ZHONGXIN FRUIT AND JUICE LIMITED
(Incorporated in Singapore)
(Co. Reg. No. 200208395H)

UNAUDITED FULL YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a). A statement of comprehensive income for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Comprehensive Income for the financial year ended 30 June 2020. These figures have not been audited.

	Group		
	Unaudited FY 30 June 2020 RMB'000	Audited FY 30 June 2019 RMB'000	Increase / (Decrease) %
Revenue	174,515	99,993	75%
Cost of sales	(152,217)	(73,866)	106%
Gross profit	**22,298**	**26,127**	(15%)
Other income:			
Other operating income	3,467	1,987	74%
Expenses:			
Distribution expenses	(11,493)	(7,297)	58%
Administrative expenses	(9,151)	(10,349)	(12%)
Finance costs	(4,722)	(2,616)	81%
Share of profit / (loss) from equity accounted joint venture	3,944	(3,684)	207%
Profit before income tax	**4,343**	**4,168**	4%
Income tax expense	(996)	(10)	n.m.
Profit for the financial year	**3,347**	**4,158**	(20%)
Other comprehensive income for the financial year, net of tax	-	-	
Total comprehensive income for the financial year attributable to owners of the Company	**3,347**	**4,158**	(20%)

n.m. - not meaningful

	Group	
	Unaudited FY 30 June 2020 RMB'000	Audited FY 30 June 2019 RMB'000
Charges		
Allowance for doubtful debts	-	2
Amortisation of land use rights and intangible assets	186	183
Depreciation of property, plant and equipment	1,075	1,078
Foreign exchange loss / (gain)	93	(148)
Impairment of property, plant and equipment	-	1,996
Interest expense	4,613	2,607
Loss / (Gain) on disposal of property, plant and equipment	86	(17)
Property, plant and equipment written off	190	-
Underprovision of tax in the previous financial years	846	10
Credits		
Amortisation of deferred capital grant	(6)	(6)
Interest income	(2,724)	(880)
Write-back of trade payables	(31)	(706)

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

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

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

	Group		Group	
	Unaudited		Audited	
	As at 30 June 2020		As at 30 June 2019	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Repayable in one year or less, or on demand				
- Short-term borrowings	49,622	-	-	-
Repayable after one year				
- Bank borrowings	-	-	-	-
Total	49,622	-	-	-

Details of any collateral

As at 30 June 2020, the short-term borrowings of RMB49.62 million were in relation to trade financing obtained and secured by the endorsement of notes receivables.

The Group has obtained working capital financing by endorsing the notes receivables issued by its immediate holding company, SDIC Zhonglu Fruit and Juice Co., Limited ("SDICZL") to the Group in favour of a finance company who is a related party of SDICZL (Refer Note 8 for details on the notes receivables).

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

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

	Group	
	Unaudited FY 30 June 2020 RMB'000	**Audited FY 30 June 2019 RMB'000**
Operating activities		
Profit before income tax	4,343	4,168
Adjustments for :		
Allowance for doubtful debts	-	2
Amortisation of deferred capital grant	(6)	(6)
Amortisation of land use rights and intangible assets	186	183
Depreciation of property, plant and equipment	1,075	1,078
Impairment of property, plant and equipment	-	1,996
Loss / (Gain) on disposal of property, plant and equipment	86	(17)
Share of (profit) / loss from equity accounted joint venture	(3,944)	3,684
Property, plant and equipment written off	190	-
Write-back of trade payables	(31)	(706)
Interest expense	4,613	2,607
Interest income	(2,724)	(880)
Operating cash flows before working capital changes	3,788	12,109
Inventories	(7,282)	6,640
Notes receivables	(50,000)	-
Other receivables	212	(1,672)
Receivable from immediate holding company	5,253	(15,914)
Prepayments	(1,722)	1,535
Trade and other payables	1,661	(3,046)
Cash flows from operations	(48,090)	(348)
Income tax paid	(996)	(10)
Net cash used in operating activities	**(49,086)**	**(358)**
Investing activities		
Interest received	2,724	880
Proceed from disposal of property, plant and equipment	1,007	292
Receivables from related parties	-	294
Purchase of property, plant and equipment	(1,210)	(1,983)
Net cash generated from / (used in) investing activities	**2,521**	**(517)**
Financing activities		
Advances from immediate holding company	6,466	1,542
Payable to related parties	-	(20)
Interest paid	(4,613)	(2,607)
Proceed / (Repayment) of borrowings	49,622	(2,000)
Net cash generated from / (used in) financing activities	**51,475**	**(3,085)**
Net change in cash and cash equivalents	4,910	(3,960)
Cash and cash equivalents at beginning of financial year	2,229	6,189
Cash and cash equivalents at end of financial year	**7,139**	**2,229**

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

	Equity attributable to owners of the Company				
	Share Capital RMB'000	Contributed Surplus RMB'000	Statutory and Other Reserves RMB'000	Accumulated Losses RMB'000	Total RMB'000
Group					
Current Year:					
Balance as at 1 July 2019	252,093	22,000	5,949	(198,112)	81,930
Profit for the year, representing total comprehensive income for the financial year	-	-	-	3,347	3,347
Transfer to statutory and other reserves representing transaction with equity holders as owners of the Group	-	-	657	(657)	-
Balance as at 30 June 2020	252,093	22,000	6,606	(195,422)	85,277
Previous Year:					
Balance as at 1 July 2018	252,093	22,000	4,156	(200,477)	77,772
Profit for the year, representing total comprehensive income for the financial year	-	-	-	4,158	4,158
Transfer to statutory and other reserves representing transaction with equity holders as owners of the Group	-	-	1,793	(1,793)	-
Balance as at 30 June 2019	252,093	22,000	5,949	(198,112)	81,930
Company					
Current Year:					
Balance as at 1 July 2019	252,093	-	-	(186,024)	66,069
Loss for the year, representing total comprehensive loss for the financial year	-	-	-	(2,446)	(2,446)
Balance as at 30 June 2020	252,093	-	-	(188,470)	63,623
Previous Year:					
Balance as at 1 July 2018	252,093	-	-	(162,995)	89,098
Loss for the year, representing total comprehensive loss for the financial year	-	-	-	(23,029)	(23,029)
Balance as at 30 June 2019	252,093	-	-	(186,024)	66,069

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

There was no change in the Company's issued share capital (excluding treasury shares) of 1,055,459,201 ordinary shares amounting to RMB252,093,405 from 31 December 2019 to 30 June 2020.

As at 30 June 2020 and 30 June 2019, there were no outstanding options, convertibles, treasury shares or subsidiary holdings in the Company.

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

The total number of issued shares excluding treasury shares	As at 30 June 2020	As at 30 June 2019
Total number of issued shares	1,055,459,201	1,055,459,201
Less : Treasury shares	-	-
Total number of issued shares (excluding treasury shares)	1,055,459,201	1,055,459,201

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

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

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

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

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

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

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

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-
(a) Updates on the efforts taken to resolve each outstanding audit issue.
(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.
This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable.

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

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

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

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

The adoption of this new SFRS(I) 16 Leases did not result in any material impact on the financial statements of the Group for the financial year ended 30 June 2020 as the lease term for the lease transactions currently entered by the Group ends within 12 months of the date of initial application and hence the Group did not recognise the ROU assets and the corresponding liabilities for these leases as permitted under SFRS(I) 16 Leases.

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

Earnings per ordinary shares of the Group for the year based on profit after income tax :	Unaudited FY 30 June 2020	Audited FY 30 June 2019
(a) Based on the weighted average number of ordinary shares in issue (basic) (RMB cents)	0.32	0.39
(b) On a fully diluted basis (RMB cents)	0.32	0.39
Weighted average number of ordinary shares in issue	1,055,459,201	1,055,459,201

The basic and fully diluted earnings per share were the same as there were no potentially dilutive ordinary shares in issue as at 30 June 2020 and 30 June 2019.

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

	Unaudited As at 30 June 2020	Audited As at 30 June 2019
Group		
Net assets value per ordinary share based on total number of issued shares excluding treasury shares (RMB cents)	8.08	7.76
Company		
Net assets value per ordinary share based on total number of issued shares excluding treasury shares (RMB cents)	6.03	6.26

The net asset value per ordinary share for the Group and Company is calculated based on the issued share capital of 1,055,459,201 ordinary shares as at 30 June 2020 and 30 June 2019.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review for the performance of the Group for the financial year ended 30 June 2020 ("FY2020") as compared to the financial year ended 30 June 2019 ("FY2019").

Consolidated Statement of Comprehensive Income

Revenue

During FY2020 and FY2019, the Group had recorded the following:

	Group	
	FY2020	**FY2019**
Procurement (Metric tonnes, "MT"):		
- Apples	102,416	62,269
- Pears	3,805	-
- Processed apple juice	10,954	248
- Raw garlic	774	-
Total	117,949	62,517
Production (MT):		
- Apple juice	17,249	10,871
- Pear juice	111	-
- Fructose	927	240
- Processed garlic	124	-
Total	18,411	11,111
Sales volume (MT):		
- Apple juice	27,179	11,102
- Fructose	542	297
Total	27,721	11,399
Average selling price (RMB per MT):		
- Fruit juice	6,215	8,712
- Fructose	8,745	8,343

Production

The disruption in raw materials supply due to the unforeseeable catastrophic freeze occurred in the previous financial year had eased in the current financial year. Average procurement costs of raw materials in FY2020 was lower as compared to FY2019 mainly due to the ample supply of apples and pears in the market attributed to the better harvesting in the current season. The subsidiary of the Company, Yuncheng Zhongxin Fruit and Juice Company Limited ("Yuncheng Zhongxin") leveraged on this trend of lower procurement costs and higher demand from its end customers during the financial year to procure higher volume of apples and pears and increase its production volume of Yuncheng Zhongxin in FY2020.

Although supplies are available in other region, the shortage of quality raw materials in the procurement region of a subsidiary, Xuzhou Zhongxin Fruit and Juice Company Limited ("Xuzhou Zhongxin") persisted in FY2020. After considering the costs and benefits, including the anticipated volume of business, manpower and other resources that need to be put in place to resume production, the Management decided that it may not be commercially viable for Xuzhou Zhongxin to resume its production and has taken the decision to continue the suspension of Xuzhou Zhongxin's fruit juice concentrate production which took place since the 2nd half of calendar year 2015 ("Temporary Suspension").

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

To leverage on the idle and unutilised production area and facilities of Xuzhou Zhongxin due to the Temporary Suspension, Xuzhou Zhongxin has ventured into fresh garlic processing business since June 2020. This is part of the Group's expansion plan to develop new product offerings and the Management expects to record sales from this new product in the next financial year.

Revenue

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

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

Gross profit

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

Other income

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

- RMB0.6 million grant received from the government to subsidise the costs of dismantling the coal-fire boilers in production plants of Yuncheng Zhongxin pursuant to the exercise of switching from coal-fire boilers to the use of natural gas in its operational plants conducted in the last financial year;
- increase in the interest income by RMB1.8 million in relation to the interest charged by Yuncheng Zhongxin for outstanding accounts receivables due from SDICZL; and

  offset by

- lower write-back of trade payables by RMB0.7 million in relation to payable amounts that were assessed to be no longer payable due to passage of time.

Expenses

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

The decrease in administrative expenses was mainly due to the absence of RMB2.0 million impairment of property, plant and equipment recognised by Yuncheng Zhongxin in FY2019 relating to its coal-fired boilers and the ancillary facilities. There was no such impairment in FY2020.

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

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

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

Income Tax Expense

Income tax expense was related to Yuncheng Zhongxin with respect to the following:
- approximately RMB0.2 million income tax for the government grant received in FY2020; and
- approximately RMB0.8 million under provision of income tax related to the previous financial years.

Profit for the financial year

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

Statements of Financial Position

The comparative for both the assets and liabilities are based on the Group's financial statements as at 30 June 2020 and 30 June 2019.

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

Investment in joint venture

Investment in joint venture increased by approximately RMB3.9 million due to a higher carrying amount of the investment in Linyi following the share of profit in FY2020.

Property, plant and equipment ("PPE")

PPE decreased by approximately RMB5.5 million mainly due to depreciation charges of RMB5.4 million and disposal/write-off of RMB1.3 million, offset by addition of PPE amounted to RMB1.2 million.

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

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

Notes receivables

The Group recorded notes receivables of RMB50.0 million as at 30 June 2020. This represented the promissory notes issued by SDICZL in favour of the Group that are due to mature in September 2020. The promissory notes were received by the Group as consideration for trade purchases and the partial settlement of trade receivables owing by SDICZL to the Group. In turn, the Group has endorsed these promissory notes in favour of a finance company who is a related party of SDICZL to obtain working capital financing for the Group.

Receivable from immediate holding company

Receivable from immediate holding company decreased by approximately RMB5.3 million due to the decrease in trade amount owing by SDICZL through the issuance of the promissory notes for the partial settlement as explained above.

Prepayments

Prepayments increased by approximately RMB1.7 million as compared to 30 June 2019 mainly due to higher prepaid expenses to suppliers as at 30 June 2020 in preparation for the higher level of garlic procurement and processing activities in the next financial year.

Inventories

Inventories increased by approximately RMB11.6 million as the Group carried higher level of finished goods as at 30 June 2020 as compared to 30 June 2019 in tandem with the higher level of procurement and increased level of production in FY2020 as mentioned above.

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

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

Trade and other payables

Trade and other payables increased by approximately RMB1.6 million mainly due to increase in trade payables as a result of higher level of procurement during FY2020.

Payable to immediate holding company

Payable to immediate holding company increased by approximately RMB6.5 million mainly due to advances received for the funding of the Group's working capital in the financial year.

Borrowings

The borrowings of RMB49.6 million as at 30 June 2020 were in relation to trade financing obtained by Yuncheng Zhongxin, secured by the endorsement of the notes receivable from SDICZL in favour of Yuncheng Zhongxin. The borrowings were provided by a finance company who is a related party of SDICZL, and were obtained to support the Group's increase in working capital requirements in tandem with the higher volume of business in FY2020. The proceeds were primarily utilised for the purchase of raw materials.

Statement of Cash Flows

Net cash used in operating activities of RMB49.1 million in FY2020 was mainly due to the positive cash flows before working capital changes, offset by changes in working capital outflow largely from the increase in notes receivables and inventories and offset by the decrease in receivable from immediate holding company.

Net cash generated from investing activities of RMB2.5 million in FY2020 was due to the interest received and proceed from disposal of PPE, offset by additions of PPE.

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

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

There was no specific forecast nor prospect statement previously disclosed and the Group's performance for the year under review is in line with its expectations as disclosed in the announcement of results for the half year ended 31 December 2019 on 14 February 2020.

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

The Group achieved significant sales growth in FY2020 due to the upswing in apple juice sales. The Group took the decision to resume the sales activities of Xuzhou Zhongxin whilst production continued to be under Temporary Suspension. Despite lower raw materials costs due to the favourable harvesting conditions enjoyed in the financial year, the Group faced numerous external challenges such as intense market competition and the volatilities in market / selling prices of fruit juice. These resulted in the considerably lower product margin recorded in FY2020.

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

The unfortunate Covid-19 outbreak that caused major lockown in many cities in China occurred since January 2020. The lockdown did not impact the Group materially in FY2020 as the procurement and production activities of the Group in FY2020 were mainly undertaken during the first half of the financial year prior to the implementation of various restrictive measures by the Chinese government.

Pursuant to the pandemic situation, the Group has also implemented various precautionary measures and thus managed to keep the workplace safe for the employees and minimise operational disruption.

While there have been intermitttent resurgence of Covid-19 cases in China, the pandemic situation in China is generally under control. Barring unforeseeable escalation of the outbreak, the Group does not anticipate the impact of the Covid-19 pandemic to be material to the procurement and production operations of the Group in the coming financial year.

However, global market demand for juices is expected to be adversely impacted and is expected to create an indubitable pressure on the Group's sales activities in the fruit juice concentrate market. China is the major producer of apple juice concentrate and is the main source of apple juice supply in overseas markets such as the US, European Union and Japan. The Covid-19 pandemic has led to unprecedented public health measures being put in place by governments, which have far-reaching impacts and brought about significant pressure on the domestic and global economy. This includes the disruption in global and domestic supply chain, and fear of increasing unemployment rate and recession that reduce consumer spending. The performance of the Group in the near term is depending on factors including the speed of recovery of the economies and consumer spending as well as the outcome of the US and China trade tension.

The recovery of the COVID-19 pandemic is expected to take longer than expected. The Group has seen a fall in the sales enquiries as well as the request of deferment in product deliveries by certain end customers. The Group estimates that there will be a dip in the market demand for its fruit juice concentrate products in the next 6 to 12 months. The impact is likely to be more severe in the first 6 months and the Group is hopeful that the situation may ease in the second half of FY2021. The Group strives to continue driving the growth in sales by expanding the product offerings to cater to the evolving consumer tastes and needs, and also supporting the end customers' initiatives to develop and broaden geographical market reach and product distribution channels.

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

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

Amid the uncertainty concerning all these challenges, the Group will stay vigilant and resillient to manage the situation and is cautiously optimistic about the recovery of the market demand for its products.

11. If a decision regarding dividend has been made:

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

No dividend was declared for FY2020.

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

Not applicable.

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

Not applicable. No dividend was declared for FY2019.

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

Not applicable.

(d) The date the dividend is payable.

Not applicable.

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

Not applicable.

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

No dividend has been declared or is recommended for FY2020 as the Company currently does not have retained profits available for the declaration of a dividend and the Board of Directors deems it appropriate to conserve funds for the Group's business activities and working capital requirement.

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

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) (RMB'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) (RMB'000)
SDICZL	(a) Payment to a subsidiary of SDICZL for lease of certain storage facility 660	(b) Sales by the Group to SDICZL and its group of companies 171,473
		(c) Interest income received by a subsidiary of the Company from SDICZL with respect to the interest charged on the outstanding trade receivable due from SDICZL 2,658
		(d) Interest paid by a subsidiary of the Company with respect to the working capital provided by SDICZL 3,217
		(e) Interest paid by a subsidiary of the Company with respect to the short-term borrowings secured from a related party of SDICZL 1,396
Total	**660**	**178,744**

SDICZL is a controlling shareholder of the Company.

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

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

14. Changes in the composition of the Group

There were no changes in the composition of the Group in FY2020.

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

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

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)

16. Segmented revenue and results for operating segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

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.

There is no breakdown by geographical markets as the Group's operations are all based in People's Republic of China ("PRC") and the Group's customers (including those customers secured via SDICZL) are predominantly based in PRC.

17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the operating segments.

Please refer to paragraph 8 above for details.

18. A breakdown of sales.

Breakdown of sales	Group		
	Unaudited FY 30 June 2020 RMB'000	Audited FY 30 June 2019 RMB'000	Increase / (Decrease) %
First half year			
(a) Sales	140,095	47,080	198%
(b) Operating profit after tax before deducting non-controlling interest	4,094	1,067	284%
Second half year			
(c) Sales	34,420	52,913	(35%)
(d) Operating (loss) / profit after tax before deducting non-controlling interest	(747)	3,091	(124%)

Sales in the second half year of FY2020 decreased by approximately 75% as compared to the first half year of FY2020 as the Group experienced lower demand for its products in the second half year of FY2020 which resulted in the lower sales volume of concentrated fruit juice.

The Group recorded operating loss in the second half year of FY2020 as compared to operating profit in the first half year of FY2020 mainly due to:

a) lower gross profit contribution from the sales in second half year of FY2020 due to decreased sales volume;
b) lower share of profit from equity accounting of the results of Linyi SDIC in the second half year of FY2020; and
c) income tax expense of approximately RMB0.8 million recorded by Yuncheng Zhongxin in the second half year of FY2020, details as explained in paragraph 8 above.

19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable. No dividend has been declared or recommended for FY2020 and FY2019.

20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

The Company confirms that there is no person occupying a managerial position in the Group who is a relative of a director, chief executive officer, or substantial shareholder of the Company pursuant to Rule 704(10).

BY ORDER OF THE BOARD

Quan Yuhong
Chairman

21 August 2020

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

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

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