



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

2015

DRIVE AND DETERMINATION

Annual Report 2015

Corporate Profile

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Zhongxin Fruit and Juice Limited (the "Company", and together with its subsidiaries, the "Group") is a subsidiary of the world's leading producer of fruit and vegetable juice concentrates and beverages, SDIC Zhonglu Fruit Juice Co., Ltd. "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, Xuzhou Zhongxin Fruit & Juice Company Limited and a 50%-owned joint venture - Linyi SDIC Zhonglu Fruit Juice Co., Ltd.

The Group's subsidiary in Xuzhou city, Jiangsu province is equipped with an apple processing capacity of 60 tons per hour and concentrated apple juice production capacity of approximately 15,000 to 23,000 tons of concentrated apple juice per year, while the subsidiary in Yuncheng city, Shanxi province and the joint venture in Linyi county, Yuncheng city, Shanxi province each has an apple processing capacity of 40 tons per hour and concentrated apple juice production capacity of approximately 10,000 to 15,000 tons of concentrated apple juice per year.

In the aspect of 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 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.

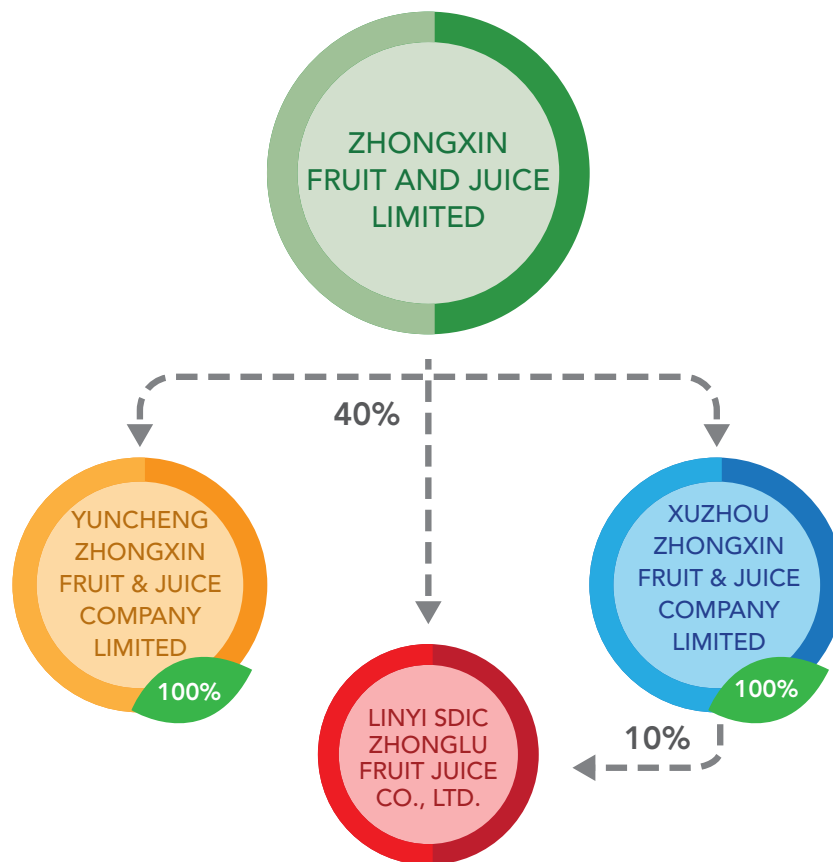
The Group was listed on the SGX Sesdaq (now known as the SGX Catalist) in 2004.

This annual report 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 annual report.

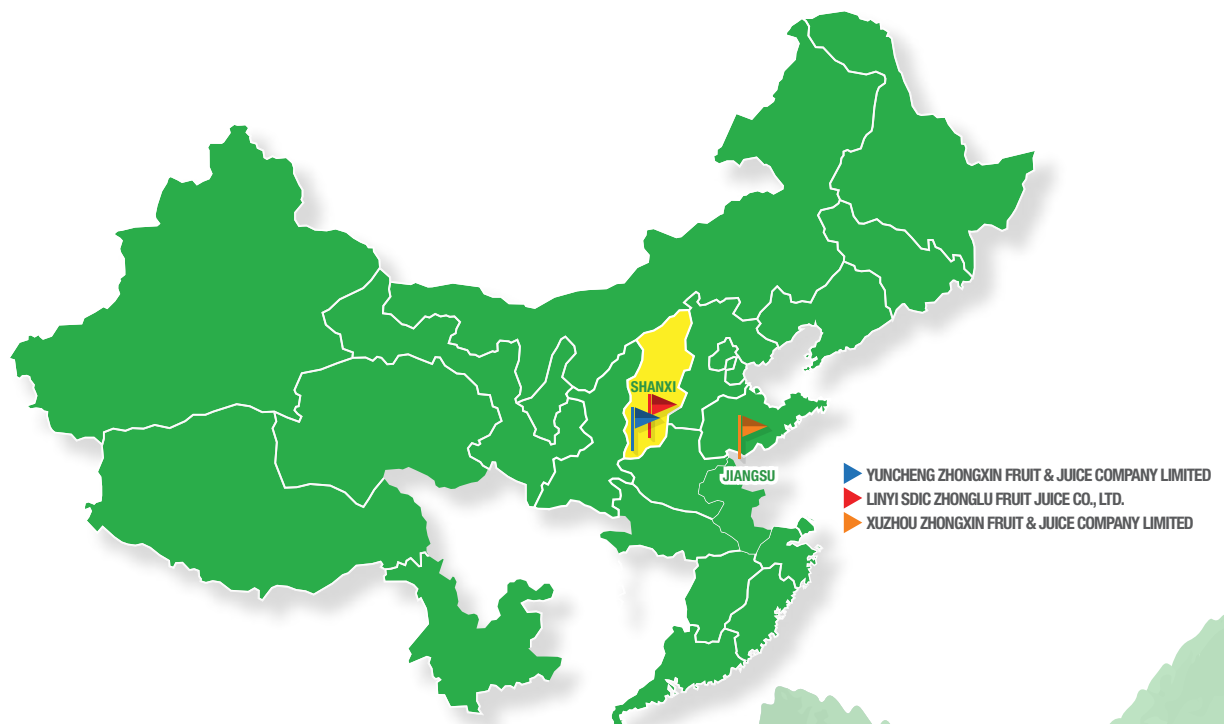
This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual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

The contact person for the Sponsor is Mr Thomas Lam, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

Group Structure



Location of Facilities



Chairman's Message

"As we continue to focus on concentrated apple juice as our primary business, the Group also actively seeks strategic partners and aims to acquire major facilities within China that produce concentrated juices, in order to expand our production scale."

DEAR SHAREHOLDERS,

For the year under review, under the tremendous support from our shareholders and the attention garnered by society, Zhongxin Fruit and Juice Limited ("Zhongxin" or "the Group") has secured an effective operations and management model to run the company while exploring possible development opportunities to expand our business. All these measures will enable us to fulfil our production target. To keep up with the changes in the dynamic international market, the Group has an agile and forward-thinking management that seizes market opportunities to generate economic and societal benefits. As we conclude another year, I am pleased and honoured to present to you our annual report for the financial year ended 30 June 2015 ("FY2015").

Improving Facilities

Our concentrated apple juice products have been well accepted by consumers and regarded as healthy products safe for consumption. Over the past few years, the Group has been investing and innovating in a series of technological upgrading and production processes to enhance our product

quality. As a result, our products and excellent after-sales service have received a high degree of recognition from our clients. Our facilities are strategically located where abundant apple resources are available, putting us at an important advantage and enabling us to optimise our resources for the production of apple juice. We will continue to enhance our core competitiveness in our primary business to promote stable and sustainable development.

Enhancing Expertise, Increasing Presence

The Group has built a comprehensive internal control system after maintaining a stable operating environment over the past few years. By placing great emphasis on cultivating talents and in raising the standards relating to scientific research quality and ventilation control, we are building a solid foundation for the Group's progressive growth and development. As we continue to focus on concentrated apple juice as our primary business, the Group also actively seeks strategic



partners and aims to acquire major facilities within China that produce concentrated juices, in order to expand our production scale. Becoming an integrated fruit and vegetable juice production holding company is the Group's strategic development objective for the upcoming year as we aim to expand our product range beyond apple juice. With China as our production platform and Singapore as our capital base, the Group targets to secure a foothold in the processing and trading sectors of the fruit juice industry. By promoting technological innovation, diversifying operating structure for fruits and vegetable juices and related products, and developing production chain for collaborative benefits, we aim to strengthen our market presence to continue enhancing shareholders' value.

Lastly, I would like to extend my appreciation to the board of directors, management and staff of Zhongxin for their efforts. We sincerely hope that you will place your trust in us as we endeavour to scale new heights and seize every available expansion opportunity in the concentrated fruit juice market.

Zhang Jiming

Chairman & Executive Director

2015

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 including SDIC Zhonglu Fruit Juice Co., Ltd, Hancheng Zhonglu Fruit Juice Co Ltd and Shandong Luling Fruit Juice Co Ltd. 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 as 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 the Partner of Reanda Certified Public Accountants.

KEY MANAGEMENT

HOU LEI

General Manager

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 accumulative 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.

Mr Hou was appointed as General Manager of the Company on 26 October 2012. Mr Hou is responsible for the overall operations of the Group.

He is an engineer and has many years of experience in managing fruit juice production. He was appointed as General Manager of Shanxi SDIC Zhonglu Fruit Juice Co., Ltd from 2008 to 2012 and is currently the General Manager of Yuncheng Zhongxin Fruit & Juice Company Limited.

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). 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 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.

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.

In addition to Mr Liu's accounting background, he was also 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 FY2015...(t)he Group generated total revenue of RMB142.4 million and a net profit of RMB2.3 million... ."

FY2015 FINANCIAL REVIEW

In FY2015, the Group produced 11,989 tonnes of apple juice from 52,153 tonnes of apples and semi-processed apple juice; and 3,424 tonnes of pear juice from 30,411 tonnes of pears. The Group generated total revenue of RMB142.4 million and a profit of RMB2.3 million from selling 17,281 tonnes of apple juice and 1,084 tonnes of pear juice over the financial year. As at 30 June 2015, the Group recorded total assets of RMB143.9 million, total liabilities and equity stood at RMB76.2 million and RMB67.7 million, respectively.

The global economic downturn has led to the persistent weakening of the international fruit juices market, resulting in a decrease in demand for fruit juices. In response, the Group adopted the following measures to ensure a stable operating environment. Firstly, the Group actively seeks the support from our major shareholder, SDIC Zhonglu, to help meet the financing needs required for smooth manufacturing production. Secondly, in view of price fluctuations of fruit juices in the international fruit juices market, we have planned

our production based on a prudent assessment of demand in order to manage the inventory level. This allows the Group to sustain profitable growth.

Company's Regulation and Governance Structure

Under the supervision of the Board, the Group's General Manager is responsible for carrying out the implementation of the Company's production and operation activities. In accordance to the internal control system and complying with the regulations, system, annual budget and plan set by the Group, we aim to reduce risks to the best of our abilities. In order to meet annual business objectives, the Group came up with the following measures:

(i) Funding, financing and production scheduling are carefully arranged; (ii) analysis, evaluation and risk control initiatives are undertaken to manage business risk; (iii) While carrying out production and operation activities, emphasis is given to production safety, food safety, environmental protection and social responsibility in the interest of achieving the targets set by the Board.



We believe these initiatives will enhance corporate effectiveness and benefit shareholders and society.

Comprehensive Food Safety System

As a leader in the food processing industry, the Group places great emphasis on food safety. We ensure that every segment of our operations, from implementing raw material prevention control, production and processing control to export clearance control, abides to our optimum safety and quality control standards in order to provide healthy concentrated fruit juices for the beverage market. Within the industry, the Group's products are the first to be able to meet the quality standard of USA FDA. Not only that, the Group's food safety standards are certified by ISO, HACCP, SGF and KOSHER. The Group hopes that these accreditations will enhance its access to international markets.

Future Prospects

As the world population becomes increasingly health conscious, the Group is optimistic of the longer term outlook of the fruit juice market. Riding on this trend, the Group intends to establish a modern production base with high hygiene standards, for the production of concentrated fruit juices and its downstream products. Moving ahead, the Group will continue to promote the health benefits of fruit juices. Concentrated fruit juices can be made into fruit wine or fruit vinegar to improve blood microcirculation. We will make use of the Internet as a platform to further develop our market.

Corporate Governance Report

The Board of directors (the “**Board**”) of Zhongxin Fruit and Juice Limited (the “**Company**” and together with its subsidiaries, 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 2015 (“**FY2015**”) 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 Board confirmed that for FY2015, the Company has adhered to the principles and guidelines as set out in the Code and, where applicable, has specified and explained the deviation from the Code in this Report. The Company will continually review its corporate governance processes to strive to fully comply with the Code.

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’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 Board has delegated certain matters to the Board Committees to assist the Board in carrying out and discharging duties and of its responsibilities efficiently and effectively.

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

The Board conducted regular scheduled meetings. In FY2015, 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 Articles of Association. All Directors are provided with the agenda and a set of the 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.

Corporate Governance Report

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.

Mr Tham Mun Chee was appointed an Independent Director on 1 January 2015 and had attended courses conducted by the Singapore Institute of Directors ("SID") to familiar himself with the roles and responsibilities of being a director of listed company in Singapore.

Mr Zhang Jiming, the Executive Director and Chairman of the Board was appointed on 5 June 2015 and will attend the LCD Essential Programme organised by the SID to be conducted in Beijing in early November 2015.

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

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

The Directors 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 FY2015 are as follows:

	Board of Directors		Nominating Committee		Audit Committee		Remuneration Committee	
	Number of meetings							
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Zhang Jiming ^{#1}	2	NA	1	NA	2	NA	1	NA
Quan Yuhong	2	2	1	1	2	2	1	1
Ngiam Zee Moey	2	2	1	1	2	2	1	1
Liu Xiuwen	2	2	1	1	2	2	1	1
Tham Mun Chee ^{#2}	2	1	1	0	2	1	1	0
Zhang Jian*	2	2	1	1	2	2	1	1
Tham Poh Weng ^{#3}	2	1	1	1	2	1	1	1

Notes

#1 – Mr Zhang Jiming was appointed as Executive Director and Chairman of the Board on 5 June 2015.

#2 – Mr Tham Mun Chee was appointed Independent Director on 1 January 2015.

#3 – Mr Tham Poh Weng retired as Independent Director on 29 October 2014.

* – Mr Zhang Jian was present at Board Committee meetings by invitation. Mr Zhang Jian resigned as Executive Director on 5 June 2015.

Corporate Governance Report

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.

Non-Executive Directors are encouraged to participate and provide constructive challenge, develop strategies, review and monitor the performance of management, agreed goals and objectives. When necessary, Non-Executive Directors will meet without the presence of management to review any matters that must be raised privately.

The Board members as of the date of this report are:

Mr Zhang Jiming	– Executive Director and Chairman of the Board
Ms Quan Yuhong	– Non-Executive Director
Mr Ngiam Zee Moey	– Lead Independent Director
Mr Tham Mun Chee	– Independent Director
Ms Liu Xiuwen	– Independent Director

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, has served on the Board for more than nine years from the date of his first appointment in 2005. In assessing Mr Ngiam's independence, the NC had taken into consideration the evaluation criteria such as (i) the independent expression of views and deliberations, (ii) objective and constructive challenge to assumptions and viewpoints by management, and (iii) the benefits received by the Company from the presence of the Directors who have over time gained valuable insight into the Group and its markets. 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. The Board was of the opinion that Mr Ngiam had constructively repetitiously demonstrated strong independence character and judgement over the years in discharging his duties as an Independent Director. The Board considered that his familiarity with the business will continue to contribute positively to the deliberation at the Board and Board Committees. Mr Ngiam had abstained from deliberations in respect of assessment of his own independence.

Corporate Governance Report

Mr Ngiam Zee Moey (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 Hou Lei, the General Manager of the Company oversees the operations of the Group.

Mr Zhang Jiming and Mr Hou Lei are not related to each other.

The Lead Independent Director, Mr Ngiam Zee Moey, will be available to address shareholders' concerns when contact through the normal channels of the Executive Chairman or the Chief Financial Officer (or equivalent) have failed to provide a satisfactory resolution or when such contact is inappropriate.

When necessary, Independent Directors will meet without the presence of the management and other Directors to review any matters that must be raised privately before providing feedback to the Executive Chairman.

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 and Independent Director
Tham Mun Chee	– Member and Independent Director
Ngiam Zee Moey	– Member and Lead Independent Director
Quan Yuhong	– Member and Non-Executive Director

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;

Corporate Governance Report

- (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.

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 performance or re-nomination as a Director.

Pursuant to the provision of the Company's Articles of Association, 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.

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

Mr Tham Mun Chee (retiring pursuant to Article 117)
 Mr Zhang Jiming (retiring pursuant to Article 117)
 Ms Liu Xiuwen (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. Mr Tham Mun Chee, Ms Liu Xiuwen and Ms Quan Yuhong each being a member of the NC, have abstained from reviewing and approving his/her own re-election. Upon re-election, Mr Tham Mun Chee, Ms Liu Xiuwen and Ms Quan Yuhong will remain to hold their respective positions as follow:-

Mr Tham Mun Chee – Independent Director, Chairman of RC and member of the AC and NC.

Ms Liu Xiuwen - Independent Director, Chairman of NC and member of the AC and RC.

Ms Quan Yuhong - Non-Independent Director, member of the AC, NC and RC.

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.

Corporate Governance Report

The following sets out the date of Directors' initial appointment and last re-election and their directorship and/or other 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	–	SDIC Zhonglu Fruit Juice Co., Ltd	Nil	1) General Manager of SDIC Zhonglu Fruit Juice Co., Ltd 2) Zhonglu Fruit Juice Co., Ltd 3) Shandong Luling Fruit Juice Co., Ltd
Quan Yuhong	19/10/2012	30/10/2013	Nil	Nil	Chief Financial Officer of SDIC Zhonglu Fruit Juice Co., Ltd
Ngiam Zee Moey	26/10/2005	29/10/2014	1) Courage Marine Group Limited 2) Hosen Group Limited	1) Darco Water Technologies Limited 2) Sunmart Holdings Ltd 3) Amaru Inc	Joint Company Secretary of AEI Corporation Ltd.
Liu Xiuwen	01/01/2014	29/10/2014	Nil	Hubei Huachangda Intelligent Equipment Co Ltd.	Partner of Reanda Certified Public Accountants
Tham Mun Chee	01/01/2015	–	Nil	Nil	Accounting and Administration Manager of Elms Industrial Pte Ltd and Elms Industrial (Phils). 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 and other principal commitment 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.

Corporate Governance Report

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 resolutions 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 Committees 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 FY2015 and is of the view that the performance of the individual Directors, the Board Committee 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.

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 adequate and timely information prior to Board meetings, and on an on-going basis. 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.

Corporate Governance Report

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 and Independent Director
Ngiam Zee Moey	– Member and Lead Independent Director
Liu Xiuwen	– Member and Independent Director
Quan Yuhong	– Member and Non-Executive Director

The RC shall perform the following functions:

- 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's 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 remuneration package or that of employees related to him.

No remuneration consultants were engaged by the Company in FY2015.

Corporate Governance Report

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 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.

Service contract for the Executive Director is for a fixed appointment period and does not contain onerous removal 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 owes a fiduciary duty to the Company. The Company should be able to avail itself to remedy against the Executive Director in the event of such breach of fiduciary duties.

Mr Zhang Jiming has opted not to receive remuneration for his services rendered to the Company, as the Executive Director and Chairman of the Board. Accordingly there was no remuneration paid to Mr Zhang Jiming in FY2015.

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 has since FY2013 decided not to receive Director's fee for her services as a Non-Executive Director and member of the Board Committees. Similar as previous years, Ms Quan has opted not to receive Director's fee for FY2015.

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

The RC had reviewed and is satisfied that the performance conditions of its remuneration policy were met in FY2015.

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.

Corporate Governance Report

A breakdown of the level and mix of remuneration paid/payable to each Director in FY2015 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 [@]	12,878	–	–	–	12,878
Tham Mun Chee ⁺	20,000	–	–	–	20,000
Zhang Jian [^]	–	–	–	–	–
Tham Poh Weng [*]	13,333	–	–	–	13,333

Notes

As at 30 June 2015, the Company made a provision of S\$117,332 as Director's fee in its audited accounts for FY2015. However, the total proposed fee payable to the Directors for FY2015 is S\$86,211. An adjustment for the over provision of the Directors' fees amounting to S\$31,121 will be made to the audited financial statement for FY2016.

- # Both Mr Zhang Jiming and Ms Quan Yuhong have decided not to receive fee/remuneration in FY2015.
 @ Ms Liu Xiuwen's director fee is payable in RMB at the exchange rate of S\$1 to RMB4.659 as at 30 June 2015.
 + Mr Tham Mun Chee was appointed on 1 January 2015.
 ^ Mr Zhang Jian did not receive remuneration in FY2015 and he resigned as Executive Director on 5 June 2015.
 * Mr Tham Poh Weng retired as Independent Director on 29 October 2014.

Remuneration of Key Executives

The remuneration paid to the top five key executives (who are not Directors) of the Group set out in bands of S\$250,000 in FY2015 is as follows:-

	Base/Fixed Salary (%)	Variable/Bonuses (%)	Benefits in Kind (%)	Total (%)
Below S\$250,000				
Hou Lei	40	60	0	100
Liu Zhenzhe	49	51	0	100
Guo Qingming	47	53	0	100
Zhu Hongxin	72	28	0	100
Deng Yubo	70	30	0	100

The aggregate remuneration paid to the top five key executives in FY2015 was S\$200,060.

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

There was no employee of the Group who is immediate family member of any Director whose remuneration exceeds S\$50,000 in FY2015.

Corporate Governance Report

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 of 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 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 the financial year under review, the General Manager and Deputy General Manager (Finance) had 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 FY2015. 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 FY2015 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.

Corporate Governance Report

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 in FY2015.

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 and Lead Independent Director
Tham Mun Chee	– Member and Independent Director
Liu Xiuwen	– Member and Independent Director
Quan Yuhong	– Member and Non-Executive Director

All of the AC members, including the Chairman, have accounting and related financial management expertise and experience.

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 deems necessary to discharge its responsibilities properly. Such expenses would be borne by the Company.

The AC members met twice in FY2015, 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;

Corporate Governance Report

- 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 review 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 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.

The AC has met with the external and internal auditors in FY2015 without the presence of the management.

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\$90,000 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.

Corporate Governance Report

The AC has recommended and the Board has approved the re-appointment of RT LLP as external auditors of the Company at the forthcoming AGM.

The Group has appointed different auditors for its overseas subsidiaries and associate. The Board and the AC have reviewed the appointment of the different auditors for its overseas subsidiaries, and are satisfied that the appointment of the different auditors would not compromise the standard and effectiveness of the audit of the Group.

The Board and the AC are satisfied that the Company has complied with Rule 712 and 715 of the Catalyst 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. 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 during the FY2015.

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

The AC also reviews and approves the internal auditor's 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 auditor 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.

Corporate Governance Report

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 practice 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.

Shareholders are encouraged to attend AGM 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 respective Chairman of the AC, RC and NC 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 accounts raised by shareholders.

Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Company's Articles of Association allow each shareholder to appoint up to two proxies to attend AGM and any other general meetings. The Board will review the Company's Articles of Association from time to time, and where an amendment to the Company's Articles of Association 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.

Corporate Governance Report

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 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 FY2015, the Company did not propose any dividends so as to retain the cash in the Group for its future growth plans.

In compliance with the requirement of Catalist Rules, all resolutions are put to vote by poll at the general meeting. Detailed voting results including each of the total number of votes cast for or against the resolutions will be 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 ("IPT")

In compliance with Rule 920 of the Catalist Rules, the value of IPT conducted in FY2015 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) Sales by the Group to SDIC Zhonglu and its group of companies 129,233
		(b) Purchases by a subsidiary of the Group from the related companies of SDIC Zhonglu 409,504
		(c) Interest paid by subsidiaries of the Company with respect to the entrusted loan and working capital provided by SDIC Zhonglu 6,511

The above IPT were conducted pursuant to the shareholders' mandate for IPT approved on 29 October 2014.

Material Contracts

Save as disclosed above, 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, which were entered into since the end of the previous financial year.

Non-Sponsorship Fees

The Continuing Sponsor of the Company is PrimePartners Corporate Finance Pte. Ltd. There was no non-sponsor fee paid to the Sponsor by the Company in FY2015.

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Directors' Report

The directors present their report 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 2015, and the statement of financial position of the Company for the financial year ended 30 June 2015.

Directors

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

Zhang Jiming	(Appointed on 5 June 2015)
Quan Yuhong	
Ngiam Zee Moey	
Liu Xiuwen	
Tham Mun Chee	(Appointed on 1 January 2015)

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 the director 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		
	As at 01.07.2014	As at 30.06.2015	As at 01.07.2014	As at 30.06.2015
The Company				
Mr Ngiam Zee Moey	355,714	355,714	–	–

In accordance with the continuing listing requirement of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the register of Directors' Shareholdings, the Directors' interest as at 21 July 2015 in the shares and options of the Company have not changed from those disclosed as at 30 June 2015.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, except as disclosed in the accompanying financial statements and this report, and except that certain directors have employment relationships with the Company and have received remuneration in those capacities.

Directors' Report

Share options

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 performed the functions specified in 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.

Other information required by the SGX-ST

Interested person transactions

There was no interested person transactions as defined in Chapter 9 of Listing Manual of the Singapore Exchange conducted during the financial year except as disclosed under "Interested Person Transactions" on "Corporate Governance Report " and in Note 31 to the financial statements.

On behalf of the board of directors

Quan Yuhong
Director

Ngiam Zee Moey
Director

Singapore
14 October 2015

Statement by Directors

We, Quan Yuhong and Ngiam Zee Moey, being two of the directors of Zhongxin Fruit and Juice Limited, do hereby state that, 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 2015 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.

On behalf of the board of directors

Quan Yuhong
Director

Ngiam Zee Moey
Director

Singapore
14 October 2015

Independent Auditor's Report

To The Members of Zhongxin Fruit and Juice Limited
For the financial year ended 30 June 2015

Report on the Financial Statements

We have audited the accompanying 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 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's Responsibility

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

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

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

Independent Auditor's Report

To The Members of Zhongxin Fruit and Juice Limited
For the financial year ended 30 June 2015

Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

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

RT LLP
Public Accountants and
Chartered Accountants

Singapore, 14 October 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 30 June 2015

		Group	
	Note	2015	2014
		RMB'000	RMB'000
Revenue	4	142,424	157,752
Cost of sales		(112,033)	(124,322)
Gross profit		30,391	33,430
<u>Other income:</u>			
Other operating income	5	3,252	5,549
<u>Expenses:</u>			
Distribution expenses		(15,519)	(10,428)
Administrative expenses		(8,013)	(9,354)
Finance costs	7	(6,523)	(6,898)
Share of loss from equity-accounted joint venture	11	(1,306)	(1,459)
Profit before income tax	8	2,282	10,840
Income tax expense	9	–	–
Profit for the financial year		2,282	10,840
Other comprehensive income for the financial year, net of tax		–	–
Total comprehensive income for the financial year attributable to owners of the Company		2,282	10,840
Earnings per share for earnings attributable to owners of the Company (cents)			
- Basic	10	0.22	1.03
- Diluted	10	0.22	1.03

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

Statements of Financial Position

As at 30 June 2015

	Note	Group		Company	
		2015	2014	2015	2014
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current Assets					
Investment in joint venture	11	345	1,651	–	–
Investment in subsidiaries	12	–	–	48,223	48,223
Property, plant and equipment	13	68,698	74,282	7	–
Land use rights and intangible assets	14	7,819	8,273	–	–
		<u>76,862</u>	<u>84,206</u>	<u>48,230</u>	<u>48,223</u>
Current Assets					
Cash and bank balances	15	3,637	3,925	3,294	3,058
Other receivables	16	3,645	2,609	–	–
Receivable from subsidiaries	17	–	–	74,836	77,031
Receivable from related parties	18	23	3,747	–	–
Receivable from immediate holding company	19	11,435	–	–	–
Prepayments		247	445	–	–
Inventories	20	48,028	66,388	–	–
		<u>67,015</u>	<u>77,114</u>	<u>78,130</u>	<u>80,089</u>
Total Assets		<u>143,877</u>	<u>161,320</u>	<u>126,360</u>	<u>128,312</u>
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	791	791	–	–
Accumulated losses		(207,207)	(209,489)	(127,001)	(125,213)
Equity attributable to owners of the Company		<u>67,677</u>	<u>65,395</u>	<u>125,092</u>	<u>126,880</u>
Current Liabilities					
Trade and other payables	24	13,690	16,871	1,268	1,432
Payable to related parties	25	543	896	–	–
Payable to immediate holding company	26	61,967	48,158	–	–
Borrowings	27	–	30,000	–	–
Total Liabilities		<u>76,200</u>	<u>95,925</u>	<u>1,268</u>	<u>1,432</u>
Total Equity and Liabilities		<u>143,877</u>	<u>161,320</u>	<u>126,360</u>	<u>128,312</u>

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

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2015

Equity attributable to owners of the Company

	Share Capital	Contributed Surplus	Statutory and Other Reserves	Accumulated Losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group					
Balance at 1 July 2013	252,093	22,000	791	(220,329)	54,555
Total comprehensive income for the financial year	–	–	–	10,840	10,840
Balance at 30 June 2014	252,093	22,000	791	(209,489)	65,395
Total comprehensive income for the financial year	–	–	–	2,282	2,282
Balance at 30 June 2015	252,093	22,000	791	(207,207)	67,677

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

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2015

	Note	Group 2015 RMB'000	2014 RMB'000
Cash Flows From/(For) Operating Activities			
Profit before income tax		2,282	10,840
Adjustments for:			
Amortisation of land use rights and intangible assets		195	193
Depreciation of property, plant and equipment		2,099	4,751
Gain on disposal of land use rights		(2,142)	–
Gain on disposal of property, plant and equipment		(722)	–
Impairment of dividend receivable		–	2,000
Impairment of property, plant and equipment		227	–
Inventories written down		35	–
Share of loss from equity-accounted joint venture		1,306	1,459
Write-back of over-accrued expenses		–	(3,423)
Income from restructuring of debts		(34)	(422)
Interest expense		6,512	6,881
Interest income		(28)	(26)
Operating profit before working capital changes		9,730	22,253
Inventories		24,342	(34,338)
Other receivables		(1,036)	(1,866)
Receivable from related parties		3,747	(3,747)
Receivable from immediate holding company		(11,435)	–
Prepayments		198	41
Trade and other payables		(3,147)	(13,420)
Net cash generated from/(used in) operating activities		22,399	(31,077)
Cash Flows From/(For) Investing Activities			
Interest received		28	26
Proceeds from disposal of land use rights		2,401	–
Proceeds from disposal of property, plant and equipment		762	–
Purchase of property, plant and equipment		(2,799)	(3,872)
Net cash generated from/(used in) investing activities		392	(3,846)
Cash Flows (for)/From Financing Activities			
Advances from immediate holding company		13,809	39,364
Net advances from/(to) related parties		(376)	3,433
Proceeds from borrowings		–	30,000
Repayment of borrowings		(30,000)	(30,000)
Interest paid		(6,512)	(6,881)
Net cash (used in)/generated from financing activities		(23,079)	35,916
Net (decrease)/increase in cash and cash equivalents		(288)	993
Cash and cash equivalents at beginning of the financial year		3,925	2,932
Cash and cash equivalents at end of the financial year	15	3,637	3,925

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

Notes to the Financial Statements

For the financial year ended 30 June 2015

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 2015 were authorised for issue in accordance with a resolution of the directors on the date of the Statement by Directors.

2. 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.

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 2014. 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.

Notes to the Financial Statements

For the financial year ended 30 June 2015

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 1 <i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 16 and FRS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to FRS 27 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
Improvements to FRSs 2014 (November 2014):	
- Amendments to FRS 107 <i>Financial Instruments: Disclosures</i>	1 January 2016
- Amendments to FRS 19 <i>Employee Benefits</i>	1 January 2016
- Amendments to FRS 34 <i>Interim Financial Reporting</i>	1 January 2016
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2017
FRS 109 <i>Financial Instruments</i>	1 January 2018

The Directors do not anticipate that the adoption of the above FRS and INT FRS 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 115 and FRS 109. Management is currently evaluating the potential impact of the application of FRS 115 and FRS 109 on the financial statements of the Group and of the Company in the period of their initial application.

Notes to the Financial Statements

For the financial year ended 30 June 2015

2. Summary of significant accounting policies (Cont'd)

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.

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.

2.6 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. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Notes to the Financial Statements

For the financial year ended 30 June 2015

2. Summary of significant accounting policies (Cont'd)

2.6 Group accounting

(i) Subsidiaries (Cont'd)

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 acquiree 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.

(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.

Notes to the Financial Statements

For the financial year ended 30 June 2015

2. Summary of significant accounting policies (Cont'd)

2.6 Group accounting

(iii) Disposals (Cont'd)

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

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.

Notes to the Financial Statements

For the financial year ended 30 June 2015

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:

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

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

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

(iii) Subsequent expenditure

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

(iv) Disposal

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

Notes to the Financial Statements

For the financial year ended 30 June 2015

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.

Notes to the Financial Statements

For the financial year ended 30 June 2015

2. Summary of significant accounting policies (Cont'd)

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.

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 bank balances" 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.

Notes to the Financial Statements

For the financial year ended 30 June 2015

2. Summary of significant accounting policies (Cont'd)

2.11 Financial assets (Cont'd)

(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.

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.

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

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.

Notes to the Financial Statements

For the financial year ended 30 June 2015

2. Summary of significant accounting policies (Cont'd)

2.14 Financial liabilities

Financial liabilities include trade and other payables, payable to related parties, payable to immediate holding company and borrowings. 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.

2.15 Fair value estimation of financial assets and liabilities

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

(i) Leases

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.

Notes to the Financial Statements

For the financial year ended 30 June 2015

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.

Notes to the Financial Statements

For the financial year ended 30 June 2015

2. Summary of significant accounting policies (Cont'd)

2.18 Income taxes (Cont'd)

Value-added-tax

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

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

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

2.19 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.

Notes to the Financial Statements

For the financial year ended 30 June 2015

2. Summary of significant accounting policies (Cont'd)

2.20 Employee benefits (Cont'd)

(ii) Employee leave entitlements

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

2.21 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.

Notes to the Financial Statements

For the financial year ended 30 June 2015

2. Summary of significant accounting policies (Cont'd)

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.

2.26 Related parties

A related party is defined as follows:

- (i) A person or a close member of that person's family is related to the Group and Company if that person:
 - a) has control or joint control over the Company;
 - b) has significant influence over the Company; or
 - c) is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (ii) An entity is related to the Group and the Company if any of the following conditions applies:
 - a) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - c) both entities are joint ventures of the same third party.
 - d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

Notes to the Financial Statements

For the financial year ended 30 June 2015

2. Summary of significant accounting policies (Cont'd)

2.26 Related parties

- (ii) An entity is related to the Group and the Company if any of the following conditions applies: (Cont'd)
 - e) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - f) the entity is controlled or jointly controlled by a person identified in (a).
 - g) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - h) the entity, or any member of a group of which it is a part, provides key management personal services to the reporting entity or to the parent of the Company.

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.

Notes to the Financial Statements

For the financial year ended 30 June 2015

3. Critical Accounting Estimates, Assumptions and Judgements (Cont'd)

3.2 Critical accounting estimates and assumptions (Cont'd)

(i) Impairment and collectability of receivables

The Group follows the guidance of FRS 39 as detailed in Note 2.11(v) 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.

(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.

As described in Note 13, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, the Group conducted an operational review of its property, plant and equipment. The Group has implemented technical transformation and technology development in its manufacturing process, as well as performed regular overhaul of equipment and restoration of its buildings. This has improved the service performance of key machineries and equipment. The useful lives of certain property, plant and equipment are extended as a result of these improvements. The effect of these changes on actual and expected depreciation expense, included in cost of sales, distribution and administrative expenses, is as follows:-

	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Decrease in depreciation expense	2,371	4,788	4,788	4,788

Notes to the Financial Statements

For the financial year ended 30 June 2015

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 (Cont'd)

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 RMB68,698,000 (2014: RMB74,282,000). 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 property, plant and equipment

An assessment is made at each reporting date whether there is any indication that the asset may be impaired. At the end of the reporting period, the Group has performed a valuation on its property, plant and equipment. Based on the valuation, the directors are satisfied that no impairment is required. The carrying amount of the Group's property, plant and equipment as at the end of reporting period was RMB68,698,000 (2014: RMB74,282,000). Details of the assessment for impairment of property, plant and equipment are included in Note 13.

(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 RMB48,028,000 (2014: RMB66,388,000).

(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.

Notes to the Financial Statements

For the financial year ended 30 June 2015

3. Critical Accounting Estimates, Assumptions and Judgements (Cont'd)

3.2 Critical accounting estimates and assumptions (Cont'd)

(vi) Impairment of investment in subsidiaries

Investment in subsidiaries is tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The carrying amount of the Company's investment in subsidiaries as at the end of reporting period was RMB48,223,000 (2014: RMB48,223,000). As disclosed in Note 12 to the financial statements, the recoverable amount of the investment in a subsidiary of the Company has been determined based on fair value of the business of the subsidiary conducted by an independent external professional valuer. The valuation is conducted using valuation techniques known as the "Asset Based Valuation Approach". The key assumptions applied in the determination of the fair value are disclosed and further explained in Note 12 to the financial statements.

4. Revenue

Revenue of the Group represents the invoiced value of the goods sold to customers, net of sales discount and returns. It represents mainly sales of fruit juice concentrate to related parties as disclosed in Note 31.

5. Other operating income

	Group	
	2015	2014
	RMB'000	RMB'000
Foreign currency exchange gain	–	1,300
Gain on disposal of land use rights	2,142	–
Gain on disposal of property, plant and equipment	722	–
Government grants/incentives	133	27
Income from debt restructuring	34	422
Interest income	28	26
Rental income	174	244
Sales of other materials	–	26
Write-back of over-accrued expenses	–	3,423
Other income	19	81
	<u>3,252</u>	<u>5,549</u>

In the previous financial year, management has gone through a detailed analysis and assessment of the accruals and concluded that the accruals were excessive and were no longer liable to be paid. Consequently, the accruals of RMB3,423,000 were written back to profit or loss as other income in the previous financial year.

Notes to the Financial Statements

For the financial year ended 30 June 2015

6. Staff costs

	Group	
	2015	2014
	RMB'000	RMB'000
Wages and salaries	8,146	7,408
Employer's contribution to defined contribution plans including Central Provident Fund	1,999	1,727
Other staff costs	176	543
	10,321	9,678

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	
	2015	2014
	RMB'000	RMB'000
Wages and salaries	1,714	1,636
Directors' fees (Note 8)	547	242
	2,261	1,878

Included in the above is total compensation to directors of the Company amounting to RMB547,000 (2014: RMB242,000).

The key management personnel remunerations are determined by the remuneration committee having regard to the performance of individuals and market trends.

7. Finance costs

	Group	
	2015	2014
	RMB'000	RMB'000
Interest on borrowings:		
- with respect to entrusted loan granted by immediate holding company through a financial institution (Note 27)	905	1,825
- with respect to advances received from immediate holding company	5,607	5,056
Others	11	17
	6,523	6,898

Notes to the Financial Statements

For the financial year ended 30 June 2015

8. Profit before income tax

	Group	
	2015	2014
	RMB'000	RMB'000
This was arrived at after charging:		
Amortisation of land use rights (Note 14)	195	193
Audit fees to independent auditors of the Company	563	443
Audit fees to other auditors	150	148
Directors' fees (Note 6)	547	242
Depreciation of property, plant and equipment (Note 13)	2,099	4,751
Foreign exchange loss	409	–
Impairment of dividend receivable (Note 16)	–	2,000
Impairment of property, plant and equipment	227	–
Inventories written down	35	–

9. Income tax expense

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 year 2014 and 2015. Certain provinces in the PRC will require the application of tax exemption in year 2014 and 2015.

A reconciliation between tax expense and the product of the accounting profit multiplied by the applicable corporate tax rate for the financial years ended 30 June 2015 and 30 June 2014 is as follows:

	Group	
	2015	2014
	RMB'000	RMB'000
Profit before income tax	2,282	10,840
Tax calculated at tax rate of 17%	388	1,843
Effect of different tax rate in PRC	183	717
Income not subject to tax	(589)	(3,001)
Expenses not deductible	18	441
	–	–

Notes to the Financial Statements

For the financial year ended 30 June 2015

9. Income tax expense (Cont'd)

No provision for Singapore tax has been made as the Company did not derive taxable income in Singapore in the financial year. At the end of the reporting period, the Company has unabsorbed tax losses amounting to approximately RMB12,501,000 (2014: RMB12,501,000). The availability of these unabsorbed tax losses for carrying forward to offset against the Company's future taxable income is subject to compliance with certain provisions of the Singapore Income Tax Act.

Deferred tax benefits have not been recognised in respect of the tax losses due to uncertainty of realisation.

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 2015 and 2014.

	Group	
	2015	2014
Net earnings for the year (RMB'000)	2,282	10,840
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)	0.22 cents	1.03 cents

11. Investment in joint venture

	Group		Company	
	2015	2014	2015	2014
	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)
Share of loss	(27,991)	(26,685)	—	—
	345	1,651	—	—
<i>Movement in share of loss:</i>				
Balance at beginning	(26,685)	(25,226)		
Share of loss for the financial year	(1,306)	(1,459)		
Balance at end	(27,991)	(26,685)		

Notes to the Financial Statements

For the financial year ended 30 June 2015

11. Investment in joint venture (Cont'd)

The details of the joint venture as at 30 June 2015 were as follows:

Name of Joint venture	Principal Activities	Country of incorporation/ place of business	Equity holding	
			2015 %	2014 %
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 RT LLP for equity method of accounting purposes.

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

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

Summarised statement of financial position

	2015 RMB'000	2014 RMB'000
Cash and cash equivalents	180	291
Other current assets	35,441	44,561
Current assets	35,621	44,852
Non-current assets	31,764	35,879
Total assets	67,385	80,731
Current financial liabilities (excluding trade payables)	(63,213)	(76,879)
Other current liabilities (including trade payables)	(3,481)	(549)
Total current liabilities	(66,694)	(77,428)
Net assets	691	3,303
Proportion of the Group's ownership	50%	50%
Group's share of net assets	345	1,651

Notes to the Financial Statements

For the financial year ended 30 June 2015

11. Investment in joint venture (Cont'd)

Summarised statement of profit or loss and other comprehensive income

	2015	2014
	RMB'000	RMB'000
Revenue	65,714	69,984
Cost of sales	(54,927)	(53,041)
Gross profit	10,787	16,943
Interest income	–	–
Other operating income	24	16
Operating expenses	(8,134)	(10,426)
Interest expense	(4,910)	(9,046)
Depreciation and amortisation	(377)	(404)
Loss before income tax	(2,610)	(2,917)
Income tax expense	(2)	–
Loss for the financial year	(2,612)	(2,917)

12. Investment in subsidiaries

	Company	
	2015	2014
	RMB'000	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
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Notes to the Financial Statements

For the financial year ended 30 June 2015

12. Investment in subsidiaries (Cont'd)

The details of the subsidiaries as at 30 June 2015 are as follows:

Name of Subsidiaries	Principal Activities	Country of incorporation/ place of business	Percentage of equity held		Cost of investments	
			2015 %	2014 %	2015 RMB'000	2014 RMB'000
Xuzhou Zhongxin Fruit & Juice Company Limited ("Xuzhou Zhongxin")*	Production of fruit juice concentrate	The People's Republic of China	100	100	46,154	46,154
Yuncheng Zhongxin Fruit & Juice Company Limited ("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 RT LLP for consolidation purpose.

Impairment testing of investment in subsidiaries

During the financial year, management reassessed the recoverable amount of the investment in Xuzhou Zhongxin as this subsidiary is in a net liabilities position at the end of the reporting period. The recoverable amount of the investment in Xuzhou Zhongxin has been determined based on the higher of value-in-use and the fair value less cost of disposal. The fair value less cost of disposal is determined based on the fair value of the business of Xuzhou Zhongxin using valuation techniques known as the "Asset Based Valuation Approach" which comprised the cost approach and market approach. The Group engaged Beijing Guorongxinghua Asset Appraisal Co., Ltd, (北京国融兴华资产评估有限责任公司), an independent external professional valuer to determine the fair value. The date of the valuation was 30 June 2015. Based on the valuation techniques used, the recoverable amount of the investment in Xuzhou Zhongxin was approximately RMB29,992,000 as compared to its carrying amount of approximately RMB28,729,000 after deducting impairment loss of RMB17,425,000.

In accordance with the valuation report dated 30 July 2015, the valuation methodology used in determining the fair value of the investment in Xuzhou Zhongxin is the "Asset Based Valuation Approach". Under this approach, the valuation is based on the fair market value of its total assets less its total liabilities. The fair market value of its total assets less its total liabilities is based on the combination of the sum of the net assets marked to current market values and its replacement costs.

Notes to the Financial Statements

For the financial year ended 30 June 2015

12. Investment in subsidiaries (Cont'd)

Key Assumptions and Estimations used in the Valuation Report

The following describes the key assumptions and estimations used in deriving at the fair value of the investment in Xuzhou Zhongxin of approximately RMB29,992,000:

- a) Cash and bank balances - the fair value is assumed to approximate the carrying value.
- b) Receivables - the fair value is assessed based on estimated recoverable amount from the debtors.
- c) Prepayments - the carrying value of prepayments is assumed to approximate its fair value as the amount is short-term in nature.
- d) Inventories - the fair value is assessed based on the estimated net realisable value.
- e) Property, plant and equipment - the fair value is estimated based on cost replacement approach i.e. the amount that would be required currently to replace the service capacity of the property, plant and equipment (Note 13).
- f) Land use rights - the fair value is assessed by benchmarking against market value of the state-owned land. The appraisal involves determining the value of right to use state-owned land for industrial purposes (Note 14).
- g) Current liabilities - the carrying value of current liabilities is assumed to approximate their fair value as the amount is short-term in nature.

The valuation on the investment in Xuzhou Zhongxin requires the use of estimates with reference to combination of current market values and replacement costs of the net assets held by the subsidiary. Management considers the valuation as a reference in order to determine whether there is any indication that the investment in Xuzhou Zhongxin may be further impaired. As the carrying amount of the investment in Xuzhou Zhongxin is lower than its recoverable amount, management is satisfied that no further impairment is required.

Based on the fair value assessment, the carrying amount of the investment in Xuzhou Zhongxin of approximately RMB28,729,000 was determined to be approximately RMB1,263,000 lower than its recoverable amount of approximately RMB29,992,000. However, the previously recognized impairment loss of RMB1,263,000 was not reversed during the financial year.

This is because management had performed a sensitivity analysis of between plus and minus 5 percent on the fair value amount of the transferable land use rights in Xuzhou Zhongxin of approximately RMB37,084,700 (Note 14). Based on the lower band of the sensitivity analysis, the fair value amounted to approximately RMB35,230,465 which is approximately RMB1,854,235 lower. Accordingly, the excess of the carrying amount over its recoverable amount of approximately RMB591,235 (RMB1,854,235 – RMB1,263,000) has not been reversed due to reason of immateriality.

Management has used the lower band of the sensitivity analysis of approximately RMB37,084,700 for the transferable land use rights because the fair value of the transferable land use rights is estimated based on the average industrial and residential land price at Fengxian, Xuzhou. Management considers that Xuzhou Zhongxin is located at northern suburb area of Fengxian. Based on management's assessment, the northern suburb area of Fengxian is still being developed and there will be a difference in estimated market value. For cautionary purpose, management has used a lower market value in estimating the fair value of the transferable land use rights, based on the lower band of the sensitivity analysis.

Notes to the Financial Statements

For the financial year ended 30 June 2015

12. Investment in subsidiaries (Cont'd)

In the previous financial year, the recoverable amount of the investment in Xuzhou Zhongxin was approximately RMB32,906,000 as compared to its carrying amount of approximately RMB28,729,000 after deducting impairment loss of RMB17,425,000.

13. Property, plant and equipment

(a) Group

	Buildings	Plant & machinery	Furniture, fittings & office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2015					
Cost:					
As at 1 July 2014	58,219	92,632	1,471	1,347	153,669
Additions	871	1,772	81	75	2,799
Disposals	(41)	–	–	–	(41)
As at 30 June 2015	59,049	94,404	1,552	1,422	156,427
Accumulated depreciation and impairment loss:					
As at 1 July 2014	15,922	61,303	954	1,208	79,387
Depreciation for the financial year	2,079	5,701	228	108	8,116
Impairment loss	4	223	–	–	227
Disposals	(1)	–	–	–	(1)
As at 30 June 2015	18,004	67,227	1,182	1,316	87,729
Carrying amount					
As at 30 June 2015	41,045	27,177	370	106	68,698
2014					
Cost:					
As at 1 July 2013	57,435	89,844	1,215	1,303	149,797
Additions	784	2,788	256	44	3,872
As at 30 June 2014	58,219	92,632	1,471	1,347	153,669
Accumulated depreciation:					
As at 1 July 2013	13,808	52,758	872	1,173	68,611
Depreciation for the financial year	2,114	8,545	82	35	10,776
As at 30 June 2014	15,922	61,303	954	1,208	79,387
Carrying amount					
As at 30 June 2014	42,297	31,329	517	139	74,282

Notes to the Financial Statements

For the financial year ended 30 June 2015

13. Property, plant and equipment (Cont'd)

(b) Company

	Furniture, fittings & office equipment
	RMB'000
2015	
Cost:	
As at 1 July 2014	143
Additions	8
As at 30 June 2015	151
Accumulated depreciation:	
As at 1 July 2014	143
Depreciation for the financial year	1
As at 30 June 2015	144
Carrying amount:	
As at 30 June 2015	7

2014

Cost:	
As at 1 July 2013 and 30 June 2014	143
Accumulated depreciation:	
As at 1 July 2013 and 30 June 2014	143
Carrying amount:	
As at 30 June 2014	—

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Depreciation expense charged to:				
Cost of sales	1,135	4,179	—	—
Administrative expenses	826	538	—	—
Distribution expenses	138	34	—	—
Total charged to profit or loss (Note 8)	2,099	4,751	—	—
Capitalised in Inventories (Note 20)	6,017	6,025	—	—
	8,116	10,776	—	—

Notes to the Financial Statements

For the financial year ended 30 June 2015

13. Property, plant and equipment (Cont'd)

Assessment for impairment of property, plant and equipment

As at the end of the reporting period, the subsidiary, Xuzhou Zhongxin was in a net liabilities position. Accordingly, the Group has carried out a review of the recoverable amount of the Group's property, plant and equipment by engaging an independent professional valuer to perform a valuation.

The results of the valuation conducted during the financial year were as follows:

	Buildings	Plant & machinery	Furniture, fittings & office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount as at 30 June 2015	25,098	14,380	52	56	39,586
Fair value as at 30 June 2015 (Note 12)	41,572	27,670	85	241	69,568

Based on the valuation report dated 30 July 2015, the directors are satisfied that no impairment is required for the financial year.

The results of the valuation conducted during the previous financial year were as follows:

	Buildings	Plant & machinery	Furniture, fittings & office equipment	Motor vehicles	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount as at 30 June 2014	25,840	17,767	195	79	43,881
Fair value as at 30 June 2014 (Note 12)	42,039	29,474	460	298	72,271

Change in estimates

During the financial year, the Group conducted an operational review of its property, plant and equipment. The Group has implemented technical and technology development in its manufacturing process, as well as performed regular overhaul of equipment and restoration of its buildings. This has improved the service performance of key machineries and equipment. The useful lives of certain property, plant and equipment are extended as a result of these improvements. The effect of these changes on actual and expected depreciation expense, included in cost of sales, distribution and administrative expenses, is as follows:-

	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Decrease in depreciation expense	2,371	4,788	4,788	4,788

Notes to the Financial Statements

For the financial year ended 30 June 2015

14. Land use rights and intangible assets

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At beginning of financial year	9,579	9,579	–	–
Disposals	(326)	–	–	–
At end of financial year	9,253	9,579	–	–
Accumulated amortisation:				
At beginning of financial year	1,306	1,113	–	–
Charge to profit or loss (Note 8)	195	193	–	–
Disposals	(67)	–	–	–
At end of financial year	1,434	1,306	–	–
Carrying amount:				
At end of financial year	7,819	8,273	–	–
Comprising of:				
Transferable land use rights	7,811	8,261	–	–
Intangible assets – computer software	8	12	–	–
	7,819	8,273	–	–

The details of the transferable land use rights as at 30 June 2015 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

Based on the valuation report dated 30 July 2015, the fair value of the transferable land use rights for Xuzhou Zhongxin as at 30 June 2015 amounted to approximately RMB37,084,700 (Note 12) as compared to its carrying amount of approximately RMB3,629,100.

Based on the valuation report dated 16 September 2014, the fair value of the transferable land use rights for Xuzhou Zhongxin as at 30 June 2014 amounted to approximately RMB38,844,000 (Note 12) as compared to its carrying amount of approximately RMB3,978,000.

Notes to the Financial Statements

For the financial year ended 30 June 2015

15. Cash and bank balances

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank deposits	3,637	3,925	3,294	3,058
Cash and cash equivalents in the consolidated statement of cash flows	3,637	3,925		

16. Other receivables

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables:				
- Non-related parties	3,760	259	—	—
Less: Allowance for doubtful debts:				
As at beginning and end	(120)	(120)	—	—
Net other receivables	3,640	139	—	—
Deposits	5	57	—	—
Value-added-tax receivable	—	2,413	—	—
Dividend receivable	2,000	2,000	2,000	2,000
Less: Impairment of dividend receivable (Note 8)	(2,000)	(2,000)	(2,000)	(2,000)
	—	—	—	—
	3,645	2,609	—	—

17. Receivable from subsidiaries

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

Notes to the Financial Statements

For the financial year ended 30 June 2015

18. Receivable from related parties

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade	–	3,747	–	–
Non-trade	23	–	–	–
	23	3,747	–	–

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.

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	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials	3,450	2,735	–	–
Work-in-progress	6,852	11,672	–	–
Finished goods	37,919	52,174	–	–
	48,221	66,581	–	–
Less: Allowance for slow moving inventories:	(193)	(193)	–	–
	48,028	66,388	–	–

The cost of inventories recognised as an expense and included in "Cost of sales" amounted to approximately RMB72,295,110 (2014: RMB124,322,000).

Depreciation of approximately RMB6,017,000 (2014: RMB6,025,000) were absorbed into inventories' costing (Note 13).

Notes to the Financial Statements

For the financial year ended 30 June 2015

21. Share capital

	Group and Company			
	2015		2014	
	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	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables:				
- Non-related parties	5,168	6,972	–	–
Other payables:				
- Non-related parties*	4,514	6,730	–	–
Accrued salaries, bonus and directors' remunerations	1,998	1,622	562	16
Accruals and provisions	1,998	1,525	706	1,416
Advances received**	12	22	–	–
	13,690	16,871	1,268	1,432

Notes to the Financial Statements

For the financial year ended 30 June 2015

24. Trade and other payables (Cont'd)

** The Group*

Xuzhou Zhongxin had a dispute with Xi'an Jingfa Economics & Trade Industrial Co., Ltd ("Xi'an Jingfa") under a juice processing/manufacturing agreement, pursuant to which Xuzhou Zhongxin agreed to produce fruit juice for Xi'an Jingfa. Xi'an Jingfa claimed that it had overpaid Xuzhou Zhongxin, and it commenced legal proceedings against Xuzhou Zhongxin in the PRC for a claim of approximately RMB5.2 million with interest. On 12 October 2010, the PRC Xi'an Weiyang District People's Court (西安市未央区人民法院) issued a judgment against Xuzhou Zhongxin ordering Xuzhou Zhongxin to pay Xi'an Jingfa a sum of RMB5,429,000.

On 15 May 2012, the Company, Xuzhou Zhongxin and Xi'an Jingfa entered into a settlement agreement, in which Xuzhou Zhongxin shall repay a sum of approximately RMB6,281,000 (inclusive of the court processing fees and accrued interest as at 21 January 2012) to Xi'an Jingfa via instalments and, if Xuzhou Zhongxin is unable to settle its liabilities to Xi'an Jingfa, Xi'an Jingfa may instruct Xuzhou Zhongxin to transfer such liabilities to the Company and the Company shall settle such liabilities in accordance to the terms of the Scheme of Arrangement executed through an Implementation Agreement between the Company and its controlling shareholders on 6 December 2011.

The balance outstanding owing by Xuzhou Zhongxin to Xi'an Jingfa included in other payables as at 30 June 2014 amounted to approximately RMB1,215,000. There was no outstanding balance owing to Xi'an Jingfa as at 30 June 2015.

*** Advances received*

Advances received from customers were unsecured, interest-free and repayable on demand.

25. Payable to related parties

Amount payable to related parties were non-trade, unsecured, interest-free and were repayable on demand.

26. Payable to immediate holding company

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

Notes to the Financial Statements

For the financial year ended 30 June 2015

27. Borrowings

	Group	
	2015	2014
	RMB'000	RMB'000
Current:		
Entrusted loan – Unsecured	–	30,000

(a) Securities granted

Entrusted loan

The entrusted loan outstanding as at 30 June 2014 has matured on 19 December 2014. The entrusted loan as at 30 June 2014 was unsecured and granted by SDIC Zhonglu to a subsidiary of the Company through a financial institution.

(b) Interest rates

The interest expense which amounted to RMB905,000 (2014: RMB1,825,000) was charged on the entrusted loan based on market rate of 6% per annum (2014: 6% per annum).

(c) Fair values

The carrying amounts of borrowings approximate their fair values.

28. 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	
	2015	2014
	RMB'000	RMB'000
Purchase of machineries	59	789
Purchase of equipments by joint venture *	8	12
Purchase of computer equipment and software by joint venture *	2	19
	69	820

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

Notes to the Financial Statements

For the financial year ended 30 June 2015

29. Contingent liabilities

Environmental remediation

The Group has not incurred any expenditure for environmental remediation, is currently not involved in any environmental remediation, and has not accrued any amounts for environmental remediation relating to its operations. Under existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government may move further towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards. The outcome of environmental liabilities under proposed or future environmental legislation cannot be reasonably estimated at present and hence not provided for but which could be material.

30. 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 RMB127,648,000 (2014: RMB144,552,000) was derived from a related party (Note 31), in relation to sale of fruit juice concentrate, constituted approximately 89.6% (2014: 91.6%) of total revenue.

Notes to the Financial Statements

For the financial year ended 30 June 2015

31. 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	
	2015	2014
	RMB'000	RMB'000
Sales to:		
- immediate holding company, SDIC Zhonglu	127,648	144,552
- joint venture, Linyi	1,407	—
- related party, Liaoning SDIC Zhonglu Fruit Juice Co., Ltd.^	—	6,237
- related party, Fuping Zhonglu Vegetable & Fruit, Ltd.^	—	3,189
- related party, Shandong Luling Fruit Juice Co., Ltd.^ ("Shandong Luling")	132	—
- related party, Shanxi SDIC Zhonglu Fruit Juice Co., Ltd.^ ("Shanxi SDIC")	46	3,203
Purchases from:		
- joint venture, Linyi	—	775
- related party, Hebei SDIC Zhonglu Fruit Juice Co., Ltd.^	16	—
- related party, Shandong Luling^	16	—
- related party, Qingdao SDIC Zhonglu Fruit Juice Co., Ltd.^ (Qingdao SDIC")	377	—
Interest paid with respect to the entrusted loan provided by immediate holding company, SDIC Zhonglu	905	1,825
Interest paid with respect to the loans and advances provided by immediate holding company, SDIC Zhonglu	5,607	5,056
Sales by joint venture, Linyi to:		
- immediate holding company, SDIC Zhonglu	31,302	32,719*
- related party, Shandong Luling^	1,047	—
- related party, Shanxi SDIC^	10	576*
Purchases by Linyi from:		
- immediate holding company, SDIC Zhonglu	1	—
- related party, Qingdao SDIC^	61	—
- related party, Wanrong SDIC Zhonglu Fruit Juice Co., Ltd.^	60	—
Interest paid by joint venture, Linyi to immediate holding company, SDIC Zhonglu for loans and advances received from immediate holding company, SDIC Zhonglu	1,938*	4,305*
Interest paid by joint venture, Linyi with respect to the entrusted loan provided by immediate holding company, SDIC Zhonglu to Linyi	—	245*

^ 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%.

Notes to the Financial Statements

For the financial year ended 30 June 2015

32. Fair value of assets and liabilities

a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

b) Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's and Company's assets and liabilities not measured at fair value at 30 June 2015 but for which fair value is disclosed:

2015 (RMB'000)					
Group					
Fair value measurements at the end of the reporting period using					
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
Assets					
Property, plant and equipment# (Note 13)	–	69,568	–	69,568	39,586
Land use rights# (Note 14)	–	37,085	–	37,085	3,629
Company					
Assets					
Investment in subsidiaries# (Note 12)	–	30,201	–	30,201	28,729

- Relates to Xuzhou Zhongxin.

Notes to the Financial Statements

For the financial year ended 30 June 2015

32. Fair value of assets and liabilities (Cont'd)

b) Assets and liabilities not carried at fair value but for which fair value is disclosed (Cont'd)

2014 (RMB'000)					
Group					
Fair value measurements at the end of the reporting period using					
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount
Assets					
Property, plant and equipment [#] (Note 13)	–	72,271	–	72,271	43,881
Land use rights [#] (Note 14)	–	38,844	–	38,844	3,978
Company					
Assets					
Investment in subsidiaries [#] (Note 12)	–	32,906	–	32,906	28,729

[#] - Relates to Xuzhou Zhongxin.

Determination of fair value

Investment in subsidiaries, property, plant and equipment and land use rights

The fair values as disclosed in the tables above are estimated based on a valuation technique conducted by an external independent professional valuer as disclosed in Note 12.

The fair values of cash and bank balances, 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.

Notes to the Financial Statements

For the financial year ended 30 June 2015

33. 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. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates.

The Group is not materially exposed to cash flow interest rate risks as its current borrowings and loans and advances from the immediate holding company are at variable rates. The Group is not materially exposed to fair value interest rate risk as it has no financial assets or liabilities which are measured at fair value at the end of the reporting period. The Group and the Company's policy are to manage its interest cost of fixed interest rate borrowings, where applicable.

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:

	Interest bearing	Group Non- interest bearing	Total	Interest bearing	Company Non- interest bearing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2015						
Assets						
Cash and bank balances	3,637	–	3,637	3,294	–	3,294
Liabilities						
Payable to immediate holding company	61,967	–	61,967	–	–	–
2014						
Assets						
Cash and bank balances	3,925	–	3,925	3,058	–	3,058
Liabilities						
Borrowings	30,000	–	30,000	–	–	–
Payable to immediate holding company	48,158	–	48,158	–	–	–

Notes to the Financial Statements

For the financial year ended 30 June 2015

33. Financial risk management (Cont'd)

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.

	2015				2014			
	RMB'000				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 bank balances	3,637	–	–	3,637	3,925	–	–	3,925
Other receivables	3,645	–	–	3,645	2,609	–	–	2,609
Receivable from related parties	23	–	–	23	3,747	–	–	3,747
Receivable from immediate holding company	11,435	–	–	11,435	–	–	–	–
Total undiscounted financial assets	18,740	–	–	18,740	10,281	–	–	10,281
Financial liabilities:								
Trade and other payables	13,690	–	–	13,690	16,871	–	–	16,871
Payable to related parties	543	–	–	543	896	–	–	896
Payable to immediate holding company	61,967	–	–	61,967	48,158	–	–	48,158
Borrowings	–	–	–	–	30,855	–	–	30,855
Total undiscounted financial liabilities	76,200	–	–	76,200	96,780	–	–	96,780
Total net undiscounted financial assets/ (liabilities)	(57,460)	–	–	(57,460)	(86,499)	–	–	(86,499)

It is impracticable to determine the amount of the contractual undiscounted cash flows for amount payable to immediate holding company given that it has no contractual maturity date and the interest rate will be charged according to PRC central bank borrowing rates.

Notes to the Financial Statements

For the financial year ended 30 June 2015

33. Financial risk management (Cont'd)

Liquidity risk (Cont'd)

	2015				2014			
	RMB'000				RMB'000			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
Company								
Financial assets:								
Cash and bank balances	3,294	–	–	3,294	3,058	–	–	3,058
Receivable from subsidiaries	74,836	–	–	74,836	77,031	–	–	77,031
Total undiscounted financial assets	78,130	–	–	78,130	80,089	–	–	80,089
Financial liabilities:								
Trade and other payables	1,268	–	–	1,268	1,432	–	–	1,432
Total undiscounted financial liabilities	1,268	–	–	1,268	1,432	–	–	1,432
Total net undiscounted financial assets/ (liabilities)	76,862	–	–	76,862	78,657	–	–	78,657

As at 30 June 2015, the Group's current liabilities exceeded its current assets by RMB9,185,000 (2014: RMB18,811,000).

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 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.

Notes to the Financial Statements

For the financial year ended 30 June 2015

33. Financial risk management (Cont'd)

Currency risk (Cont'd)

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

	Renminbi	Singapore Dollar	Total
	RMB'000	RMB'000	RMB'000
Group			
<u>2015</u>			
Assets			
Cash and bank balances	343	3,294	3,637
Other receivables	3,645	–	3,645
Receivable from related parties	23	–	23
Receivable from immediate holding company	11,435	–	11,435
	<u>15,446</u>	<u>3,294</u>	<u>18,740</u>
Liabilities			
Trade and other payables	13,690	–	13,690
Payable to related parties	543	–	543
Payable to immediate holding company	61,967	–	61,967
	<u>76,200</u>	<u>–</u>	<u>76,200</u>
Net financial (liabilities)/assets	(60,754)	3,294	(57,460)
Less: Net financial liabilities denominated in the Company's functional currency	60,754	–	60,754
Currency exposure	<u>–</u>	<u>3,294</u>	<u>3,294</u>

Notes to the Financial Statements

For the financial year ended 30 June 2015

33. Financial risk management (Cont'd)

Currency risk (Cont'd)

	Renminbi	Singapore Dollar	Total
	RMB'000	RMB'000	RMB'000
Group			
2014			
Assets			
Cash and bank balances	867	3,058	3,925
Other receivables	2,609	–	2,609
Receivable from related parties	3,747	–	3,747
	7,223	3,058	10,281
Liabilities			
Borrowings	30,000	–	30,000
Trade and other payables	16,871	–	16,871
Payable to related parties	896	–	896
Payable to immediate holding company	48,158	–	48,158
	95,925	–	95,925
Net financial (liabilities)/assets	(88,702)	3,058	(85,644)
Less: Net financial liabilities denominated in the Company's functional currency	88,702	–	88,702
Currency exposure	–	3,058	3,058

Notes to the Financial Statements

For the financial year ended 30 June 2015

33. Financial risk management (Cont'd)

Currency risk (Cont'd)

	Renminbi	Singapore Dollar	Total
	RMB'000	RMB'000	RMB'000
Company			
2015			
Assets			
Cash and bank balances	–	3,294	3,294
Receivable from subsidiaries	74,836	–	74,836
	74,836	3,294	78,130
Liabilities			
Trade and other payables	1,268	–	1,268
Net financial assets	73,568	3,294	76,862
Less: Net financial assets denominated in the Company's functional currency	(73,568)	–	(73,568)
Currency exposure	–	3,294	3,294
Company			
2014			
Assets			
Cash and bank balances	–	3,058	3,058
Receivable from subsidiaries	77,031	–	77,031
	77,031	3,058	80,089
Liabilities			
Trade and other payables	1,432	–	1,432
Net financial assets	75,599	3,058	78,657
Less: Net financial assets denominated in the Company's functional currency	(75,599)	–	(75,599)
Currency exposure	–	3,058	3,058

Notes to the Financial Statements

For the financial year ended 30 June 2015

33. Financial risk management (Cont'd)

Currency risk (Cont'd)

If the Singapore Dollar ("SGD") change against the RMB by 3% (2014: 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	
	2015	2014	2015	2014
	Profit after tax		Profit after tax	
	RMB'000	RMB'000	RMB'000	RMB'000
SGD against RMB				
- strengthened	99	92	99	92
- weakened	(99)	(92)	(99)	(92)

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 2015:

- (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.

Notes to the Financial Statements

For the financial year ended 30 June 2015

33. Financial risk management (Cont'd)

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 commensurately 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.

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 bank balances. Total capital is equity plus net debt. The gearing ratios at 30 June 2015 and 30 June 2014 were as follows:

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Total debt	76,200	95,925	1,268	1,432
Less: Cash and bank balances	(3,637)	(3,925)	(3,294)	(3,058)
Net debt/(cash)	72,563	92,000	(2,026)	(1,626)
Total equity	67,677	65,395	125,092	126,880
Total capital	140,240	157,395	123,066	125,254
Gearing ratio	52%	58%	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.

Notes to the Financial Statements

For the financial year ended 30 June 2015

33. Financial risk management (Cont'd)

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	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables				
Cash and bank balances	3,637	3,925	3,294	3,058
Other receivables	3,645	2,609	–	–
Receivable from subsidiaries	–	–	74,836	77,031
Receivable from related parties	23	3,747	–	–
Receivable from immediate holding company	11,435	–	–	–
Financial liabilities at amortised cost				
Trade and other payables	13,690	16,871	1,268	1,432
Payable to related parties	543	896	–	–
Payable to immediate holding company	61,967	48,158	–	–
Borrowings	–	30,000	–	–

34. Subsequent event

On 8 July 2015, the Company announced that a portion of the land and structure of Xuzhou Zhongxin, (comprising 10,141.73 square meters of land and 306 square meters of structure, representing 6.67% of Xuzhou Zhongxin's total land area of 152,040 square meters) ("Land Strip") adjoining Baiyi river has been acquired by the county of Fengxian for the purpose of creating a garden belt for Baiyi river ("Compulsory Acquisition") pursuant to a Compulsory Acquisition Agreement (the "Agreement") entered into between Xuzhou Zhongxin and the relevant authority of Fengxian ("Fengxian Authority") on 17 October 2014. Fengxian Authority would compensate Xuzhou Zhongxin approximately RMB3.16 million in cash in relation to the Compulsory Acquisition.

The cash compensation was derived from arm's length negotiation between Xuzhou Zhongxin and Fengxian Authority as well as the valuation of the Land Strip commissioned on 10 June 2014 by Fengxian Authority that was carried out by Jiangsu Wangda Property Valuation Consulting Co., Ltd ("Jiangsu Wangda") with an appraised value of the Land Strip at approximately RMB2.53 million.

The Land Strip is currently not in use and there is no plan on the use of the Land Strip. As such, there is no material impact on the operations and financials of the Group.

Statistics of Shareholdings

As at 17 September 2015

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

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders as at 17 September 2015)

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 17 September 2015, 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 17 September 2015

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	32	3.38	30,569	0.00
1,001 - 10,000	440	46.51	2,424,460	0.23
10,001 - 1,000,000	454	47.99	45,179,050	4.28
1,000,001 AND ABOVE	20	2.12	1,007,825,122	95.49
TOTAL	946	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 SEC (S'PORE) PTE LTD	12,310,000	1.17
10	LUM WENG YU	5,915,000	0.56
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	UOB KAY HIAN PTE LTD	2,415,000	0.23
15	GOH GEOK KHIM	2,400,000	0.23
16	LIM HOO PING @ HO PENG	1,455,000	0.14
17	OCBC SECURITIES PRIVATE LTD	1,355,000	0.13
18	PHILLIP SECURITIES PTE LTD	1,265,000	0.12
19	LOW WENG KEONG	1,200,000	0.11
20	YEO LAY SUAN ANGELA	1,025,000	0.10
	TOTAL	1,007,825,122	95.50

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 29 October 2015, 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 2015 together with the Reports of the Directors and Auditors thereon. | Resolution 1 |
| 2. To approve payment of Directors' fees of S\$117,332 to the Independent Directors of the Company for the financial year ended 30 June 2015. (2014: S\$134,710) | Resolution 2 |
| 3. To re-elect Mr Tham Mun Chee who is retiring pursuant to Article 117 of the Company's Articles of Association.
<i>[See Explanatory Note (i)]</i> | Resolution 3 |
| 4. To re-elect Mr Zhang Jiming who is retiring pursuant to Article 117 of the Company's Articles of Association.
<i>[See Explanatory Note (ii)]</i> | Resolution 4 |
| 5. To re-elect Ms Liu Xiuwen who is retiring pursuant to Article 107 of the Company's Articles of Association.
<i>[See Explanatory Note (iii)]</i> | Resolution 5 |
| 6. To re-elect Ms Quan Yuhong who is retiring pursuant to Article 107 of the Company's Articles of Association.
<i>[See Explanatory Note (iv)]</i> | Resolution 6 |
| 7. To re-appoint Messrs RT LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 7 |
| 8. 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:

- | | |
|--|---------------------|
| 9. <u>Authority to allot and issue shares</u> | |
| "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 Catalyst ("Catalist Rules"), approval be and is hereby given to the Directors of the Company ("Directors") to issue: | Resolution 8 |
| (a) shares in the capital of the Company (whether by way of bonus, rights or otherwise); or | |

Notice of Annual General Meeting

- (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 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 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 is based on the total number of issued shares excluding treasury shares 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 Memorandum and Articles of Association 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 (v)]

Notice of Annual General Meeting

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

"That:-

Resolution 9

- (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 2015, 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 (vi)]

By Order of the Board

Loh Mei Ling
Company Secretary
Singapore

14 October 2015

Notice of Annual General Meeting

Explanatory Notes:

- (i) Mr Tham Mun Chee if re-elected, shall remain as an Independent Director, Chairman of Remuneration Committee and a member of the Audit and Nominating Committees. Mr Tham is considered by the Board to be independent for the purposes of Rule 704(7) of the Catalist Rules. Save as disclosed herein, Mr Tham does not have any relationships including immediate family relationships with other Directors, the Company and its 10% shareholders (as defined in the Singapore Code of Corporate Governance 2012). The detailed information of Mr Tham can be found under the section entitled "Board of Directors" of the Annual Report.
- (ii) Mr Zhang Jiming if re-elected, shall remain as an Executive Director and the Chairman of Board. Mr Zhang is the representatives from SDIC Zhonglu Fruit Juice Co., Ltd, a 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). The detailed information of Mr Zhang can be found under the section entitled "Board of Directors" of the Annual Report.
- (iii) Ms Liu Xiuwen if re-elected, shall remain as an Independent Director, Chairman of Nominating Committee and a member of the Audit and Remuneration Committees. Ms Liu is considered by the Board to be independent for the purposes of Rule 704(7) of the Catalist Rules. Save as disclosed herein, Ms Liu does not have any relationships including immediate family relationships with other Directors, the Company and its 10% shareholders (as defined in the Singapore Code of Corporate Governance 2012). The detailed information of Ms Liu can be found under the section entitled "Board of Directors" of the Annual Report.
- (iv) Ms Quan Yuhong 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 purpose of Rule 704(7) of the Catalist Rules. Ms Quan is the representatives from SDIC Zhonglu Fruit Juice Co., Ltd, a 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). The detailed information of Ms Quan can be found under the section entitled "Board of Directors" of the Annual Report.
- (v) The Ordinary Resolution 8 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, 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 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 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 shareholder 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.
- (vi) Detailed information relating to the Ordinary Resolution 9 is set out in the Addendum accompanying the Annual Report 2015.

Notes:

1. A member of the Company 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. 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 14 OCTOBER 2015

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 the shareholders with the relevant information relating to, and seek the shareholders' approval for, the renewal of the general mandate for interested person transactions ("**IPM Mandate**") to be tabled at the annual general meeting to be held at 8 Wilkie Road #03-08, Wilkie Edge, Singapore 228095 on 29 October 2015 at 10.00 a.m..

The Notice of annual general meeting and a 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 Catalyst. 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 Thomas Lam, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income At Raffles, Singapore 049318, telephone (65) 6229 8088.



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:

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)

Registered Office:

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

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 29 October 2015 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 is set out on pages 84 to 87 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 29 October 2014 ("**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 for the provision of loans and financing and the details of such SDIC Interested Person Transactions remain unchanged from the last renewal of the IPT Mandate at the Previous AGM and is as set out in Appendix A of this Addendum.

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

Currently, apple juice concentrate is the predominant product of the EAR Group. The existing production facilities of the EAR Group are capable of producing other juice concentrate, and the Company is looking into maximizing their utilisation for production of other juice concentrate. As such, it is proposed that the Renewed IPT Mandate for the sale of products will not be restricted to apple juice concentrate and will apply to all juice concentrate. Please note that the proposed amendment is not an indication of any plan of the Company to move away from its primary product, apple juice concentrate.

In the current procedure, if juice concentrate produced by the EAR Group is sold to SDIC Interested Persons 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, and the price will be derived from the average price (nett of any commission) of recent sales with similar quality and batch size by SDIC Interested Persons to their customers. This may not always be practical as the sale by SDIC Interested Persons' to their customers may not always be of the same quality and batch size to that of the sale by the EAR Group to SDIC Interested Persons. In view the foregoing, amendments to the procedure are being proposed in the Renewed IPT Mandate to allow an alternate way for the price to be derived from the average verifiable price information of similar quality and batch size from three existing and/or potential customers. Further clarification is also proposed so that all reference prices (either way of deriving) shall be current and valid for not more than 90 days.

Further, in the general administration procedure for SDIC Interested Person Transactions, the internal auditor will review of all SDIC Interested Person Transactions entered into pursuant to the Renewed IPT Mandate on an annual basis instead of on a bi-annual basis. After taking into account the number of SDIC Interested Person Transactions entered or to be entered into in each financial year, the Board is of the view that it is adequate for the internal auditor to review the SDIC Interested Person Transactions entered into pursuant to the Renewed IPT Mandate on an annual basis.

The above amendments do not amend the scope of the IPT Mandate.

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 apples and other fruits are 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 2015, 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

The interests of the Directors and Substantial Shareholders in the Company as at the latest practicable date on 17 September 2015 ("**Latest Practicable Date**"), as recorded in the Company's Register of Directors' Shareholdings and the Register of Substantial Shareholders, were as follows:

	As at Latest Practicable Date			
	Number of Shares			% of total Issued Shares
	Direct Interest	Deemed Interest	Total Interest	
<u>Directors</u>				
Zhang Jiming	—	—	—	—
Quan Yuhong	—	—	—	—
Ngiam Zee Moey	355,714	—	355,714	0.03
Tham Mun Chee	—	—	—	—
Liu Xiuwen	—	—	—	—
<u>Substantial Shareholders (other than Directors)</u>				
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

Notes:

- (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 substantially changed since the Previous AGM and is also of the view that the amendments as explained in paragraph 2.1 are not substantive in nature.

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 views 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 9 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 29 October 2015 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 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 and its associates will abstain from voting on the Ordinary Resolution 9 relating to the Proposed Renewal of IPT Mandate as set out in the Notice of AGM. Mr. Zhang Jiming and Ms. Quan Yuhong will also not accept nominations to act as proxy, corporate representative or attorney to vote in respect of Ordinary Resolution 9 unless the Shareholder appointing him or her indicates clearly how votes are to be cast in respect of Ordinary Resolution 9.

9. DOCUMENTS AVAILABLE FOR INSPECTION

The Memorandum of Association and Articles of Association 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 include
 - (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
- (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 the Latest Practicable Date, 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 Person 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.

The proposed loans or financing will be made directly by SDIC Interested Person 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 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. 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.

If juice concentrate produced by the EAR Group is sold to a SDIC Interested Persons 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 will be subject to 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 Chief Executive Officer and the Chief Financial Officer 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 Chief Executive Officer and the Chief Financial Officer 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.

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 Chief Executive Officer and the Chief Financial Officer of the Company shall not exceed RMB30,000,000. The Chief Executive Officer and the Chief Financial Officer 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 Chief Executive Officer and Chief Financial Officer 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 based on new guidelines and procedures for the SDIC Interested Person Transactions.

ZHONGXIN FRUIT AND JUICE LIMITED

(Incorporated in Singapore)

(Company Registration Number 200208395H)

IMPORTANT:

1. For investors who have previously used their CPF monies to buy Zhongxin Fruit and Juice Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

ANNUAL GENERAL MEETING PROXY FORM

I/We _____ (Name)

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, 29 October 2015, 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 Financial Statements for the financial year ended 30 June 2015 together with the Directors' Report and the Auditors' Report thereon.		
2	To approve the Directors' fees for the financial year ended 30 June 2015.		
3	To re-elect Mr Tham Mun Chee as Director of the Company.		
4	To re-elect Mr Zhang Jiming as Director of the Company.		
5	To re-elect Ms Liu Xiuwen as Director of the Company.		
6	To re-elect Ms Quan Yuhong as Director of the Company.		
7	To re-appoint RT LLP as the Auditors of the Company and authorise the Directors to fix their remuneration.		
SPECIAL BUSINESS			
8	Authority to allot and issue shares.		
9	Proposed renewal of the shareholders' mandate for Interested Person Transactions.		

* If you wish to execute 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 _____ 2015

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 (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, 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 of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead.
3. Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies together with the letter of power of attorney, if any under which it is signed or a duly certified copy thereof, must be deposited at the registered office of the Company at 25 International Business Park, #02-53 German Centre Singapore 609916 at least 48 hours before the time appointed for holding the AGM.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such a person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
7. 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.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.
9. 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 48 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.

Corporate Information

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

NGIAM ZEE MOEY

Chairman

QUAN YUHONG

LIU XIUWEN

THAM MUN CHEE

NOMINATING COMMITTEE

LIU XIUWEN

Chairman

QUAN YUHONG

NGIAM ZEE MOEY

THAM MUN CHEE

REMUNERATION COMMITTEE

THAM MUN CHEE

Chairman

QUAN YUHONG

NGIAM ZEE MOEY

LIU XIUWEN

REGISTERED OFFICE

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

SPONSOR

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

COMPANY SECRETARY

LOH MEI LING

SHARE REGISTRARS

**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

Appointed since the financial year ended 30 June 2015

PRINCIPAL BANKERS

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

COMPANY REGISTRATION NO.

200208395H

ZHONGXIN FRUIT AND JUICE LIMITED

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

XUZHOU ZHONGXIN FRUIT & JUICE COMPANY LIMITED

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

YUNCHENG ZHONGXIN FRUIT & JUICE COMPANY LIMITED

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

Joint Venture

LINYI SDIC Zhonglu Fruit Juice Co. Ltd

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