for its future growth plans.

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 meeting 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. All minutes of general meetings are available to shareholders for inspection upon request.

Dealings in Securities

The Company has adopted an internal code on dealings in 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.

Corporate Governance Report

Interested Person Transactions ("IPTs")

In compliance with Rule 920 of the Catalist Rules, the value of IPTs conducted in FY2017 was as follow:–

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than SGD100,000 and excluding 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)
SDIC Zhonglu	(a) Purchase of concentrated apple juice by a subsidiary of the Company from subsidiaries of SDIC Zhonglu. 2,480	(c) Sales by the Group to SDIC Zhonglu. 87,668
	(b) Payment to a subsidiary of SDIC Zhonglu for lease of certain storage facility. 1,030	(d) Interest paid by subsidiaries of the Company with respect to the working capital provided by SDIC Zhonglu. 2,161
		(e) Interest received from SDIC Zhonglu for excess cash deposit by the Group in relation to the financing from SDIC Zhonglu Group. 604
Total	**3,510**	**90,433**

Notes:

(1) Transaction (a) represented approximately 4.04% of the Group's latest audited net tangible assets of RMB61,385,000.

(2) Transaction (b) was in relation to the lease of certain storage facility which falls within the exception as set out under Rule 916(1) of the Catalist Rules.

Save as disclosed above, there are no other IPTs above S$100,000 in FY2017.

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

The Continuing Sponsor of the Company is PrimePartners Corporate Finance Pte. Ltd.. There were no non-sponsor fees paid to the Sponsor by the Company in FY2017.

Financial Contents

Directors' Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Zhongxin Fruit and Juice Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 30 June 2017, and the statement of financial position of the Company for the financial year ended 30 June 2017.

Opinion of the Directors

In the opinion of the directors,

a) the accompanying statement of financial position of the Company and the consolidated financial statements of the Group together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2017 and of the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date; 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:

Zhang Jiming
Quan Yuhong
Ngiam Zee Moey
Liu Xiuwen
Tham Mun Chee

In accordance with the Company's Constitution, Mr Zhang Jiming and Ms Quan Yu Hong retire and, being eligible, offer themselves for re-election.

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

None of the directors who held office at the end of the financial year, had according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act (the "Act"), held an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) except as follows:

	Number of ordinary shares			
	Holding registered in the name of director or nominee		Holding in which director is deemed to have an interest	
The Company	**As at 1.7.2016**	**As at 30.6.2017**	**As at 1.7.2016**	**As at 30.6.2017**
Mr Ngiam Zee Moey	355,714	355,714	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 July 2017.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Directors' Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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.

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

There were no shares issued by virtue of any exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

Audit Committee

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. 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.

On behalf of the board of directors

Quan Yuhong
Director

Ngiam Zee Moey
Director

Singapore
11 October 2017

Independent Auditor's Report

To the Members of Zhongxin Fruit and Juice Limited
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

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 statements of financial position of the Group and of the Company as at 30 June 2017, 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 financial 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 Financial Reporting Standards in Singapore (FRSs) 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 2017 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 (ACRA) *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 Matter	How the matter was addressed in the audit
Impairment of assessment on Xuzhou Zhongxin Fruits and Juice Co.,Ltd's ("Xuzhou") property, plant and equipment ("PPE"). As at 30 June 2017, the carrying amount of Xuzhou's PPE constituted 25.25% of the total assets of the Group. Management is required to assess at the end of each reporting period whether there is any indication that the PPE may be impaired. Management has assessed that there are indicators of impairment of the PPE as at 30 June 2017 as Xuzhou has temporarily ceased production since FY2016. As such, management has performed an impairment test on the PPE. The recoverable amount of PPE 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 PPE is required. The key assumptions to the impairment assessment of PPE is disclosed in Note 3.2 (iii) to the financial statements.	Our audit procedures focused on evaluating and challenging the key assumptions used by the external valuer in the impairment assessment of the property, plant and equipment. As the recoverable amount was determined using fair value less costs of disposal by an external valuer, our procedures include: • Evaluate the independence and competency of the external professional valuer. • Assess whether the valuation methodology is reasonable and obtaining reasonable assurance valuation over the inputs to the valuation model.

Other Information

Management is responsible for the other information. The other information comprises the information (business overview, corporate governance and shareholder statistics) which are 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.

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 FRSs, 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.

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 period 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 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 Su Chun Keat.

RT LLP
Public Accountants and
Chartered Accountants
Singapore

Singapore, 11 October 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Group 2017 RMB'000	Group 2016 RMB'000
Revenue	4	**88,819**	88,182
Cost of sales		**(68,017)**	(73,228)
Gross profit		**20,802**	14,954
Other income:			
Other operating income	5	**945**	3,870
Expenses:			
Distribution expenses		**(7,104)**	(10,246)
Administrative expenses		**(11,010)**	(11,778)
Finance costs	7	**(2,180)**	(2,846)
Share of profit from equity-accounted joint venture	11	**1,997**	8,095
Profit before income tax	8	**3,450**	2,049
Income tax expense	9	**(28)**	(734)
Profit for the financial year		**3,422**	1,315
Other comprehensive income for the financial year, net of tax		**–**	–
Total comprehensive income for the financial year attributable to owners of the Company		**3,422**	1,315
Earnings per share for earnings attributable to owners of the Company (cents)			
– Basic	10	**0.32**	0.12
– Diluted	10	**0.32**	0.12

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

Statements of Financial Position

AS AT 30 JUNE 2017

	Note	Group 2017 RMB'000	Group 2016 RMB'000	Company 2017 RMB'000	Company 2016 RMB'000
ASSETS					
Non-current Assets					
Investment in joint venture	11	**10,437**	8,440	**10,451**	–
Investment in subsidiaries	12	**–**	–	**48,223**	48,223
Property, plant and equipment	13	**64,780**	66,143	**2**	4
Land use rights and intangible assets	14	**7,438**	7,607	**–**	–
		82,655	82,190	**58,676**	48,227
Current Assets					
Cash and cash equivalents	15	**6,510**	1,785	**6,230**	1,399
Other receivables	16	**2,446**	3,446	**–**	–
Receivable from subsidiaries	17	**–**	–	**68,951**	75,483
Receivable from related parties	18	**–**	812	**–**	–
Receivable from immediate holding company	19	**34,745**	19,228	**–**	–
Prepayments		**1,312**	861	**–**	–
Inventories	20	**7,098**	16,309	**–**	–
		52,111	42,441	**75,181**	76,882
Total Assets		**134,766**	**124,631**	**133,857**	**125,109**
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	**3,040**	955	**–**	–
Accumulated losses		**(204,719)**	(206,056)	**(119,406)**	(128,254)
Equity attributable to owners of the Company		**72,414**	68,992	**132,687**	123,839
Current Liabilities					
Trade and other payables	24	**8,915**	7,718	**1,170**	1,270
Payable to related parties	25	**–**	1,783	**–**	–
Payable to immediate holding company	26	**53,437**	46,138	**–**	–
Total Liabilities		**62,352**	55,639	**1,170**	1,270
Total Equity and Liabilities		**134,766**	**124,631**	**133,857**	**125,109**

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

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	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 2015	252,093	22,000	791	(207,207)	67,677
Profit for the year, representing total comprehensive income for the financial year	–	–	–	1,315	1,315
Transfer to statutory and other reserves representing transaction with equity holders as owners of the Group	–	–	164	(164)	–
Balance at 30 June 2016	252,093	22,000	955	(206,056)	68,992
Profit for the year, representing total comprehensive income for the financial year	–	–	–	3,422	3,422
Transfer to statutory and other reserves representing transaction with equity holders as owners of the Group	–	–	2,085	(2,085)	–
Balance at 30 June 2017	252,093	22,000	3,040	(204,719)	72,414

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Group 2017 RMB'000	Group 2016 RMB'000
Operating activities			
Profit before income tax		**3,450**	2,049
Adjustments for:			
Amortisation of land use rights and intangible assets		**169**	212
Depreciation of property, plant and equipment		**1,576**	1,534
Share of profit from equity-accounted joint venture		**(1,997)**	(8,095)
Write-back of trade and other payables		**(183)**	(3,736)
Interest expense		**2,161**	2,835
Interest income		**(606)**	(3)
Operating profit/(loss) before working capital changes		**4,570**	(5,204)
Inventories		**12,435**	34,741
Other receivables		**1,000**	199
Receivable from related parties		**801**	(801)
Receivable from immediate holding company		**(15,517)**	(7,793)
Prepayments		**(451)**	(614)
Trade and other payables		**1,380**	(2,236)
Payable to related parties		**(28)**	28
Cash flows from operations		**4,190**	18,320
Income tax paid		**(28)**	(734)
Net cash generated from operating activities		**4,162**	17,586
Investing activities			
Interest received		**606**	3
Purchase of property, plant and equipment		**(3,437)**	(2,001)
Net cash used in investing activities		**(2,831)**	(1,998)
Financing activities			
Advances from/(Repayment to) immediate holding company		**7,299**	(15,829)
Net repayment (to)/advances from related parties		**(1,744)**	1,224
Interest paid		**(2,161)**	(2,835)
Net cash generated from/(used in) financing activities		**3,394**	(17,440)
Net change in cash and cash equivalents		**4,725**	(1,852)
Cash and cash equivalents at beginning of the financial year		**1,785**	3,637
Cash and cash equivalents at end of the financial year	15	**6,510**	1,785

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

Notes to the Financial Statements

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

1. CORPORATE 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 ("SDIC Zhonglu") 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.

The statement of financial position of the Company and consolidated financial statements of the Group for the financial year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") and the related Interpretations to FRS ("INT FRS") as issued by the Singapore Accounting Standards Council, and the Singapore Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except for the accounting policies as disclosed below.

The financial statements are presented in Chinese Renminbi and all values in the tables are rounded to the nearest thousand (RMB'000), except when otherwise indicated.

The preparation of financial statements in conformity with FRS 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.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 Adoption of new and revised standards

In the current financial year, the Group has adopted all the new and revised FRSs and INT FRS that are relevant to its operations and effective for annual periods beginning on or after 1 July 2016. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

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

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective which are relevant to the Group and Company:

Title	Effective for annual periods beginning on or after
Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 115: *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019

The Directors do not anticipate that the adoption of the above FRSs in future periods will have a material impact on the financial statements of the Company and the Group in the period of their initial adoption except for FRS 109, FRS 115 and FRS 116. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the potential impact of the application of FRS 109 on the financial statements of the Group in the period of their initial application.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the potential impact of the application of FRS 115 on the financial statements of the Group in the period of their initial application.

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

2.3 Standards issued but not yet effective (Cont'd)

FRS 116 *Leases*

FRS 116 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity.

FRS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-to-use asset representing its right to use the underlying lease asset and a lease liability representing its obligation to make lease payments.

FRS 116 is effective for annual periods beginning on or after 1 January 2019 with early application permitted for entities that apply FRS 115 *Revenue from Contracts with Customers* at or before the date of initial application of FRS 116. The Group is currently assessing the potential impact of the application of FRS 116 on the financial statements of the Group in the period of their initial application.

2.4 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, when it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(i) Sale of goods

Sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the goods sold.

(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.

2.5 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.

Government grants relating to assets are deducted against the carrying amount of the assets.

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

2.6 Group accounting

(i) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the fair values of the net identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed is recorded as goodwill.

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

2.6 Group accounting (Cont'd)

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

(iv) 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 Group accounts for its investment in joint venture using the equity method from the date on which it becomes a joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in joint venture is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The profit or loss reflects the share of results of the operations of the joint venture. Distributions received from joint venture reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint venture.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in joint venture. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint venture are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

2.7 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.

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

2.8 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.

2.9 Investments in subsidiaries and joint venture

In the Company's separate financial statements, investments in subsidiaries and joint venture are accounted for at cost less accumulated impairment losses. On disposal of investments in subsidiaries and joint venture, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.10 Impairment of non-financial assets

- Property, plant and equipment
- Land use rights
- Investments in subsidiaries and joint venture

Property, plant and equipment, land use rights and investments in subsidiaries and joint venture are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost of disposal and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

2.11 Financial assets

(i) Classification

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "loans and receivables", "held-to-maturity investments" and "available-for-sale" financial asset. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through profit or loss is irrevocable.

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

2.11 Financial assets (Cont'd)

(i) Classification (Cont'd)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets. Loans and receivables are presented as "other receivables", "receivable from subsidiaries", "receivable from related parties", "receivable from immediate holding company" and "cash and cash equivalents" on the statements of financial position.

(ii) 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 a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is transferred to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(iii) Initial measurement

Financial assets classified as loans and receivables are initially recognised at fair value plus transaction costs.

(iv) Subsequent measurement

Loans and receivables financial assets are subsequently carried at amortised cost using the effective interest method.

(v) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

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

2.11 Financial assets (Cont'd)

(v) Impairment (Cont'd)

Loans and receivables (Cont'd)

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.12 Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash on hand and in banks and short-term deposits which are held to maturity are carried at cost.

2.13 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.

Borrowing cost – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.14 Financial liabilities

Financial liabilities include trade and other payables, payable to related parties, payable to immediate holding company and advances. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities. Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

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

2.15 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, except for share-based payment transactions that are within the scope of FRS 102 Share-based Payment, leasing transactions that are within the scope of FRS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 Inventories or value in use in FRS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

(a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(b) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

(c) Level 3 inputs are unobservable inputs for the asset or liability.

2.16 Leases

(i) When the Group is the lessee:

The Group leases property, plant and equipment 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.

(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.

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

2.17 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.

2.18 Income 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.

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.

<u>Value-added-tax</u>

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.

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

2.18 Income taxes (Cont'd)

Value-added-tax (Cont'd)

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.

2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past events, it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risk specific to the obligation. The increase in the provision due to the passage of time is recognised as finance expense.

Changes in the estimated timing or amount of the expenditure of discount rate are recognised in profit or loss when the changes arise.

2.20 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.

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

2.21 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.

2.22 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.

2.23 Share capital

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

2.24 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.25 Contingencies

A contingent liability is:

(i) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(ii) a present obligation that arises from past events but is not recognised because:

  (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (b) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

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.

(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) Impairment and collectability of receivables

The Group follows the guidance of FRS 39 to determine when receivables are impaired. This determination requires certain level of judgement. The Group first assesses whether objective evidence of impairment exists for individually significant debtors and collectively for debtors which are not individually significant. The Group evaluates, among other factors, financial status of the debtor, and changes in the collection status and changes in industry conditions that affect the debtors. Trade and other receivables that are collectively evaluated for impairment are based on historical loss experience for receivables with similar credit risk characteristics.

The methodology and assumptions used for estimating potential impairment loss are reviewed regularly to reduce the differences between loss estimates and actual loss experience.

Where the expected outcome is different from the original estimate, such differences will impact the carrying value of the receivables, including the impairment or write-back of impairment in the period in which such estimates has been made.

The carrying amounts of the other receivables, receivable from subsidiaries, receivable from related parties and receivable from immediate holding company of the Group and Company at the end of the reporting period are disclosed in Note 16, 17, 18 and 19 to the financial statements respectively.

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

3.2 Critical accounting estimates and assumptions (Cont'd)

(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 RMB64,780,000 (2016: RMB66,143,000). 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.

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

As at 30 June 2017, 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 RMB34,023,581 (2016: RMB36,292,297). Management has assessed that there is an indication of impairment of Xuzhou's property, plant and equipment as Xuzhou Zhongxin had temporary ceased production since FY2016.

As such, management has performed an impairment test on the PPE. The recoverable amount of PPE 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 PPE 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, which is recognised valuation techniques 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 machinery taking into account factors like 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 plant, and machinery.

(iv) 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 RMB7,098,000 (2016: RMB16,309,000).

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

3.2 Critical accounting estimates and assumptions (Cont'd)

(v) 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.

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 as disclosed in Note 30.

5. OTHER OPERATING INCOME

	Group	
	2017	2016
	RMB'000	**RMB'000**
Foreign currency exchange gain	**–**	97
Government grants/incentives	**19**	32
Interest income from related parties	**604**	–
Interest income from bank	**2**	3
Write-back of trade and other payables	**183**	3,736
Other income	**–**	2
Rental income	**137**	–
	945	3,870

During the current and previous financial year, the Management has gone through a detailed analysis and assessment of the trade and other 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 and other payables of approximately RMB183,000 (2016: RMB3,736,000) were no longer liable to be paid. Consequently, these amounts were written back to profit or loss as other income in the relevant financial year. Rental income is an ad-hoc transaction under normal business operating and it did not incur any future commitment.

6. STAFF COSTS

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Wages and salaries	**5,604**	6,192
Employer's contribution to defined contribution plans including Central Provident Fund	**1,384**	1,911
Other staff costs	**167**	306
	7,155	8,409

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	
	2017	**2016**
	RMB'000	**RMB'000**
Wages and salaries	**1,095**	1,515
Directors' fees (Note 8)	**463**	592
	1,558	2,107

7. FINANCE COSTS

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Interest on borrowings:		
– with respect to advances received from immediate holding company	**2,161**	2,835
Others	**19**	11
	2,180	2,846

8. PROFIT BEFORE INCOME TAX

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
This was arrived at after charging:		
Amortisation of land use rights (Note 14)	**169**	212
Audit fees to auditors of the Company	**454**	427
Audit fees to other auditors	**295**	146
Directors' fees (Note 6)	**463**	592
Depreciation of property, plant and equipment (Note 13)	**1,576**	1,534
Foreign exchange loss	**7**	–
Operating lease expense (Note 29)	**1,030**	595

9. INCOME TAX EXPENSE

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Current income tax		
– for the financial year	**28**	734

A reconciliation between tax expense and the product of the accounting profit multiplied by the applicable corporate tax rate are as follows:

	Group	
	2017	**2016**
	RMB'000	**RMB'000**
Profit before income tax	**3,450**	2,049
Tax calculated at tax rate of 17%	**587**	348
Effect of different tax rate in PRC	**276**	147
Income not subject to tax	**(846)**	(91)
Expenses not deductible	**11**	330
	28	734

Income tax expense was related to Yuncheng Zhongxin with respect to the income tax paid for the write-back of trade and other payables recognised in FY2017 and FY2016.

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 profits of the subsidiaries would be fully exempted from PRC corporate income tax for the financial years 2016 and 2017. Certain provinces in the PRC will require the application of tax exemption in year 2016 and 2017.

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 2017 and 2016.

	Group	
	2017	**2016**
Net earnings for the year (RMB'000)	**3,422**	1,315
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 per share)	**0.32 cents**	0.12 cents

11. INVESTMENT IN JOINT VENTURE

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Unquoted share at cost	**28,336**	28,336	**23,336**	23,336
Less: Allowance for impairment	**–**	–	**(23,336)**	(23,336)
Reversal of allowance for impairment	**–**	–	**10,451**	–
Share of loss	**(17,899)**	(19,896)	**–**	–
	10,437	8,440	**10,451**	–
Movement in share of loss:				
Balance at beginning	**(19,896)**	(27,991)		
Share of profit for the financial year	**1,997**	8,095		
Balance at end	**(17,899)**	(19,896)		

In view that Linyi SDIC Zhonglu Fruit Juice Co., Ltd has continued to experience increase in revenue and profit from FY2016, which are indicators for reversal of impairment, the Group has carried out a review of the recoverable amount of investment in joint venture during the financial year. Arising from the review, management has made a reversal of impairment loss amounting to RMB 10,451,366 (2016: Nil) as a result of its recoverable amount being assessed to be higher than its carrying amount. The recoverable amount of the investment in joint venture was determined based on forecasting the expected cash flows projection (value in use) for a period of up to 5 years, using a suitable discount rate in order to calculate the present value of the cash flows.

The details of the joint venture as at 30 June 2017 were as follows:

Name of Joint venture	Principal Activities	Country of incorporation/ place of business	Equity holding 2017 %	Equity holding 2016 %
Linyi SDIC Zhonglu Fruit Juice Co., Ltd ("Linyi")*	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.

11. INVESTMENT IN JOINT VENTURE (CONT'D)

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

	2017 RMB'000	2016 RMB'000
Cash and cash equivalents	**602**	636
Other current assets	**17,620**	15,324
Total current assets	**18,222**	15,960
Non-current assets	**29,309**	29,566
Total assets	**47,531**	45,526
Current financial liabilities (excluding trade payables)	**(25,647)**	(28,113)
Other current liabilities (including trade payables)	**(1,011)**	(533)
Total current liabilities	**(26,658)**	(28,646)
Net assets	**20,873**	16,880
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets	**10,437**	8,440

Summarised statement of profit or loss and other comprehensive income

	2017 RMB'000	2016 RMB'000
Revenue	**75,298**	110,478
Cost of sales	**(62,437)**	(84,422)
Gross profit	**12,861**	26,056
Interest income	**3**	–
Other operating income	**65**	345
Operating expenses	**(6,832)**	(7,585)
Interest expense	**(1,851)**	(2,376)
Depreciation and amortisation	**(253)**	(250)
Profit before income tax	**3,993**	16,190
Income tax expense	**–**	–
Profit for the financial year	**3,993**	16,190

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 RMB'000	2016 RMB'000
Unquoted equity shares, at cost	**65,627**	65,627
Add: Foreign exchange	**21**	21
Less: Impairment loss	**(17,425)**	(17,425)
	48,223	48,223
Movement of impairment loss in investment in subsidiaries is as follows:		
Balance at beginning and end of the financial year	**17,425**	17,425

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

The details of the subsidiaries as at 30 June 2017 are as follows:

Name of Subsidiaries	Principal Activities	Country of incorporation/ place of business	Percentage of equity held 2017 %	Percentage of equity held 2016 %	Cost of investments 2017 RMB'000	Cost of investments 2016 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.

13. PROPERTY, PLANT AND EQUIPMENT

(a) Group

2017	Buildings RMB'000	Plant & machinery RMB'000	Furniture, fittings & office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:					
As at 1 July 2016	59,161	93,747	3,453	2,067	158,428
Additions	145	3,245	47	–	3,437
Reclassifications	–	5	(5)	–	–
As at 30 June 2017	**59,306**	**96,997**	**3,495**	**2,067**	**161,865**
Accumulated depreciation and impairment loss:					
As at 1 July 2016	19,911	68,727	1,758	1,889	92,285
Depreciation for the financial year	2,032	2,459	274	35	4,800
Reclassifications	–	(667)	667	–	–
As at 30 June 2017	**21,943**	**70,519**	**2,699**	**1,924**	**97,085**
Carrying amount:					
As at 30 June 2017	**37,363**	**26,478**	**796**	**143**	**64,780**

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

(a) Group (Cont'd)

	Buildings RMB'000	Plant & machinery RMB'000	Furniture, fittings & office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
2016					
Cost:					
As at 1 July 2015	59,049	94,404	1,552	1,422	156,427
Additions	112	1,860	29	–	2,001
Reclassifications	–	(2,517)	1,872	645	–
As at 30 June 2016	59,161	93,747	3,453	2,067	158,428
Accumulated depreciation and impairment loss:					
As at 1 July 2015	18,004	67,227	1,182	1,316	87,729
Depreciation for the financial year	1,868	2,406	238	44	4,556
Reclassifications	39	(906)	338	529	–
As at 30 June 2016	19,911	68,727	1,758	1,889	92,285
Carrying amount:					
As at 30 June 2016	39,250	25,020	1,695	178	66,143

(b) Company

	Furniture, fittings & office equipment RMB'000
2017	
Cost:	
As at 1 July 2016/30 June 2017	151
Accumulated depreciation:	
As at 1 July 2016	147
Depreciation for the financial year	2
As at 30 June 2017	**149**
Carrying amount:	
As at 30 June 2017	**2**
2016	
Cost:	
As at 1 July 2015/30 June 2016	151
Accumulated depreciation:	
As at 1 July 2015	144
Depreciation for the financial year	3
As at 30 June 2016	147
Carrying amount:	
As at 30 June 2016	4

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

(b) Company (Cont'd)

	Group		Company	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Depreciation expense charged to:				
Cost of sales	**569**	453	**–**	–
Administrative expenses	**820**	889	**2**	3
Distribution expenses	**187**	192	**–**	–
Total charged to profit or loss (Note 8)	**1,576**	1,534	**2**	3
Capitalised in Inventories (Note 20)	**3,224**	3,022	**–**	–
	4,800	4,556	**2**	3

14. LAND USE RIGHTS AND INTANGIBLE ASSETS

	Group	
	2017 RMB'000	2016 RMB'000
Cost:		
At beginning of financial year and at end of financial year	**9,253**	9,253
Accumulated amortisation:		
At beginning of financial year	**1,646**	1,434
Charge to profit or loss (Note 8)	**169**	212
At end of financial year	**1,815**	1,646
Carrying amount:		
At end of financial year	**7,438**	7,607
Comprising of:		
Transferable land use rights	**7,438**	7,603
Intangible assets – computer software	**–**	4
	7,438	7,607

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

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Cash and bank deposits	**6,510**	1,785	**6,230**	1,399

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	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Renminbi	**280**	386	**–**	–
Singapore dollar	**6,230**	1,399	**6,230**	1,399
	6,510	1,785	**6,230**	1,399

16. OTHER RECEIVABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Other receivables:				
– Non-related parties	**2,320**	2,918	**–**	–
Less: Allowance for doubtful debts:				
As at beginning and end of year	**(120)**	(120)	**–**	–
Net other receivables	**2,200**	2,798	**–**	–
Deposits	**246**	254	**–**	–
Value-added-tax receivable	**–**	394	**–**	–
Dividend receivable	**–**	2,000	**–**	2,000
Less: Impairment of dividend receivables	**–**	(2,000)	**–**	(2,000)
	–	–	**–**	–
	2,446	3,446	**–**	–

17. RECEIVABLE FROM SUBSIDIARIES

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

18. RECEIVABLE FROM RELATED PARTIES

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Trade	**–**	801	**–**	–
Non-trade	**–**	11	**–**	–
	–	812	**–**	–

Trade amount receivable was non-interest bearing and was generally on 60 days' terms. They were recognised at their original invoice amounts which represent their fair values on initial recognition.

The non-trade amount receivable from related parties was unsecured, interest-free and was repayable on demand. The amount of outstanding balance was due from the related companies of immediate holding company.

19. RECEIVABLE FROM IMMEDIATE HOLDING COMPANY

Amount receivable from immediate holding company was trade in nature, non-interest bearing 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	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	**3,299**	2,887	**–**	–
Work-in-progress	**3,991**	4,674	**–**	–
Finished goods	**1**	8,941	**–**	–
	7,291	16,502	**–**	–
Less: Allowance for slow moving inventories:	**(193)**	(193)	**–**	–
	7,098	16,309	**–**	–

The cost of inventories recognised as an expense and included in "Cost of sales" amounted to approximately RMB55,639,042 (2016: RMB62,813,668).

Depreciation of approximately RMB3,224,000 (2016: RMB3,022,000) were absorbed into inventories' costing (Note 13).

21. SHARE CAPITAL

	Group and Company			
	2017		2016	
	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. TRADE AND OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables:				
– Non-related parties	**4,216**	3,784	**–**	–
Other payables:				
– Non-related parties	**1,245**	1,537	**–**	–
Accrued salaries, bonus and directors' remunerations	**1,659**	2,194	**461**	592
Accruals	**1,795**	191	**709**	678
Advances received*	**–**	12	**–**	–
	8,915	7,718	**1,170**	1,270

** Advances received*

Advances received from customers in the previous financial year were unsecured, interest-free and repayable on demand.

25. PAYABLE TO RELATED PARTIES

	Group		Company	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
Trade	**–**	28	**–**	–
Non-trade	**–**	1,755	**–**	–
	–	1,783	**–**	–

Trade amount payable was non-interest bearing and was generally on 60 days' terms. They were recognised at their original invoice amounts which represent their fair values on initial recognition.

The non-trade amount payable to related parties was unsecured, interest-free and was repayable on demand. The amount of outstanding balance was due to the related companies of immediate holding company.

26. PAYABLE TO IMMEDIATE HOLDING COMPANY

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

27. 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	
	2017	**2016**
	RMB'000	**RMB'000**
Construction costs	**4,507**	933
Purchase of machineries	**–**	94
	4,507	1,027

28. 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 all 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 RMB87,668,000 (2016: RMB57,100,000) was derived from a related party (Note 29), in relation to sale of fruit juice concentrate, constituted approximately 98.6% (2016: 64.8%) of total revenue.

29. 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	
	2017	**2016**
	RMB'000	**RMB'000**
Sales to:		
– immediate holding company, SDIC Zhonglu	**87,668**	57,100
– joint venture, Linyi	**19**	70
– related party, Fuping Zhonglu Fruit & Vegetable Juice Co., Ltd.^	**–**	158
– related party, Hebei SDIC Zhonglu Fruit and Vegetable Juice Co., Ltd ("Hebei SDIC")^	**181**	248
– related party, Qingdao SDIC Zhonglu Fruit Juice Co., Ltd ("Qingdao SDIC")^	**2**	23
– related party, Rushan Zhongcheng Fruit Juice Beverage Co., Ltd ("Rushan Zhongcheng")^	**16**	13,768
– related party, Rushan R&D Center of SDIC Zhonglu^	**–**	4
– related party, Shandong Luling Fruit Juice Co., Ltd ("Shandong Luling")^	**–**	5,535
– related party, Shanxi SDIC Zhonglu Fruit Juice Co., Ltd ("Shanxi SDIC")^	**–**	58
Purchases from:		
– joint venture, Linyi	**835**	–
– related party, Liaoning SDIC Zhonglu Fruit Juice Co., Ltd (Liaoning SDIC")^	**1,647**	1,451
Purchase of machineries and equipments from:		
– related party, Hancheng Zhonglu Fruit Juice Co., Ltd ("Hancheng Zhonglu")^	**127**	422
– related party, Liaoning SDIC^	**–**	1,078
Payment to a subsidiary of SDIC Zhonglu for lease of certain storage facility#	**1,030**	595
Interest paid with respect to the loans and advances provided by immediate holding company, SDIC Zhonglu	**2,161**	2,835
Interest received from SDIC Zhonglu for excess cash deposit by the Group in relation to financing from SDIC Zhonglu	**604**	**–**
Sales by joint venture, Linyi to:		
– immediate holding company, SDIC Zhonglu	**33,934*****	40,148*
– related party, Hebei SDIC^	**519***	–
– related party, Qingdao SDIC^	**346***	–
– related party, Rushan Zhongcheng^	**241***	102*
– related party, Shandong Luling^	**–**	350*
– related party, Shanxi SDIC^	**89***	786*
Purchases by joint venture, Linyi from:		
– related party, Hancheng Zhonglu^	**60***	44*
– related party, Liaoning SDIC^	**450***	–
– related party, Qingdao SDIC^	**159***	70*
– related party, Rushan Zhongcheng^	**441***	309*
– related party, Shandong Luling^	**1,550***	641*
– related party, Shandong SDIC Nong Mu^	**206***	–
– related party, Wan Rong SDIC^	**13***	–
Interest paid by joint venture, Linyi to immediate holding company, SDIC Zhonglu for loans and advances received from immediate holding company, SDIC Zhonglu	**359***	1,184*

29. RELATED PARTY TRANSACTIONS (CONT'D)

^ 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%.

Yuncheng Zhongxin, a subsidiary of the Company and Qingdao SDIC Zhonglu Fruit Juice Co., Ltd ("QSZ") for QSZ to lease certain storage facility to Yuncheng Zhongxin for one year beginning 1 July 2016 and expired on 30 June 2017.The agreement was renewed on a yearly basis which is carried forward from prior year.

30. FAIR VALUE OF ASSETS AND LIABILITIES

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

31. 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. The Group and the Company manage their cash flow interest rate risks on their interest income by placing the cash balances in varying maturities and interest rate terms.

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

	Group			Company		
	Interest bearing RMB'000	Non-interest bearing RMB'000	Total RMB'000	Interest bearing RMB'000	Non-interest Bearing RMB'000	Total RMB'000
2017						
Assets						
Cash and cash equivalents	**6,510**	**–**	**6,510**	**6,230**	**–**	**6,230**
Liabilities						
Payable to immediate holding company	**53,437**	**–**	**53,437**	**–**	**–**	**–**
2016						
Assets						
Cash and cash equivalents	1,785	–	1,785	1,399	–	1,399
Liabilities						
Payable to immediate holding company	46,138	–	46,138	–	–	–

31. FINANCIAL RISK MANAGEMENT (CONT'D)

Sensitivity analysis for interest rate risks

The Group's and the Company'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% (2016: 0.50%) with all other variables being held constant, the profit before tax would have been lower/higher by RMB267,185 (2016: RMB230,690) as a result of higher/lower interest expense on these borrowings. The Group and Company is 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.

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.

	2017 RMB'000				2016 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	**6,777**	**–**	**–**	**6,777**	2,016	–	–	2,016
Other receivables	**2,446**	**–**	**–**	**2,446**	3,446	–	–	3,446
Receivable from related parties	**–**	**–**	**–**	**–**	812	–	–	812
Receivable from immediate holding company	**34,745**	**–**	**–**	**34,745**	19,228	–	–	19,228
Total undiscounted financial assets	**43,968**	**–**	**–**	**43,968**	25,502	–	–	25,502
Financial liabilities:								
Trade and other payables	**8,915**	**–**	**–**	**8,915**	7,718	–	–	7,718
Payable to related parties	**–**	**–**	**–**	**–**	1,783	–	–	1,783
Payable to immediate holding company	**53,704**	**–**	**–**	**53,704**	48,572	–	–	48,572
Total undiscounted financial liabilities	**62,619**	**–**	**–**	**62,619**	58,073	–	–	58,073
Total net undiscounted liabilities	**(18,651)**	**–**	**–**	**(18,651)**	(32,571)	–	–	(32,571)
Company								
Financial assets:								
Cash and cash equivalents	**6,567**	**–**	**–**	**6,567**	1,924	–	–	1,924
Receivable from subsidiaries	**68,951**	**–**	**–**	**68,951**	75,483	–	–	75,483
Total undiscounted financial assets	**75,518**	**–**	**–**	**75,518**	77,407	–	–	77,407
Financial liabilities:								
Trade and other payables	**1,170**	**–**	**–**	**1,170**	1,270	–	–	1,270
Total undiscounted financial liabilities	**1,170**	**–**	**–**	**1,170**	1,270	–	–	1,270
Total net undiscounted financial assets	**74,348**	**–**	**–**	**74,348**	76,137	–	–	76,137

31. FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk (Cont'd)

As at 30 June 2017, the Group's current liabilities exceeded its current assets by RMB10,241,000 (2016: RMB13,198,000).

The ability of the Group to meet its financial obligations is dependent on the continuing support from its bankers and its immediate holding company, and the Group generating sufficient positive cash flows from its operations. The performance of its immediate holding company for the half yearly result ("HY2017") recorded a profit of RMB1,447,857. The financial position of its immediate holding company has a net asset of RMB542,023,993 and positive cash flow of RMB104,106,435 for HY2017.

The directors have obtained a letter of financial support from its immediate holding company who has undertaken that they will provide the required financial support to enable the Group and the Company to operate as a going concern.

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.

31. FINANCIAL RISK MANAGEMENT (CONT'D)

Currency risk (Cont'd)

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			
2017			
Assets			
Cash and cash equivalents	**280**	**6,230**	**6,510**
Other receivables	**2,446**	**–**	**2,446**
Receivable from immediate holding company	**34,745**	**–**	**34,745**
	37,471	**6,230**	**43,701**
Liabilities			
Trade and other payables	**8,915**	**–**	**8,915**
Payable to immediate holding company	**53,437**	**–**	**53,437**
	62,352	**–**	**62,352**
Net financial (liabilities)/assets	**(24,881)**	**6,230**	**(18,651)**
Less: Net financial liabilities denominated in the respective entities' functional currency	**24,881**	**–**	**24,881**
Currency exposure	**–**	**6,230**	**6,230**
2016			
Assets			
Cash and cash equivalents	386	1,399	1,785
Other receivables	3,446	–	3,446
Receivable from related parties	812	–	812
Receivable from immediate holding company	19,228	–	19,228
	23,872	1,399	25,271
Liabilities			
Trade and other payables	7,718	–	7,718
Payable to related parties	1,783	–	1,783
Payable to immediate holding company	46,138	–	46,138
	55,639	–	55,639
Net financial (liabilities)/assets	(31,767)	1,399	(30,368)
Less: Net financial liabilities denominated in the respective entities' functional currency	31,767	–	31,767
Currency exposure	–	1,399	1,399

31. FINANCIAL RISK MANAGEMENT (CONT'D)

Currency risk (Cont'd)

	Renminbi RMB'000	Singapore Dollar RMB'000	Total RMB'000
Company			
2017			
Assets			
Cash and cash equivalents	**–**	**6,230**	**6,230**
Receivable from subsidiaries	**68,951**	**–**	**68,951**
	68,951	**6,230**	**75,181**
Liabilities			
Trade and other payables	**1,170**	**–**	**1,170**
Net financial assets	**67,781**	**6,230**	**74,011**
Less: Net financial assets denominated in the Company's functional currency	**(67,781)**	**–**	**(67,781)**
Currency exposure	**–**	**6,230**	**6,230**
2016			
Assets			
Cash and cash equivalents	–	1,399	1,399
Receivable from subsidiaries	75,483	–	75,483
	75,483	1,399	76,882
Liabilities			
Trade and other payables	1,270	–	1,270
Net financial assets	74,213	1,399	75,612
Less: Net financial assets denominated in the Company's functional currency	(74,213)	–	(74,213)
Currency exposure	–	1,399	1,399

If the Singapore Dollar ("SGD") change against the RMB by 3% (2016: 3%) 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	
	2017	2016	2017	2016
	Profit after tax		Loss after tax	
	RMB'000	RMB'000	RMB'000	RMB'000
SGD against RMB				
– strengthened	**187**	42	**(187)**	(42)
– weakened	**(187)**	(42)	**187**	42

31. FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk

Credit risk is the risk that companies and other parties will be unable to meet their obligations to the Group resulting in financial loss to the Group and the Company. The Group and the Company manage such risks by dealing with a diversity of credit-worthy counterparties to mitigate any significant concentration of credit risk. Credit policy includes assessing and evaluation of existing and new customers' credit reliability and monitoring of receivable collections. The Group places its cash and cash equivalents with creditworthy institutions.

As at 30 June 2017:

(i) the concentration of credit risk in the Group relate to the amount receivable from immediate holding company; and

(ii) the concentration of credit risk in the Company relate to the amount receivable from subsidiaries.

The maximum exposure to credit risk in the event that the counterparties fail to perform the obligations as at the end of the financial year in relation to each class of financial assets is the carrying amount of these assets in the statements of financial position.

The credit risk for trade receivables based on the information provided to key management is as follows:

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and the Company.

(ii) Financial assets that are past due and/or impaired

There is no class of financial assets that is past due and/or impaired.

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.

31. 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 equivalent. Total capital is equity plus net debt. The gearing ratios at 30 June 2017 and 30 June 2016 were as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Total debt	**62,352**	55,639	**1,170**	1,270
Less: Cash and cash equivalents	**(6,510)**	(1,785)	**(6,230)**	(1,399)
Net debt/(cash)	**55,842**	53,854	**(5,060)**	(129)
Total equity	**72,414**	68,992	**132,687**	123,839
Total capital	**128,256**	122,846	**127,627**	123,710
Gearing ratio	**44%**	44%	**NA**	NA

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	
	2017	**2016**	**2017**	**2016**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets				
Loans and receivables				
Cash and cash equivalents	**6,510**	1,785	**6,230**	1,399
Other receivables	**2,446**	3,446	**–**	–
Receivable from subsidiaries	**–**	–	**68,951**	75,483
Receivable from related parties	**–**	812	**–**	–
Receivable from immediate holding company	**34,745**	19,228	**–**	–
Financial liabilities at amortised cost				
Trade and other payables	**8,915**	7,718	**1,170**	1,270
Payable to related parties	**–**	1,783	**–**	–
Payable to immediate holding company	**53,437**	46,138	**–**	–

32. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors dated 11 October 2017.

Statistics of Shareholdings

AS AT 18 SEPTEMBER 2017

Issued and fully paid-up shares excluding treasury shares	:	1,055,459,201
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

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

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders as at 18 September 2017)

Name	**Direct Interest**		**Deemed Interest**	
	No. of shares	**%**	**No. of shares**	**%**
SDIC Zhonglu Fruit Juice Co., Ltd.	560,598,425	53.11	–	–
State Development and Investment Corporation*	–	–	560,598,425	53.11
Ho Kam Har	163,171,897	15.46	–	–
Go Twan Heng	120,750,399	11.44	–	–

Note:

* State Development and Investment Corporation is deemed to be interested in the 560,598,425 shares held by SDIC Zhonglu Fruit Juice Co., Ltd.

Shareholdings Held in the Hands of Public

Based on information available to the Company as at 18 September 2017, approximately 19.95% of the issued ordinary shares of the Company was held by the public and therefore, Rule 723 of the Catalist Rules has been complied with.

Statistics of Shareholdings

AS AT 18 SEPTEMBER 2017

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	34	3.67	30,769	0.00
1,001 – 10,000	430	46.49	2,359,460	0.23
10,001 – 1,000,000	438	47.35	41,067,750	3.89
1,000,001 AND ABOVE	23	2.49	1,012,001,222	95.88
TOTAL	**925**	**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	CIMB SECURITIES (SINGAPORE) PTE. LTD.	10,710,000	1.01
10	LUM WENG YU	7,113,000	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	TAN LYE SENG	2,058,100	0.19
17	LIM HOO PING @ HO PENG	1,655,000	0.16
18	NG HENG SAN	1,300,000	0.12
19	DBS NOMINEES (PRIVATE) LIMITED	1,165,000	0.11
20	OCBC SECURITIES PRIVATE LIMITED	1,140,000	0.11
	TOTAL	**1,008,826,222**	**95.58**

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 at 8 Wilkie Road #03-08 Wilkie Edge, Singapore 228095, on 26 October 2017, Thursday at 10.00 a.m. ("AGM") to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2017 together with the Directors' Statement and Auditors' Report thereon. **Resolution 1**

2. To approve payment of Directors' fees of S$92,194 to the Independent Directors of the Company for the financial year ended 30 June 2017. (2016: S$92,194) **Resolution 2**

3. To re-elect Mr. Zhang Jiming who is retiring pursuant to Article 107 of the Company's Constitution. *[See Explanatory Note (i)]* **Resolution 3**

4. To re-elect Ms. Quan Yuhong who is retiring pursuant to Article 107 of the Company's Constitution. *[See Explanatory Note (ii)]* **Resolution 4**

5. To re-appoint Messrs RT LLP as the 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 approve the following Ordinary Resolutions, with or without modifications:

7. Authority to allot and issue shares **Resolution 6**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore ("Companies Act"), and subject to Rule 806 of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist ("Catalist Rules"), approval be and is hereby given to the Directors of the Company ("Directors") to issue:

   (a) shares in the capital of the Company (whether by way of bonus, rights or otherwise); or

   (b) convertible securities; or

   (c) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or capitalism issues; or

   (d) shares arising from the conversion of convertible securities in (b) and (c) above,

   at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided that:–

   (i) the aggregate number of shares and convertible securities that may be issued shall not be more than 100% of the total number of issued shares excluding treasury shares and subsidiary holdings or such other limit as may be prescribed by the SGX-ST as at the time this Resolution is passed;

   (ii) the aggregate number of shares and convertible securities to be issued other than a pro-rata basis to existing shareholders shall not be more than 50% of the total number of issued shares excluding treasury shares and subsidiary holdings or such other limit as may be prescribed by the SGX-ST as at the time this Resolution is passed;

(iii) subject to such manner of calculation as may be prescribed by the SGX-ST, for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (i) and (ii) above, the percentage of the total number of issued shares excluding treasury shares and subsidiary holdings is based on the total number of issued shares excluding treasury shares and subsidiary holdings at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities outstanding or subsisting as at the time this Resolution is passed, new shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time of passing of this Resolution, provided the share options or share awards (as the case may be), were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules, and any subsequent bonus issue, consolidation or subdivision of the Company's shares;

(iv) in exercising the authority conferred by this Resolution, the Directors shall comply with the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, and otherwise, and the Constitution for the time being of the Company; and

(v) unless earlier revoked or varied by the Company in general meeting, such authority shall continue 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 (iii)]

8. Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions

"That:– **Resolution 7**

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Catalist Rules, for the Company, its subsidiaries that are entities at risk (as that term is used in Chapter 9 of the Catalist Rules) or any of them, to enter into any of the transactions falling within the types of the interested person transactions as set out in the Addendum accompanying the Annual Report 2017, with SDIC Interested Persons (as defined in the Addendum), provided that such transactions are made on commercial terms and in accordance with the review procedures for such interested person transactions;

(b) the approval given in sub-paragraph (a) above (the "IPT Mandate") shall unless revoked or varied by the Company in general meeting continue in force until the next annual general meeting of the Company;

(c) the Audit Committee of the Company be and is hereby authorised to take such action as it deems proper in respect of procedures and/or to modify or implement such procedures as may be necessary to take into consideration any amendments to Chapter 9 of the Catalist Rules which may be prescribed by the SGX-ST from time to time; and

(d) the Directors and any of them be and are hereby authorised to complete and do all such acts and things (including approving, amending, modifying, supplementing and executing and delivering such documents and affixing common seal of the Company to any such documents, if necessary), as they or any of them may in their absolute discretion deem expedient, desirable or necessary or in the interest of the Company to give effect to the transactions contemplated and/or authorised by the IPT Mandate and/or this Resolution."
[See Explanatory Note (iv)]

By Order of the Board

Loh Mei Ling
Company Secretary
Singapore

11 October 2017

Notice of Annual General Meeting

Explanatory Notes:

(i) Mr. Zhang Jiming ("Mr. Zhang") if re-elected, shall remain as an Executive Director and the Chairman of the Board. Mr. Zhang is a representative from SDIC Zhonglu Fruit Juice Co., Ltd, the major shareholder holding 53.11% interest in the share capital of Company. Save as disclosed herein, Mr. Zhang does not have any relationships including immediate family relationships with other Directors, the Company and its other 10% shareholders (as defined in the Singapore Code of Corporate Governance 2012). Detailed information of Mr. Zhang can be found under the section entitled "Board of Directors" in the Annual Report.

(ii) Ms. Quan Yuhong ("Ms. Quan") if re-elected, shall remain as a Non-Executive Director and member of the Audit, Remuneration and Nominating Committees. Ms. Quan is considered by the Board to be non-independent for the purposes of Rule 704(7) of the Catalist Rules. Ms. Quan Yuhong is a representative from SDIC Zhonglu Fruit Juice Co., Ltd, the major shareholder holding 53.11% interest in the share capital of Company. Save as disclosed herein, Ms. Quan does not have any relationships including immediate family relationships with other Directors, the Company and its other 10% shareholders (as defined in the Singapore Code of Corporate Governance 2012). Detailed information of Ms. Quan can be found under the section entitled "Board of Directors" of the Annual Report.

(iii) The Ordinary Resolution 6 above, is to authorise the Directors of the Company from the date of the AGM until the next annual general meeting of the Company to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 100% of the total number of issued shares excluding treasury shares and subsidiary holdings, of which the total number of shares issued other than on a pro-rata basis to existing shareholders shall not exceed 50% of the total number of issued shares excluding treasury shares and subsidiary holdings for such purposes as they consider would be in the interests of the Company. Rule 806(3) of the Catalist Rules currently provides for the percentage of the total number of issued shares excluding treasury shares and subsidiary holdings to be calculated on the basis of the total number of issued shares at the time that the resolution is passed (taking into account the conversion or exercise of any convertible securities or employee share options at the time that the resolution is passed, which were issued pursuant to previous shareholders approval), adjusted for any subsequent bonus issue, consolidation or subdivision of shares. This authority will, unless revoked or varied at a general meeting, expire at the next annual general meeting of the Company.

(iv) Detailed information relating to the Ordinary Resolution 7 is set out in the Addendum accompanying the Annual Report 2017.

Notes:

1. A member entitled to attend and vote at the AGM is entitled to appoint not more than 2 proxies to attend and vote on his/her behalf. A proxy needs not be a member of the Company. Where there are two proxies, the number of shares to be represented by each proxy must be stated.

2. Pursuant to Section 181 of the Companies Act, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the AGM. Relevant intermediary is either:

   (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 ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

3. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 25 International Business Park, #02-53 German Centre, Singapore 609916 not less than 48 hours before the time set for the AGM.

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, 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) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and 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) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) 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.

ADDENDUM DATED 11 OCTOBER 2017

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold all your ordinary shares ("**Shares**") in the capital of Zhongxin Fruit and Juice Limited (the "**Company**"), please forward this Addendum to the purchaser or bank, stockbroker or agent through whom the sale was effected for onward transmission to the purchaser.

This Addendum is circulated to the shareholders of the Company together with the Company's Annual Report. Its purpose is to provide shareholders with the relevant information relating to, and seek the shareholders' approval for the renewal of the general mandate for interested person transactions ("**IPT Mandate**"), to be tabled at the annual general meeting to be held at 8 Wilkie Road #03-08, Wilkie Edge, Singapore 228095 on 26 October 2017 at 10.00 a.m..

The Notice of Annual General Meeting and Proxy Form are enclosed with the Annual Report. This Addendum has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "**Sponsor**") for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this Addendum.

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

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

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

ZHONGXIN FRUIT AND JUICE LIMITED

(Incorporated in the Republic of Singapore on 27 September 2002)
(Company Registration Number: 200208395H)

ADDENDUM IN RELATION TO

THE PROPOSED RENEWAL OF GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

ZHONGXIN FRUIT AND JUICE LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 200208395H)

Board of Directors:	**Registered Office:**
Zhang Jiming (Chairman and Executive Director)	25 International Business Park,
Quan Yuhong (Non-Executive Director)	#02-53 German Centre,
Ngiam Zee Moey (Lead Independent Director)	Singapore 609916
Tham Mun Chee (Independent Director)	
Liu Xiuwen (Independent Director)	

To: The Shareholders of **ZHONGXIN FRUIT AND JUICE LIMITED**

Dear Sir/Madam,

ADDENDUM RELATING TO THE PROPOSED RENEWAL OF IPT MANDATE

1. INTRODUCTION

The Directors wish to seek approval of shareholders ("**Shareholders**") of Zhongxin Fruit and Juice Limited (the "**Company**", together with its subsidiaries, the "**Group**") at the forthcoming annual general meeting ("**AGM**") to be held on 26 October 2017 at 8 Wilkie Road #03-08, Wilkie Edge, Singapore 228095 at 10.00 a.m. for the Proposed Renewal of IPT Mandate (as defined below).

The purpose of this Addendum to the annual report of the Company for the current financial year (the "**Annual Report**") is to provide Shareholders with relevant information pertaining to the aforesaid proposal to be tabled as a special matter at the AGM and to seek Shareholders' approval for the resolution relating to the same. The notice of the AGM ("**Notice of AGM**") is set out on pages 72 to 74 of the Annual Report.

2. PROPOSED RENEWAL OF IPT MANDATE

2.1 Background

The Company anticipates that (a) the Company and (b) subsidiaries of the Company that is not listed on the SGX-ST or an approved exchange, being the entities at risk ("**EAR Group**") would, in the ordinary course of business, enter into transactions with persons which are considered 'Interested Persons' as defined in Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"). It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

Chapter 9 of the Catalist Rules permits a listed company to seek a general mandate from its shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials (but not in respect of the purchase or sale of assets, undertakings or businesses) that may be carried out with the interested persons, provided such transactions are entered into at an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the listed company and its minority shareholders.

Shareholders had approved a general mandate ("**IPT Mandate**") at the extraordinary general meeting of the Company held on 21 September 2012 to enable the EAR Group to enter into transactions with SDIC Zhonglu Fruit Juice Co., Ltd. ("**SDIC Zhonglu**") and its associates (SDIC Zhonglu together with its associates, the "**SDIC Interested Persons**") ("**SDIC Interested Person Transactions**"), provided that such SDIC Interested Person Transactions are carried out on normal commercial terms and in accordance with the review procedures set out in the circular dispatched to Shareholders.

The IPT Mandate was last renewed by Shareholders at the annual general meeting held by the Company on 27 October 2016 ("**Previous AGM**") and was expressed to take effect and be in force until the forthcoming AGM.

Accordingly, the Directors propose to seek the approval of Shareholders for the renewal of the IPT Mandate ("**Proposed Renewal of IPT Mandate**") at the forthcoming AGM. The renewed IPT Mandate ("**Renewed IPT Mandate**") will take effect from the date of the passing of the ordinary resolution relating thereto at the forthcoming AGM and continue in force until the conclusion of the next annual general meeting of the Company.

The scope of the Renewed IPT Mandate, the details of such SDIC Interested Person Transactions, the SDIC Interested Persons, the approval and review procedures for the SDIC Interested Person Transactions and the general administrative procedure for SDIC Interested Person Transactions remain unchanged from the last renewal of the IPT Mandate at the Previous AGM and are as set out in Appendix A of this Addendum.

2.2 Rationale for the Proposed Renewal of IPT Mandate and benefits to Shareholders

The Group's requirement for working capital during the apple and other fruits production season is critical as apple and other fruits production are seasonal in nature. The Group needs sufficient working capital to purchase apples or other fruits from suppliers to produce apple and other fruit juice concentrate and related products for the forthcoming and future apple and other fruits pressing seasons.

The Company believes that the Renewed IPT Mandate will enable the EAR Group additional flexibility to tap on the financial support from the SDIC Interested Persons as and when the need arises.

As apple and other fruits production are seasonal and perishable, it is unlikely that a supplier will be willing to set aside the stock while waiting for the buyer's confirmation on funding to purchase the stock. If the Company is constantly required to seek Shareholders' approval for the financing transactions with the SDIC Interested Persons, the Company will have to expend substantial administrative time and resources as well as incur additional expenses associated therewith.

The Group will also risk losing its suppliers if it does not have sufficient working capital to finance the purchase of stock. The Group has appointed SDIC Interested Person(s) as non-exclusive distributor(s) under the IPT Mandate, and the Group shall continue to rely on the sales networks of SDIC Interested Person(s) as the Group currently does not have the resources to establish a sizeable sales and distribution team. Furthermore, the Group will need time to gain confidence of the purchasers of its products.

The Audit Committee of the Company is of the view that the appointment of SDIC Interested Person(s) as a non-exclusive distributor(s) is in the best interest of the Company and should be renewed in the AGM.

The Renewed IPT Mandate and the renewal thereof on an annual basis is intended to facilitate the SDIC Interested Person Transactions which are likely to be transacted with some frequency from time to time, provided that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

As (i) the loans and financing (directly or indirectly) from the SDIC Interested Persons and the sale of the products of the EAR Group to the SDIC Interested Persons are recurring and mostly short term in nature and (ii) the interest payable on the loan(s) or financing to be extended by the SDIC Interested Persons (directly or indirectly) and the transaction value of the sale of the products of the EAR Group to the SDIC Interested Persons may exceed 5% of the Group's latest audited net tangible assets for the financial year ended 30 June 2017, the Company is proposing to table the resolution in respect of the Proposed Renewal of IPT Mandate for approval by Shareholders at the AGM.

2.3 Disclosures

The Company will announce the aggregate value of transactions conducted with the SDIC Interested Persons pursuant to the IPT Mandate and Renewed IPT Mandate for each financial period on which the Company is required to report on pursuant to the Catalist Rules.

Disclosure will also be made in the annual report of the Company of the aggregate value of the SDIC Interested Person Transactions conducted pursuant to the IPT Mandate and the Renewed IPT Mandate during the current financial year, and in the annual reports for the subsequent financial years during which the renewal is in force, in accordance with the Catalist Rules.

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

	As at 18 September 2017 Number of Shares			
	Direct Interest	**Deemed Interest**	**Total Interest**	**% of total Issued Share**
Directors				
Zhang Jiming	–	–	–	–
Quan Yuhong	–	–	–	–
Ngiam Zee Moey	355,714	–	355,714	0.03
Tham Mun Chee	–	–	–	–
Liu Xiuwen	–	–	–	–
Substantial Shareholders (other than Directors)				
SDIC Zhonglu Fruit Juice Co., Ltd.	560,598,425	–	560,598,425	53.11
State Development and Investment Corporation[1]	–	560,598,425	560,598,425	53.11
Ho Kam Har	163,171,897	–	163,171,897	15.46
Go Twan Heng	120,750,399	–	120,750,399	11.44

Note:

(1) State Development and Investment Corporation is deemed to be interested in the 560,598,425 shares held by SDIC Zhonglu Fruit Juice Co., Ltd.

4. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Company (other than Ms. Quan Yuhong) has reviewed the terms of the Renewed IPT Mandate and is satisfied that the review procedures proposed by the Company as set out in Appendix A to this Addendum are sufficient to ensure that the SDIC Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Audit Committee of the Company (other than Ms. Quan Yuhong) confirms that the methods or procedures for determining the transaction prices have not changed since the Previous AGM and that there is no amendment to the scope of the Renewed IPT Mandate, the details of such SDIC Interested Person Transactions, the SDIC Interested Persons, the approval and review procedures for the SDIC Interested Person Transactions and the general administrative procedure for SDIC Interested Person Transactions.

Ms. Quan Yuhong is nominated by SDIC Zhonglu, and hence, shall abstain from expressing any views and making any recommendation on the Proposed Renewal of IPT Mandate.

5. DIRECTORS' RECOMMENDATION

Having reviewed and considered the rationale for and benefits of the Proposed Renewal of IPT Mandate and the opinion and confirmation of the Audit Committee, the Directors (excluding Mr. Zhang Jiming and Ms. Quan Yuhong) are of the opinion that the Proposed Renewal of IPT Mandate is beneficial to, and in the best interests of the Company. Accordingly, the Directors (excluding Mr. Zhang Jiming and Ms. Quan Yuhong) recommend that Shareholders vote in favour of the Ordinary Resolution 7 relating to the Proposed Renewal of IPT Mandate as set out in the Notice of AGM.

The Directors (excluding Mr. Zhang Jiming and Ms. Quan Yuhong) are of the opinion that the Renewed IPT Mandate is not prejudicial to the interests of the Company and its minority Shareholders and are satisfied that the review procedures set out in Appendix A to this Addendum are sufficient to ensure that the SDIC Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

Mr. Zhang Jiming and Ms. Quan Yuhong are nominated by SDIC Zhonglu and hence, shall abstain from expressing any views and making any recommendation of the Proposed Renewal of IPT Mandate.

6. **ANNUAL GENERAL MEETING**

The AGM, notice of which is set out in the Annual Report, will be held at 8 Wilkie Road #03-08, Wilkie Edge, Singapore 228095 on 26 October 2017 at 10.00 a.m. for the purpose of considering and if, thought fit, passing, with or without modification, the resolution relating to the Proposed Renewal of the IPT Mandate at the AGM.

7. **DIRECTORS' RESPONSIBILITY STATEMENT**

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Addendum and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Addendum constitutes full and true disclosure of all material facts about the SDIC Interested Person Transactions, the Proposed Renewal of IPT Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Addendum misleading. Where information in this Addendum has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Addendum in its proper form and context.

8. **ABSTENTION FROM VOTING**

SDIC Zhonglu will abstain and have undertaken to ensure that its associates will abstain from voting on the Ordinary Resolution 7 relating to the Proposed Renewal of IPT Mandate as set out in the Notice of AGM. SDIC Zhonglu and its associates will also not accept appointments as proxies unless specific instructions as to voting are given. As Mr. Zhang Jiming and Ms. Quan Yuhong are nominated by SDIC Zhonglu, both of them will not accept nominations to act as proxy, corporate representative or attorney to vote in respect of Ordinary Resolution 7 unless the Shareholder appointing him or her indicates clearly how votes are to be cast in respect of Ordinary Resolution 7.

9. **DOCUMENT AVAILABLE FOR INSPECTION**

The Constitution of the Company may be inspected by Shareholders at the registered office of the Company at 25 International Business Park #02-53 German Centre Singapore 609916 during normal business hours from the date of this Addendum up to the date of the AGM.

Yours faithfully,

For and on behalf of Zhongxin Fruit and Juice Limited

Ngiam Zee Moey
Lead Independent Director

APPENDIX A

Scope of the IPT Mandate

The IPT Mandate will cover the following transactions:

(a) the recurring loans or financing from or made on behalf of the SDIC Interested Persons to the EAR Group, which includes

(i) the lending of working capital by the SDIC Interested Persons to the EAR Group;

(ii) the provision of guarantees, indemnities or security by the SDIC Interested Persons in favour of the EAR Group's creditors, in respect of borrowings which are incurred by the EAR Group; and

(iii) the provision of guarantees, indemnities or security by the EAR Group in favour of the SDIC Interested Persons to secure loans or financing and the receipt of interest from the SDIC Interested Persons in relation to any cash in excess of its current needs, the EAR Group may be required to deposit such excess cash with any of the SDIC Interested Persons which serves as a form of security in favour of the SDIC Interested Person ("**Excess Cash Deposit**"); and

(b) the sale of the products of the EAR Group to the SDIC Interested Persons and the appointment of SDIC Interested Persons as distributor(s) of the EAR Group.

The IPT Mandate does not cover any transaction between the EAR Group and the SDIC Interested Persons that is below S$100,000 in value, as the threshold and aggregation requirements of Chapter 9 of the Catalist Rules do not apply to such transactions.

The Interested Person

SDIC Zhonglu is a controlling shareholder of the Company and it is considered an interested person of the Company under Chapter 9 of the Catalist Rules. Accordingly, any transaction between SDIC Zhonglu (or any of its associates) and any member of the EAR Group shall constitute an interested person transaction.

As at 18 September 2017, SDIC Zhonglu owns 560,598,425 Shares representing 53.11% of the total issued Shares.

Details of the Proposed SDIC Interested Person Transactions

The Proposed Recurring Loans or Financing From or Made on behalf of the SDIC Interested Persons to the EAR Group

It is proposed that SDIC Interested Persons shall lend directly (to the extent permissible under the laws of the People's Republic of China ("**PRC**") or the relevant jurisdiction) or procure a licenced financial institution in PRC ("**Intermediary Financing Institution**") to grant loans or financing to any member of the EAR Group ("**Borrower**"). Such loans and/or financing may be (i) secured by collateral provided by a SDIC Interested Person or (ii) guaranteed by a SDIC Interested Person. The Borrower will be paying interest to the relevant SDIC Interested Person either directly or indirectly. Any arrangement for the SDIC Interested Person to directly or indirectly grant loans or financing to the EAR Group will have to comply with the laws of the PRC or the relevant jurisdiction.

Addendum

The proposed loans or financing will be made directly by SDIC Interested Persons or indirectly through Intermediary Financial Institution in the PRC and such loans or financing will be used to finance the working capital requirements and operations of the EAR Group. The key terms of such loans or financing include, *inter alia*, the following:

(a) the interest rate shall be agreed between the Borrower and the SDIC Interested Person making the loan and such interest shall accrue to the relevant SDIC Interested Person. Any interest premium over the prevailing benchmark lending interest rate formulated by the People's Bank of China or the cost of funds (if the SDIC Interested Person has to obtain financing to provide the loans and/or financing) shall not be more than 10% of the prevailing benchmark lending interest rate formulated by the People's Bank of China or 10% over the cost of funds, whichever is applicable;

(b) financing by SDIC Interested Person or Intermediary Financial Institution can be in the form of factoring, advance sales receipts, or any form permissible under the laws of the PRC or the relevant jurisdiction;

(c) each loan or financing facility shall be repayable within a period to be agreed between the Borrower, the SDIC Interested Person making the loan and the Intermediary Financial Institution (if applicable);

(d) the SDIC Interested Person making the loan or providing the financing may require the loan or financing to be secured by collateral from the EAR Group, for example, by way of a charge, fixed or floating, over the assets of the EAR Group. If the collateral is in the form of Excess Cash Deposit, the EAR Group is entitled to interest. The interest rate of Excess Cash Deposit shall be the same as the interest rate for the loans or financing taken by the EAR Group from the same SDIC Interested Person. The Intermediary Financial Institution may also require collateral from the EAR Group. The exact terms for such arrangement will be agreed between the Borrower, the SDIC Interested Person and the Intermediary Financial Institution (if applicable); and

(e) if the Borrower is unable to make full or part repayment of the loan or financing facility by the due date to SDIC Interested Person, SDIC Interested Person may request that payment of any outstanding sums be settled by way of the Company's issuance of new Shares to SDIC Interested Person or its nominee on terms to be agreed, subject to the prior approval of the Board and/ or Shareholders as well as the compliance with the Catalist Rules and the applicable laws and regulations.

The Proposed Sale of the Products of the EAR Group to SDIC Interested Persons and The Proposed Appointment of SDIC Interested Persons as Distributor(s) of the EAR Group

The Company proposes to (i) sell products of the EAR Group to SDIC Interested Persons and (ii) appoint SDIC Interested Person(s) as the EAR Group's distributor(s) in the PRC for the sale of juice concentrate produced by the EAR Group. The distributorship arrangement will enable the EAR Group to tap on the sales network of SDIC Zhonglu to increase the sales of the EAR Group. The key terms of the distributorship arrangement include, *inter alia*, the following:

(a) the appointment of SDIC Interested Persons as the EAR Group's distributor(s) in the PRC on a non-exclusive basis;

(b) the selling price of juice concentrate produced by the EAR Group and distributed to the customers by SDIC Interested Persons shall be based on market price to be agreed between the customers and the EAR Group. SDIC Interested Persons will use its best effort to help the EAR Group negotiate with the customers for the best price;

(c) SDIC Zhonglu shall be entitled to a commission of US$10 per tonne of juice concentrate sold, which shall be set-off against the sum received by the EAR Group for the sale of juice concentrate to SDIC Interested Persons; and

(d) the sum received by the EAR Group for the sale of juice concentrate to SDIC Interested Persons may be used towards the payment of the loans or financing granted by the SDIC Interested Persons to the EAR Group.

Addendum

If the juice concentrate produced by the EAR Group is sold to a SDIC Interested Person without an end customer, the terms of sale, insofar as practical, will be similar to the general terms that SDIC Interested Persons are selling to their customers, save for those stipulated in the preceding paragraph above. The price will be derived from either (a) the average price (nett of any commission) of recent sales with similar quality and batch size by SDIC Interested Persons to their customers; or (b) the average verifiable price information of similar quality and batch size from three existing and/or potential customers. All preference prices (either way of deriving) shall be current and valid for not more than 90 days.

In arriving at the commission of US$10 per tonne, the Company has taken into account the expected costs to the EAR Group to set up its own sales and marketing team, as well as associated marketing costs. The commission of US$10 per tonne is subject to the review by the Audit Committee.

Approval and Review Procedures for the SDIC Interested Person Transactions

Review Procedures

The Audit Committee shall review the SDIC Interested Person Transactions and their terms every half-yearly to ensure that the terms are not prejudicial to the interests of the Company and its minority Shareholders.

The Audit Committee will adopt such procedures and consider such evidence as it deems appropriate for such review, and shall where appropriate consider if it is feasible for the EAR Group to (i) obtain loans or financing from non-interested parties on terms acceptable to the EAR Group or (ii) set-up its own sale and distribution team.

Approval Limits for Loans or Financing

In addition to the review procedures, the Group shall supplement its internal review system by establishing the following approval limits for the loans or financing.

The chief executive officer (or such person holding interim chief executive officer position or who is assuming the role of chief executive officer) ("**Chief Executive Officer**") and the chief financial officer (or such person holding interim chief financial officer position or who is assuming for the role of chief financial officer) ("**Chief Financial Officer**") of the Company are authorised jointly to review and approve any loan or financing between the Group and the SDIC Interested Persons if the aggregate amount of the outstanding loans and financing between the EAR Group and the SDIC Interested Persons does not exceed RMB50,000,000. Only the principal amount of the loans and financing will be aggregated for this purpose to facilitate easy calculation. The CEO and the CFO of the Company may jointly request the Audit Committee to review and increase the approval limit, and the Audit Committee may increase the approval limit provided that each increase shall not exceed RMB50,000,000. In reviewing the approval limit, the Audit Committee may require the management of the Company to provide to the Audit Committee all information it deems necessary for it to undertake such a review.

Having considered the working capital requirements of the Group, the Directors in concurrence with the Audit Committee are of the opinion that the above approval process reflects a risk control level that is acceptable to the Company.

Approval Limits under the Distribution Arrangement

In addition to the review procedures, the Group shall supplement its internal review system by establishing approval threshold limits to its sale or distribution transactions under the distribution arrangement with any SDIC Interested Person as follows:

(a) a Category 1 transaction i.e. where the value of the transaction is below or equal to RMB10,000,000, does not require the prior review and approval of the Audit Committee but it shall be reviewed and approved jointly by the CEO and the CFO of the Company before such transaction is entered into. The Category 1 transactions will be reviewed every half year by the Audit Committee; and

(b) a Category 2 transaction i.e. where the value of the transaction is more than RMB10,000,000, must be reviewed and approved by the Audit Committee before such transaction is entered into.

Addendum

The threshold of RMB10,000,000 is selected to strike a balance between commercial efficiency and the requirement of oversight by the Audit Committee. Having considered the current market prices, the prevailing market conditions and the expected sale volume, the Directors in consultation with the Audit Committee are of the opinion that the threshold limit of RMB10,000,000 reflects a risk control level that is acceptable to the Company.

Further to the above mentioned, the approval limit of the aggregate amount of the sale to SDIC Interested Persons without an end customer within a financial year by the CEO and the CFO of the Company shall not exceed RMB30,000,000. The CEO and the CFO of the Company may jointly request the Audit Committee to review and increase the approval limit, and the Audit Committee may increase the approval limit provided that each increase shall not exceed RMB30,000,000. In reviewing the approval limit, the Audit Committee may require the management of the Company to provide to the Audit Committee all information it deems necessary for it to undertake such a review.

In the event that a member of the Audit Committee (where applicable) is interested in any SDIC Interested Person Transactions or related to any SDIC Interested Person in any transactions, he will abstain from reviewing that particular transaction. Review and/or approval of that transaction will accordingly be undertaken by the remaining members of the Audit Committee. Further, in the event that any of the CEO and CFO of the Company is interested in any SDIC Interested Person Transactions or related to any SDIC Interested Person in any transactions, he will abstain from reviewing and approving the that particular transaction. Review and/or approval of that transaction will be undertaken by a general manager or other executive officer of equivalent authority selected by the Audit Committee (and who shall not be interested in that transaction) instead.

General Administrative Procedures for the SDIC Interested Person Transactions

The Company will also implement the following administrative procedures in respect of the SDIC Interested Person Transactions:

(a) A register will be maintained by the Company to record all SDIC Interested Person Transactions that are entered into pursuant to the Renewed IPT Mandate. The internal audit plan shall incorporate an annual review of all SDIC Interested Person Transactions entered into pursuant to the Renewed IPT Mandate to ensure compliance with the established procedures under the Renewed IPT Mandate.

(b) The internal auditors of the Company will review the established guidelines and procedures for the SDIC Interested Person Transactions annually. The results of such reviews will be submitted to the Audit Committee.

(c) If the Audit Committee comes to the view that the guidelines and procedures as stated above are not sufficient to ensure that the SDIC Interested Person Transactions will be on normal commercial terms and will not be prejudicial to the interests of the Company and the minority Shareholders, the Company will obtain a fresh mandate from the Shareholders in the event that the guidelines and procedures for the SDIC Interested Person Transactions become inappropriate.

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ZHONGXIN FRUIT AND JUICE LIMITED
(Incorporated in Singapore)
(Company Registration Number 200208395H)

ANNUAL GENERAL MEETING
PROXY FORM

IMPORTANT
1. A relevant intermediary may appoint more than two proxies to attend the AGM and vote (please see Note 3 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy shares in the Company, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. Please read the notes to the Proxy Form.

I/We ______________________________ (Name) ______________ (NRIC/Passport)

of ____ (Address),

being a member/members of Zhongxin Fruit and Juice Limited (the "**Company**"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

and/or *(delete as appropriate)*

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings	
			No. of Shares	%

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting of the Company (the "AGM"), as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the AGM to be held at 8 Wilkie Road #03-08 Wilkie Edge, Singapore 228095, on Thursday, 26 October 2017, at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as hereunder indicated. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

All resolutions put to vote at the AGM shall be decided by way of poll.

No.	Ordinary Resolutions	For*	Against*
ORDINARY BUSINESS			
1.	To receive and adopt the Audited Financial Statements for the financial year ended 30 June 2017 together with the Directors' Statements and the Auditors' Report thereon.		
2.	To approve the Directors' fees for the financial year ended 30 June 2017.		
3.	To re-elect Mr. Zhang Jiming as Director of the Company.		
4.	To re-elect Ms. Quan Yuhong as Director of the Company.		
5.	To re-appoint Messrs RT LLP as the Auditors of the Company and authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS			
6.	Authority to allot and issue shares.		
7.	Proposed renewal of the Shareholders' Mandate for Interested Person Transactions.		

* *If you wish to exercise all your votes "For" or "Against", please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this ________ day of ____________ 2017

Total number of shares held in:	
(a) CDP Register	
(b) Register of Members	

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register, you should insert that number of shares. If you have shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.

2. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his behalf at the AGM. Where a member appoints more than one proxy, he shall specify the proportion of his shareholdings (expressed as a percentage of the whole) to be represented by each such proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 percent of the shareholding and the second named proxy shall be an alternate to the first named.

3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the AGM. Relevant intermediary is either:

   (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 ("CPF") Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

4. The instrument appointing a proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 25 International Business Park, #02-53 German Centre, Singapore 609916 not less than 48 hours before the time set for the AGM.

5. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

6. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the AGM.

7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, 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.

8. In the case of a member whose shares are entered against his name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, 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) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and 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) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) 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.

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