



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

# **Fresh air and sunlight**

ANNUAL REPORT 2018



# Corporate Profile

## CONTENTS

- 01 Group Structure / Location of Facilities
- 02 Chairman's Message
- 04 Board of Directors and Key Management
- 06 Business Overview
- 09 Corporate Information
- 10 Corporate Governance Report
- 27 Financial Contents
- 73 Statistics of Shareholdings
- 75 Notice of Annual General Meeting
- 78 Addendum to Shareholders  
Proxy Form



## Zhongxin Fruit and Juice Limited

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

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

The Group's subsidiary in Xuzhou city, Jiangsu province is equipped with an apple processing capacity of 40 tons per hour and concentrated apple juice production capacity of approximately 10,000 to 15,000 tons per year, while the subsidiary in Yuncheng city, Shanxi province has an apple processing capacity of 60 tons per hour and concentrated apple juice production capacity of approximately 12,000 to 17,000 tons per year and the joint venture in Linyi county, Yuncheng city, Shanxi province has an apple processing capacity of 40 tons per hour and production capacity of approximately 10,000 to 15,000 tons of concentrated apple juice per year. Consistent in its efforts towards research and development, the Group aligns with the "National R&D Center for Apple Processing" of the "Ministry of Agriculture of the People's Republic of China" for new product development.

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

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

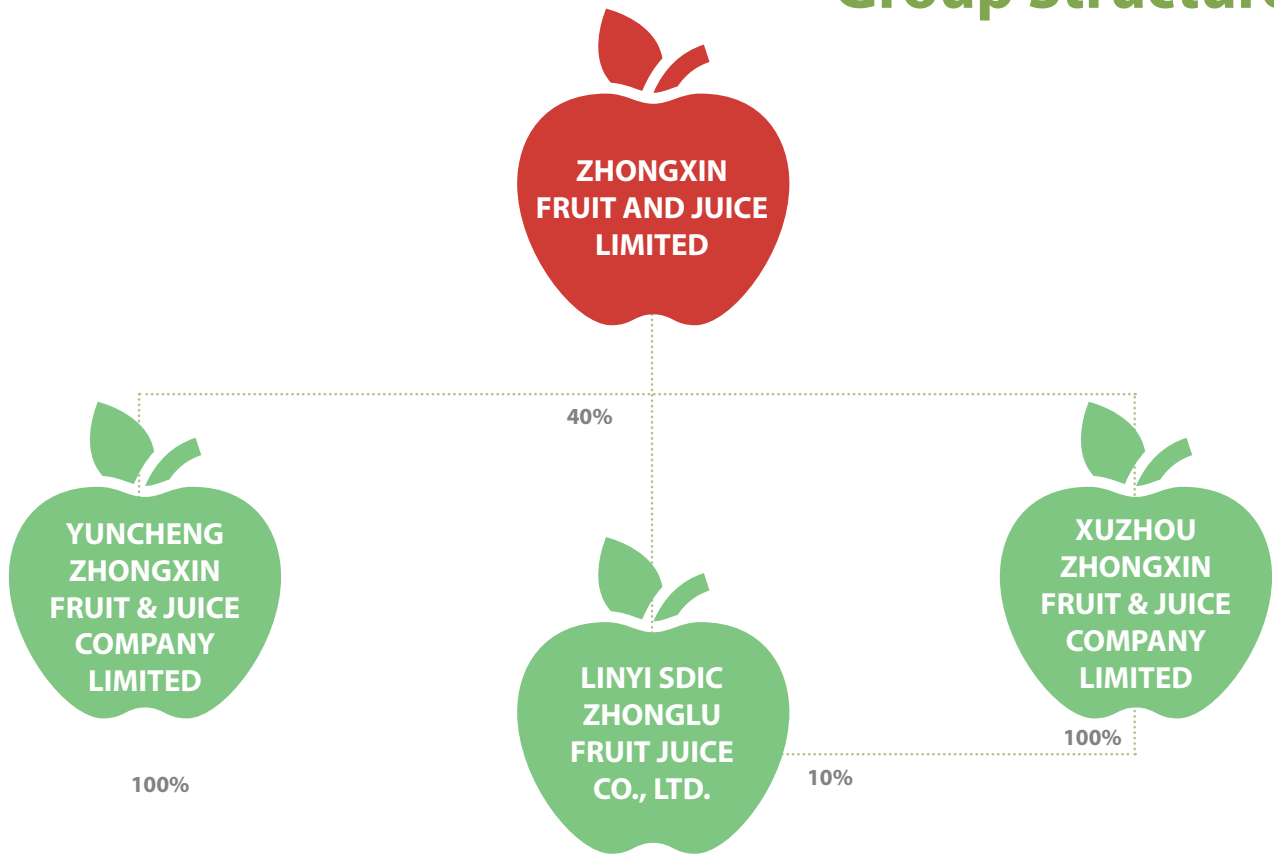
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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this 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 Ms Keng Yeng Pheng, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: [sponsorship@ppcf.com.sg](mailto:sponsorship@ppcf.com.sg)).

## Group Structure



## Location of Facilities



-  Yuncheng Zhongxin Fruit & Juice Company Limited
-  Linyi SDIC Zhonglu Fruit Juice Co., Ltd.
-  Xuzhou Zhongxin Fruit & Juice Company Limited

## Chairman's Message



**We will actively explore ways for the innovation and development of Zhongxin Fruit and Juice to seek new sources of profit growth so as to maximise returns to shareholders. We will also work with the community as we endeavour to push ahead for sustainable operation and healthy development of the Company.**

### **Dear Shareholders,**

I am honoured to present to you our annual report for the financial year ended 30 June 2018 ("FY2018"). Over the past year, demand was relatively steady in the global concentrated apple juice market. With the strong support of our shareholders and the close cooperation of our business partners, Zhongxin Fruit and Juice was able to accomplish the production and operation targets set by the Board, thus reaping economic returns and generating social good. Therefore, on behalf of the Company, I would like to express my gratitude to all our shareholders and various stakeholders for their support.

During the reporting period, Zhongxin Fruit and Juice had been implementing strict standards in areas ranging from raw materials procurement to production and sales with emphasis on product quality, rigorous attitude and profound technology accumulation, providing customers with the highest level of quality assurance while laying a good foundation for the Company to grow healthily. At the same time, paying great attention to the coordinated development of an enterprise's economic returns and social responsibilities, we have been caring for the interests of employees, complying with national and local requirements, ensuring appropriate safety and environmental protection measures at work, and actively assuming social responsibilities.

Now, a new production season has begun. The Company will consistently adhere to the quality-first business strategy, strictly follow the established quality management system in strengthening food safety management and improving product risk management and quality control measures. This year, some major apple producing areas in China have suffered from frost disasters and the harvest of apples being raw materials has greatly reduced, resulting in higher raw material costs and a shorter processing cycle. Furthermore in accordance with relevant national regulations, the Company has switched from the use of coal-fired boilers to the use of natural gas at all our operational plants at the beginning of the production season. This will lead to an year-on-year increase in production costs whilst practicing environmental

## Chairman's Message



responsibility. In view of the above situation, the Company will closely track the trend of raw materials for rational production scheduling and implement refined management to control costs, striving to reduce the impact of the decrease in raw materials production on the Company.

In addition, in response to the external pressure brought by the Sino-US trade friction and the good harvest of apples in the European regions, we will bring into play our capabilities in regional coordination leveraging on our existing market resources and business platforms in stepping up our innovative efforts and exploring new products and sales channels, striving to avoid market risk in order to maintain the stability of the Company's operations.

Lastly, I would like to take this opportunity to extend again my appreciation to all our shareholders for their trust and support, as well as my gratitude to the Board, our senior management and employees for their contributions and efforts. Moving forward, we will actively explore ways for the innovation and development of Zhongxin Fruit and Juice to seek new sources of profit growth so as to maximise returns to shareholders. We will also work with the community as we endeavour to push ahead for sustainable operation and healthy development of the Company.

**Zhang Jiming**  
**Chairman & Executive Director**  
**2018**





# Board of Directors and Key Management

## BOARD OF DIRECTORS

### ZHANG JIMING

*Chairman and Executive Director*

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

He is an engineer by profession and holds a bachelor's degree with several years of project management and business management experience. He presently serves on the board of related companies of SDIC Zhonglu Fruit Juice Co., Ltd. including SDIC Zhonglu Fruit Juice Co., Ltd, Shangdong Luling Fruit Juice Co., Ltd, Shanxi SDIC Zhonglu Fruit Juice Co., Ltd, Zhonglu America Corporation, Zhonglu Europe Corporation, SDIC Zhonglu Fruit Juice Corporation and SDIC Zhonglu (Shandong) Agriculture & Graziery Development 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 of the Company on 19 October 2012. She is currently a member of the Audit Committee, Remuneration Committee and Nominating Committee of the Company.

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 People's Republic of China. Ms Quan was also a Finance Manager with Beijing Logistic Economics and Technology Development Co. Ltd from 2001 to 2004, and an Audit Manager and Office (Board of Directors) Manager in SDIC Zhonglu Fruit Juice Co., Ltd. from 2004 to 2010. Currently, she is the Chief Financial Officer of SDIC Zhonglu Fruit Juice Co., Ltd.

### LIU XIUWEN

*Independent Director*

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

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

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

### THAM MUN CHEE

*Lead Independent Director*

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

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

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

## Board of Directors and Key Management

### KEY MANAGEMENT

#### MA FEI

*General Manager*

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

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

#### LIU ZHENZHE

*Deputy General Manager (Finance)*

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

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



## Business Overview

**In FY2018, the Group generated total revenue of RMB121.87 million and net profit of RMB5.36 million.**



### FY2018 Review

In FY2018, the Company recorded total profit before tax of RMB5.44 million, income tax expense of RMB77,000 and net profit of RMB5.36 million. As of 30 June 2018, the Company had total assets of RMB147.62 million, total liabilities of RMB69.85 million and shareholders' equity of RMB77.77 million.

The Group grew its revenue to RMB121.9 million in FY2018, representing an increase of RMB33.1 million or 37% as compared to RMB88.8 million in FY2017. This was mainly due to higher customer demand for concentrated apple juice as reflected by its higher sales volume, partially offset by the marginal decrease in average selling price of the concentrated fruit juices in FY2018 attributable to intense market competition.

In FY2018, Yuncheng Zhongxin commenced production of apple and pear fructose in line with the Group's diversification plan to develop new product offerings. The sales of fructose constituted approximately 4% of the Group's sales in FY2018.

In tandem with higher revenue, gross profit increased from RMB20.8 million in FY2017 to RMB28.2 million in FY2018. Gross profit margin for both FY2018 and FY2017 remained consistent at an average of approximately 23%.





## Business Overview

The Group delivered an improved performance of RMB5.4 million profit after taxation in FY2018 as compared to RMB3.4 million in FY2017.

Current assets increased by approximately RMB12.0 million from RMB52.1 million as at 30 June 2017 to RMB64.1 million as at 30 June 2018 mainly due to increase in amount receivable from immediate holding company in relation to sales made to immediate holding company in FY2018 as well as increase in prepayments due to higher prepaid expenses made to supplier as at 30 June 2018.

Current liabilities increased by approximately RMB7.3 million from RMB62.4 million as at 30 June 2017 to RMB69.6 million as at 30 June 2018 mainly due to increase in amount payable to immediate holding company due to advances received for the funding of the Group's working capital to support its increased production in the financial year as well as securement of bank loan for working capital purpose.

As at 30 June 2018, the Group's current liabilities exceeded current assets by RMB5.6 million, an improvement of RMB4.6 million as compared to the shortfall of RMB10.2 million as at 30 June 2017. The immediate holding company of the Group has continued to finance the Group's working capital requirements by making available working capital. The Group will continue to be dependent on its immediate holding company for financial support and its connections for entry into new markets. The Group is consistently looking into the various possibilities to expand and diversify its business with the view of improving profitability and the financial position of the Group, hence reducing the dependence on its immediate holding company eventually.

Net cash generated from operating activities of RMB1.3 million in FY2018 was mainly due to the positive cash flows before working capital changes, offset by the increase in the amount receivable from immediate holding company and prepayments. Net cash used in investing activities of RMB6.2 million in FY2018 was mainly due to addition of property, plant and equipment. The Group generated net cash from financing activities of RMB4.6 million in FY2018 mainly due to advances received from its immediate holding company of RMB5.5 million and proceed from borrowings of RMB2.0 million, offset by interest paid of RMB3.0 million.

Over the past year, the Company rationally carried out production planning and scheduling, strengthened the control of production processes, and successfully achieved the annual production plans and cost control objectives with the support of major shareholders. As a result



## Business Overview

of the measures taken, product quality was 100% up to standard. During the reporting period, demand was relatively steady in the international concentrated apple juice market. Capitalising on SDIC Zhonglu's sales resources, the Company achieved stable operation and increase on net income attributable to shareholders.

### FY2019 Outlook

In FY2019, subsidiaries of Zhongxin Fruit and Juice will continue to step up efforts on environmental governance in accordance with relevant national environmental protection policies. As a result, the subsidiaries are in the process of terminating the operation of coal-fired boilers and converting to natural gas as fuel to meet production demand. In view of the year-on-year increase in production cost coupled with the impact of a reduced supply of raw materials resulting from freeze damage in the new pressing season, Zhongxin Fruit and Juice and its subsidiaries will take a market-oriented approach in further promoting refined management and strengthening internal control, striving to reduce operational risks and the impact of the decrease in raw materials while ensuring product quality. At the same time, we will further tap on the assets of Xuzhou Zhongxin to enhance the equipment utilisation rate and actively explore various ways of cooperation to increase and improve profitability. The Company will also strengthen regional coordination to further develop and broaden market and product channels, thus minimising the external pressure brought by the Sino-US trade friction and the competition from good harvest of European apples in the new pressing season.

### Corporate Governance

The Company has established a sound corporate governance structure as well as a comprehensive organisational structure and business processes in accordance with the requirements of the internal control system. Under the intelligent leadership of the Board, our management team led by the general manager has thoroughly implemented the production and business objectives for the year. This has allowed business operations to continue as per normal and has strengthened supervision and risk control.

### Quality Assurance

As a food and beverage processing enterprise, we have always put food safety first. The Company establishes quality controls on raw materials, the course of processing and the release of exports to provide healthy and safe concentrated fruit juices for the end-user market. Our products are up to the US FDA standards and the Company has passed the ISO quality certification, HACCP certification, SGF certification and KOSHER certification, providing operational system assurance for the production of safe and worry-free food and accordingly laying a solid foundation for our products to enter the international market.

# Corporate Information

## BOARD OF DIRECTORS

ZHANG JIMING  
*Chairman and Executive Director*

QUAN YUHONG  
*Non-Executive Director*

THAM MUN CHEE  
*Lead Independent Director*

LIU XIUWEN  
*Independent Director*

## AUDIT COMMITTEE

THAM MUN CHEE  
*Chairman*

QUAN YUHONG

LIU XIUWEN

## NOMINATING COMMITTEE

LIU XIUWEN  
*Chairman*

THAM MUN CHEE

QUAN YUHONG

## REMUNERATION COMMITTEE

THAM MUN CHEE  
*Chairman*

QUAN YUHONG

LIU XIUWEN

## COMPANY SECRETARY

ONG BEE CHOO

## REGISTERED OFFICE

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

## SHARE REGISTRAR

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

## INDEPENDENT AUDITORS

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

*Partner-in-Charge:*  
TAN YAN CHUANG  
Year of Appointment: Financial year ended 30 June 2018

## PRINCIPAL BANKER

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

## COMPANY REGISTRATION NO.

200208395H

## CONTINUING SPONSOR

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

# Corporate Governance Report

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

The following report describes the Company’s corporate governance practices which were in place throughout the financial year ended 30 June 2018 (“**FY2018**”) with specific reference to the principles and guidelines set out in the Code of Corporate Governance 2012 (the “**Code**”). The Board has confirmed that for FY2018, 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 compliance 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 has four (4) members and comprises the following:

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

The Board’s primary roles are to protect and enhance long term shareholders’ value and returns, set the Group’s corporate strategies and directions, oversee management of the Group’s business affairs, financial performance and key operational initiatives, and implementations of risk management policies and practices. Each individual Director is obliged to act in good faith and exercise 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 Board Committee has its own specific terms of reference setting out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which it is to operate and how decisions are to be taken. The compositions of the Board Committees are as follows:

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

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

Directors are free to discuss and voice their concerns on any matter raised at the Board meetings. Telephonic and videoconferencing meetings of the Board are allowed under the Company’s Constitution in the event when Directors were unable to attend meetings in person. All Directors are provided with the agenda and a set of board papers prior to the meetings. These are issued in advance to give the Directors sufficient time to better understand the matters to be discussed

# Corporate Governance Report

and to obtain further clarifications or explanations at the relevant meetings where necessary. The Company and the Board acknowledge that an unimpeded flow of relevant information in a timely manner is crucial for the Board to be effective in discharging its duties and responsibilities. During FY2018, the Board conducted two (2) Board meetings with full attendance.

The details of the number of meetings held for the Board and Board Committees during FY2018 and the attendance of each Director at the meetings are disclosed as follows:

	Board	NC	AC	RC
<b>Number of meetings held</b>	<b>2</b>	<b>1</b>	<b>2</b>	<b>1</b>
<b>Name</b>	<b>Number of meetings attended</b>			
Zhang Jiming	2	1*	2*	1*
Quan Yuhong	2	1	2	1
Liu Xiuwen	2	1	2	1
Tham Mun Chee	2	1	2	1
Ngiam Zee Moey <sup>#</sup>	1	–	1	–

**Notes:**

\* by invitation.

<sup>#</sup> Mr Ngiam Zee Moey has resigned as Director of the Company on 15 January 2018.

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

- Declaration of dividends and other returns to shareholders of the Company;
- Major corporate policies on key areas of operation;
- Major funding proposals or bank borrowings;
- Corporate or financial restructuring and share issuances;
- Mergers and acquisitions;
- Material acquisitions and disposals;
- Approval of transactions involving interested person transactions; and
- Appointments of new Directors.

All Directors are updated regularly on changes in Company's policies and business updates. Newly appointed Directors will be provided with a formal letter, setting out the Director's duties and obligations and will be given appropriate briefings by the management on the business activities of the Group, its strategic directions and the Company's corporate governance policies and practices.

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

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

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.



# Corporate Governance Report

During FY2018, some Directors have attended the Financial Reporting Standards and market briefing conducted by the accounting firms and financial institution and a Director has also attended the seminar on SGX-SID Audit Committee that was jointly conducted by the Accounting and Corporate Regulatory Authority (ACRA), Singapore Exchange Regulation and Singapore Institute of Directors (SID).

The table below shows the trainings and briefings attended by the Director in FY2018:

Name of Director	Course	Training provider
Tham Mun Chee	SID Audit Committee Seminar	ACRA-SGX-SID

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.

## 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 NC determines the independence of each Director annually. An Independent Director is one who has no relationship with the Company, its related companies, its 10% shareholders (as defined in the Code or its officers that can interfere, or be reasonably perceived to interfere with the exercise of the Director's independent business judgment to the best interests of the Company.

As at the date of this report, the Board comprises four Directors, three of whom are Non-Executive Directors with two of them being independent. As the Chairman of the Board, Mr Zhang Jiming, is not an Independent Director, the NC has reviewed the composition of Independent Directors on the Board and is of the view that the Board with two Independent Directors makes up half of the Board is in compliance with the Guidelines 2.2 of the Code.

Each Director possesses the appropriate core competencies, quality and diversity of experience to lead and contribute to the development of the Group's strategies and performance. The NC is also of the view that the current Board members comprise persons with a broad range of expertise and experience in diverse areas such as accounting, finance, business and management, and strategic planning.

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

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

# Corporate Governance Report

Non-Executive Directors are encouraged to participate and provide constructive challenge, and develop strategies and review and monitor the performance of management, agreed goals and objectives. Where circumstance requires, the Non-Executive Directors will meet without the presence of management to review any matters that need to be raised privately. During FY2018, the Non-Executive Directors have met once in the absence of management.

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

Ms Quan Yuhong is also the Director 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.

Mr Tham Mun Chee has also been appointed as Director of the aforesaid said two principal subsidiaries and Linyi SDIC Zhonglu Fruit Juice Co., Ltd., a 50%-owned joint venture of the Company, with effect from 27 August 2018.

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 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.

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

## Chairman and Chief Executive Officer

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

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

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

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

Given that the Chairman is not an Independent Director and is part of the management team, Mr Tham Mun Chee has been appointed as Lead Independent Director with effect from 27 August 2018 following Mr Ngiam Zee Moey's resignation on 15 January 2018, for the shareholders in situation where they have concerns/issues and for which contact through the normal channels of the Executive Chairman, the General Manager or the Deputy General Manager (Finance) have failed to provide a satisfactory resolution or when such contact is inappropriate. Mr Tham will also take the lead in ensuring compliance of the Code.

# Corporate Governance Report

Where circumstance requires, led by the Lead Independent Director, the Independent Directors will meet without the presence of other Directors and provide feedback to the Executive Chairman after such meetings as appropriate. There were no instances arising in FY2018 which required the Independent Directors to meet in the absence of other Directors.

## Board Membership

*Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.*

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

Liu Xiuwen – Chairman  
 Tham Mun Chee – Member  
 Quan Yuhong – Member

The principal functions of the NC are summarized as follows:

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

During FY2018, the NC held one scheduled meeting with full attendance.

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

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

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

There was no new director appointed in FY2018.

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

Pursuant to the provision of the Company's Constitution, one-third of the Directors shall retire from office at every AGM and a retiring Director shall be eligible for re-election at the said AGM. All Directors shall retire from office at least once every three years. A newly appointed Director shall also submit himself for retirement at the AGM immediately after his appointment and shall be eligible for re-election at the said AGM.

# Corporate Governance Report

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

Pursuant to Article 107 of the Constitution of the Company:

Mr Tham Mun Chee  
Ms Liu Xiuwen

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

Mr Tham Mun Chee will, upon re-election as a Director of the Company, remain as Lead Independent Director and Chairman of the Audit Committee and Remuneration Committee, member of the Nominating Committee and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

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

Mr Tham Mun Chee and Ms Liu Xiuwen are independent and free from any relationship outlined in the Code. Each of the Independent Directors has also confirmed his/her independence.

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

Name of Directors	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	26/10/2017	SDIC Zhonglu Fruit Juice Co., Ltd.	Nil	1 SDIC Zhonglu Fruit Juice Co., Ltd. – General Manager 2 Shandong Luling Fruit Juice Co., Ltd. – Director 3 Shanxi SDIC Zhonglu Fruit Juice Co., Ltd – Director 4 Zhonglu America Corporation – Director 5 Zhonglu Europe Corporation – Director 6 SDIC Zhonglu Fruit Juice Corporation – Director 7 SDIC Zhonglu (Shangdong) Agriculture & Grazery Development Co., Ltd – Director <i>Note: 2 to 7 are either the wholly-owned or joint venture companies of SDIC Zhonglu Fruit Juice Co, Ltd</i>
Quan Yuhong	19/10/2012	26/10/2017	Nil	Nil	Chief Financial Officer of SDIC Zhonglu Fruit Juice Co., Ltd.
Liu Xiuwen	01/01/2014	29/10/2015	Nil	Nil	Accountant of Da Hua Certified Public Accountants Co.
Tham Mun Chee	01/01/2015	27/10/2016	Nil	Nil	Accounting and Administration Manager of Elms Industrial Pte Ltd and Elms Industrial (Phils) Co., Inc.

# Corporate Governance Report

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

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

The considerations in assessing the capacity of Directors would include the following:

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

The NC has reviewed the time spent and attention given by each Director to the Company’s affairs, taking into account the multiple directorships and other principal commitments of each Director, and is satisfied that all Directors have discharged their duties adequately for FY2018.

The Company currently does not have any alternate director.

## Board Performance

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

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

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

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

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

The NC has performed the assessment in FY2018 and is of the view that the performance of the individual Directors, the Board Committees and the Board as a whole were satisfactory and the Board has met its performance objectives.

No external facilitator was used in the evaluation process in FY2018.



# Corporate Governance Report

## Access to Information

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

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

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

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

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

## 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  
Liu Xiuwen – Member  
Quan Yuhong – Member

The functions of the RC include the following:

- recommend to the Board a framework of remuneration for the Directors and key executives, and determine specific remuneration packages for each Director and key executive, with the recommendations of the RC submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind shall be covered by the RC; and
- perform an annual review of the remuneration of employees related to the Directors and key executives (if applicable) to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities. RC also reviews and approves any bonuses, pay increases and/or promotions for these employees.

The RC will meet at least once a year. During FY2018, the RC held one scheduled meeting with full attendance.

# Corporate Governance Report

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

No remuneration consultants were engaged by the Company in FY2018.

## Level and Mix of Remuneration

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

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

Mr Zhang Jiming, the Chairman and Executive Director of the Company joined the Company since 5 June 2015 and has since then opted not to receive remuneration for his services rendered to the Company. There was no remuneration paid to Mr Zhang Jiming in FY2018.

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

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

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

Ms Quan Yuhong was appointed as Non-Executive Director of the Company on 19 October 2012 and had opted not to receive Director's fee for her services as a Non-Executive Director and member of the Board Committees since then. There was no remuneration paid to Ms Quan Yuhong in FY2018.

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

## Disclosure on Remuneration

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

# Corporate Governance Report

A breakdown of the level and mix of remuneration paid/payable to each Director in FY2018 is as follows:

	Directors' Fees	Salary	Bonus	Other Benefits	Total
Below S\$250,000	S\$	S\$	S\$	S\$	S\$
Zhang Jiming <sup>#</sup>	–	–	–	–	–
Quan Yuhong <sup>#</sup>	–	–	–	–	–
Ngiam Zee Moey <sup>*</sup>	21,808	–	–	–	21,808
Liu Xiuwen <sup>@</sup>	12,354	–	–	–	12,354
Tham Mun Chee	40,000	–	–	–	40,000

**Notes:**

<sup>#</sup> Both Mr Zhang Jiming and Ms Quan Yuhong have opted not to receive fee/remuneration in FY2018.

<sup>\*</sup> Mr Ngiam Zee Moey has resigned as Director of the Company with effect from 15 January 2018 and therefore the fee payable to Mr Ngiam Zee Moey was for the period from 1 July 2017 to 15 January 2018.

<sup>@</sup> Ms Liu Xiuwen's director fee is payable in RMB at RMB60,000. The fee was converted into S\$ at the exchange rate of S\$1 – RMB4.8567 as at 30 June 2018.

## Remuneration of Key Management Personnel

The remunerations paid to the top two (2) key management personnel (who are not Directors) of the Group set out in bands of S\$250,000 in FY2018 are as follows:

	Base/Fixed Salary (%)	Variable or Bonuses (%)	Benefits in Kind (%)	Total (%)
Below S\$250,000				
Ma Fei <sup>1</sup>	100	–	–	100
Liu Zhenzhe <sup>2</sup>	100	–	–	100

1 Mr Ma Fei is the General Manager of the Company.

2 Mr Liu Zhenzhe is Deputy General Manager (Finance) of the Company.

The Company has only two key management personnel. The aggregate remuneration paid to the abovementioned top key management personnel in FY2018 was S\$47,404.00.

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

There are no termination, retirement and post-employment benefits granted to the Directors and/or the top key executives in FY2018.

There was no employee of the Group who are immediate family member of any Director, and whose remuneration exceeded S\$50,000 in FY2018.

# 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 its duties efficiently.

In accordance with Rule 705(5) of the Catalist Rules, during FY2018, the Board issued negative assurance statements in its interim financial results announcement, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

The Board takes steps to ensure compliance with all the Group's policies, operational practices and procedures, and relevant legislative and regulatory requirements, including requirements under the Catalist Rules, where appropriate.

During the year, all the unaudited half yearly and full year results of the Group have been announced within their respective deadlines.

### Risk Management and Internal Controls

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

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

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

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

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

For FY2018, the General Manager and Deputy General Manager (Finance) have provided their confirmation and assurance to the Board that (i) financial records have been properly maintained and that the financial statements give a true and fair view of the Company's operations and finances and (ii) the Company's risk management and internal controls systems are effective.

# Corporate Governance Report

The internal auditors had conducted a comprehensive Control Self-Assessment (“CSA”) exercise for the Company and its subsidiaries in FY2018. 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 FY2018 was satisfactory and achieved the internal control objectives, as well as addressed the financial, operational, compliance and information technology controls and risks management systems of the Company.

Based on the internal controls established and maintained by the management, the negative assurance provided by the General Manager and Deputy General Manager (Finance), the works performed by internal and external auditors and reviews performed by management and various Board Committees and the Board, the Board, with the concurrence of the AC, is of the opinion that the Group’s internal controls, addressing the financial, operational, compliance and information technology risks and the risk management systems in place were adequate and effective for FY2018.

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:

Tham Mun Chee – Chairman  
Liu Xiuwen – Member  
Quan Yuhong – Member

All of the AC members, including the Chairman, have accounting and related financial management expertise and experience. None of the AC members were previous partners or directors of the Company’s external audit firm within the last twelve months and none of the AC members hold any financial interest in the external audit firm.

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

The AC members met twice in FY2018, where the Executive Director and senior management were invited to attend the meetings.

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

The AC has been entrusted with the following functions:

- Review with the external and internal auditors their audit plans, evaluation of the internal control, audit reports, their letter to management and the management’s response. The AC also reviews the cooperation given by the Company’s officers to the internal and external auditors;
- Review the scope and results of the audit and its cost effectiveness;
- Review the adequacy of the Group’s internal controls, including financial, operational, compliance and information technology controls and risk management policies and systems established by the management;



# Corporate Governance Report

- Review key financial risk areas and the outcome of such review to be disclosed in the annual reports, with a view to provide an independent oversight on the Group's financial reporting;
- Review the financial statements before submission to the Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from audit compliance with accounting standards and compliance with the Catalist Rules and other relevant statutory or regulatory requirements;
- Conduct investigation into any matter within the AC's scope of responsibility and review of any significant findings of investigations with full access to management;
- Review and discuss with the external auditors any suspected fraud or irregularities, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the management's response;
- Make recommendation to the Board on the appointment, re-appointment and removal of external auditors and approve the remuneration and terms of engagement of the external auditors. The AC also assesses the independence and objectivity of the external auditors;
- Review interested person transactions falling within the scope of Chapter 9 of the Catalist Rules;
- Undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- Undertake such other functions and duties as may be required by the statute or by the Catalist Rules, or by such amendments as may be made thereto from time to time.

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

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

As at the date of this report, the AC had met once with the external and internal auditors without the presence of the management in FY2018.

The AC constantly bears in mind the need to maintain a balance between the independence and objectivity of the external auditors and the work carried out by the external auditors based on value for money consideration. During the financial year under review, the aggregate amount of fees paid to the external auditors for the audit and non-audit services amounted to S\$86,500 and S\$2,800 respectively.

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

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

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

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

# Corporate Governance Report

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

There have been no reported incidents pertaining to whistle-blowing for FY2018.

## Internal Audit

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

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

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

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

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

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

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

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

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Shareholder Rights

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

### Communication with Shareholders

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

# Corporate Governance Report

## Conduct of Shareholder Meetings

*Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

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

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

Shareholders are encouraged to attend AGMs and/or general meetings to stay informed of the Company's goals and strategies and to ensure a high level of accountability by the management. Notice of the meeting will be dispatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), within the stipulated time before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the meeting. The Chairman of the respective Board Committees is normally available at the meeting to answer those questions relating to the work of these committees. The Company's external auditors are also present to assist the Directors in addressing queries relating to the audited financial statements raised by shareholders. An independent polling agent is appointed by the Company for general meetings who will explain the rules, including the voting procedures that govern the general meetings of shareholders.

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

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

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

The Group does not have a fixed dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. For FY2018, the Company did not propose any dividends so as to retain the cash in the Group for its future growth plans.

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

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and management. All minutes of general meetings are available to shareholders for inspection upon request.

# Corporate Governance Report

## 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.

## Interested Person Transactions (“IPTs”)

In compliance with Rule 920 of the Catalist Rules, the value of IPTs conducted in FY2018 was as follow:

Name of interested persons	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than SGD100,000 and 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) Payment to a subsidiary of SDIC Zhonglu for lease of certain storage facility 533	(b) Sales by the Group to SDIC Zhonglu and its group of companies. 121,123
		(c) Interest paid by subsidiaries of the Company with respect to the working capital provided by SDIC Zhonglu. 2,952
		(d) Interest received from SDIC Zhonglu for excess cash deposit by the Group in relation to the financing from SDIC Zhonglu Group. 538
<b>Total</b>	<b>533</b>	<b>124,613</b>

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

Transactions (b), (c) and (d) were conducted pursuant to the renewed shareholders’ mandate for IPTs approved by shareholders on 26 October 2017.

Save as disclosed above, there are no other IPTs above S\$100,000 in FY2018.

## Material Contracts

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

# Corporate Governance Report

## Non-Sponsor Fees

The Continuing Sponsor of the Company is PrimePartners Corporate Finance Pte. Ltd. There were no non-sponsor fees paid to the Sponsor by the Company during FY2018.

## Code of Conduct and Practices

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

## Sustainability Report

The Company is working towards the issuance of its sustainability report by 30 June 2019 and such report will be made available to shareholders on the SGXNET in due course.





## **Financial Contents**

- 28 Directors' Statement
- 30 Independent Auditor's Report
- 34 Consolidated Statement of Profit or Loss and Other Comprehensive Income
- 35 Statements of Financial Position
- 36 Consolidated Statement of Changes in Equity
- 37 Consolidated Statement of Cash Flows
- 38 Notes to the Financial Statements

# Directors' Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Zhongxin Fruit and Juice Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 30 June 2018, and the statement of financial position of the Company for the financial year ended 30 June 2018.

## Opinion of the Directors

In the opinion of the directors,

- a) the accompanying statement of financial position of the Company and the consolidated financial statements of the Group together with the notes thereto are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 30 June 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date; and
- b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## Directors

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

Zhang Jiming  
 Quan Yuhong  
 Liu Xiuwen  
 Tham Mun Chee

In accordance with the Company's Constitution, Ms Liu Xiuwen and Mr Tham Mun Chee retire and, being eligible, offer themselves for re-election.

## Arrangements to enable directors to acquire shares and debentures

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

## Directors' interests in shares or debentures

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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 July 2018.

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

# Directors' Statement

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## Share options

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

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

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

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

## Audit Committee

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

## Independent Auditor

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

On behalf of the Board of Directors

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**Quan Yuhong**

Director

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**Tham Mun Chee**

Director

Singapore

10 October 2018

# Independent Auditor's Report

To the Members of Zhongxin Fruit and Juice Limited  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the financial statements of Zhongxin Fruit and Juice Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### *Basis for Opinion*

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

### *Key Audit Matters*

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

# Independent Auditor's Report

To the Members of Zhongxin Fruit and Juice Limited  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## Key Audit Matters (Cont'd)

Key Audit Matter	How the matter was addressed in the audit
<p><b>Impairment assessment on Xuzhou Zhongxin Fruits and Juice Co., Ltd's ("Xuzhou Zhongxin") property, plant and equipment ("PPE")</b></p> <p>As at 30 June 2018, the carrying amount of Xuzhou Zhongxin's PPE constituted 21.23% (2017: 25.25%) of the total assets of the Group.</p> <p>Management is required to assess at the end of each reporting period whether there is any indication that the PPE may be impaired.</p> <p>Management has assessed that there are indicators of impairment of the PPE as at 30 June 2018 as Xuzhou Zhongxin has ceased production since FY2015.</p> <p>As such, management has performed an impairment test on the PPE.</p> <p>The recoverable amount of PPE was determined using fair value less costs of disposal which involves significant judgements and estimations by management. Based on the fair value less costs of disposal test by management, no impairment of the PPE is required.</p> <p>The key assumptions to the impairment assessment of PPE is disclosed in Note 3.2(iii) to the financial statements.</p>	<p>Our audit procedures focused on evaluating and challenging the key assumptions used by the external valuer in the impairment assessment of the PPE. As the recoverable amount was determined using fair value less costs of disposal by an external valuer, our procedures include:</p> <ul style="list-style-type: none"> <li>• Evaluate the independence and competency of the external professional valuer.</li> <li>• Assess whether the valuation methodology is reasonable and obtaining reasonable assurance valuation over the inputs to the valuation model.</li> </ul>

## Other Information

Management is responsible for the other information. The other information comprises the information (business overview, corporate governance and shareholder statistics) which are included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

# Independent Auditor's Report

To the Members of Zhongxin Fruit and Juice Limited  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## *Responsibilities of Management and Directors for the Financial Statements*

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

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

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

## *Auditor's Responsibilities for the Audit of the Financial Statements*

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

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

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



# Independent Auditor's Report

To the Members of Zhongxin Fruit and Juice Limited  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

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

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

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

## **Report on Other Legal and Regulatory Requirements**

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

The engagement partner on the audit resulting in this independent auditor's report is Ms. Tan Yan Chuang.

RT LLP  
Public Accountants and  
Chartered Accountants  
Singapore

Singapore, 10 October 2018

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Group	
		2018 RMB'000	2017 RMB'000
Revenue	4	<b>121,869</b>	88,819
Cost of sales		<b>(93,665)</b>	(68,017)
Gross profit		<b>28,204</b>	20,802
Other income:			
Other operating income	5	<b>684</b>	945
Expenses:			
Distribution expenses		<b>(11,868)</b>	(7,104)
Administrative expenses		<b>(8,133)</b>	(11,010)
Finance costs	7	<b>(3,046)</b>	(2,180)
Share of (loss)/profit from equity-accounted joint venture	11	<b>(406)</b>	1,997
Profit before income tax	8	<b>5,435</b>	3,450
Income tax expense	9	<b>(77)</b>	(28)
Profit for the financial year		<b>5,358</b>	3,422
Other comprehensive income for the financial year, net of tax		–	–
Total comprehensive income for the financial year attributable to owners of the Company		<b>5,358</b>	3,422
Earnings per share for earnings attributable to owners of the Company (cents)			
– Basic	10	<b>0.51</b>	0.32
– Diluted	10	<b>0.51</b>	0.32

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

# Statements of Financial Position

AS AT 30 JUNE 2018

		Group	Company		
Note	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	
<b>ASSETS</b>					
<b>Non-current Assets</b>					
Investment in joint venture	11	10,031	10,437	10,451	
Investment in subsidiaries	12	–	–	48,223	
Property, plant and equipment	13	66,287	64,780	14	2
Land use rights	14	7,248	7,438	–	–
		83,566	82,655	58,688	58,676
<b>Current Assets</b>					
Cash and cash equivalents	15	6,189	6,510	4,028	6,230
Other receivables	16	2,194	2,446	–	–
Receivable from subsidiaries	17	–	–	27,787	68,951
Receivable from a related party	18	294	–	–	–
Receivable from immediate holding company	19	42,034	34,745	–	–
Prepayments		2,130	1,312	–	–
Inventories	20	11,215	7,098	–	–
		64,056	52,111	31,815	75,181
<b>Total Assets</b>		147,622	134,766	90,503	133,857
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	21	252,093	252,093	252,093	252,093
Contributed surplus	22	22,000	22,000	–	–
Statutory and other reserves	23	4,156	3,040	–	–
Accumulated losses		(200,477)	(204,719)	(162,995)	(119,406)
<b>Equity attributable to owners of the Company</b>		77,772	72,414	89,098	132,687
<b>Non-current Liability</b>					
Deferred capital grant	24	230	–	–	–
		230	–	–	–
<b>Current Liabilities</b>					
Trade and other payables	25	8,669	8,915	1,405	1,170
Payable to a related party	26	20	–	–	–
Payable to immediate holding company	27	58,925	53,437	–	–
Deferred capital grant	24	6	–	–	–
Borrowings	28	2,000	–	–	–
		69,620	62,352	1,405	1,170
<b>Total Liabilities</b>		69,850	62,352	1,405	1,170
<b>Total Equity and Liabilities</b>		147,622	134,766	90,503	133,857

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

# Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	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
<b>The Group</b>					
Balance at 1 July 2016	252,093	22,000	955	(206,056)	68,992
Profit for the year, representing total comprehensive income for the financial year	–	–	–	3,422	3,422
Transfer to statutory and other reserves representing transaction with equity holders as owners of the Group	–	–	2,085	(2,085)	–
Balance at 30 June 2017	252,093	22,000	3,040	(204,719)	72,414
Profit for the year, representing total comprehensive income for the financial year	–	–	–	5,358	5,358
Transfer to statutory and other reserves representing transaction with equity holders as owners of the Group			1,116	(1,116)	–
Balance at 30 June 2018	252,093	22,000	4,156	(200,477)	77,772

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

# Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Group	
		2018 RMB'000	2017 RMB'000
<b>Operating activities</b>			
Profit before income tax		5,435	3,450
Adjustments for:			
Amortisation of deferred capital grant		(4)	–
Amortisation of land use rights		190	169
Gain on disposal of property, plant and equipment		(5)	–
Depreciation of property, plant and equipment		983	1,006
Share of loss/(profit) from equity-accounted joint venture		406	(1,997)
Write-back of trade and other payables		–	(183)
Interest expense		2,952	2,161
Interest income		(545)	(606)
Operating profit before working capital changes		9,412	4,000
Inventories		112	13,005
Other receivables		252	1,000
Receivable from related parties		–	801
Receivable from immediate holding company		(7,289)	(15,517)
Prepayments		(818)	(451)
Trade and other payables		(246)	1,380
Payable to related parties		–	(28)
Cash flows from operations		1,423	4,190
Income tax paid		(77)	(28)
<b>Net cash generated from operating activities</b>		<b>1,346</b>	<b>4,162</b>
<b>Investing activities</b>			
Interest received		545	606
Proceeds from government grant relating to assets		240	–
Proceeds from disposal of property, plant and equipment		269	–
Receivables from related parties		(294)	11
Purchase of property, plant and equipment		(6,983)	(3,437)
<b>Net cash used in investing activities</b>		<b>(6,233)</b>	<b>(2,820)</b>
<b>Financing activities</b>			
Advances from immediate holding company	27	5,488	7,299
Payable to related parties		20	(1,755)
Interest paid		(2,952)	(2,161)
Proceeds from borrowings	28	2,000	–
<b>Net cash generated from financing activities</b>		<b>4,556</b>	<b>3,383</b>
<b>Net change in cash and cash equivalents</b>		<b>(321)</b>	<b>4,725</b>
Cash and cash equivalents at beginning of the financial year		6,510	1,785
<b>Cash and cash equivalents at end of the financial year</b>	15	<b>6,189</b>	<b>6,510</b>

## Reconciliation of liabilities arising from financing activities

	At beginning of the financial year RMB'000	Principal and interest payments RMB'000	Deposit paid <sup>(1)</sup> RMB'000	Non-cash changes Interest expense RMB'000	At end of the financial year RMB'000
Borrowings	–	2,000	–	–	2,000
Payable to related parties	–	–	20	–	20
Advances from immediate holding Company (Note 27)	53,437	2,536	–	2,952	58,925

(1) The deposit paid relates to an amount paid to a related party in the statement of cash flows.

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

## 1. GENERAL INFORMATION

Zhongxin Fruit and Juice Limited (Co. Reg. No. 200208395H) is a limited liability company incorporated and domiciled in Singapore and is listed on the Catalist of the Singapore Exchange Securities Trading Limited. The immediate holding company is SDIC Zhonglu Fruit Juice Co., Ltd ("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.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

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

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

### 2.2 Adoption of new and revised standards

On 1 July 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

#### FRS 7 Statement of cash flows

The amendments to FRS 7 *Statement of cash flows (Disclosure initiative)* sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Company has included the additional required disclosures in the Consolidated Statement of Cash Flows.



# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

### 2.3 Full convergence with International Financial Reporting Standards (IFRS) and adoption of new standards

In December 2017, the Accounting Standards Council (ASC) issued the Singapore Financial Reporting Standards (International) [SFRS(I)s]. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore, will apply SFRS(I)s with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 30 June 2019 will be prepared in accordance with SFRS(I)s, and International Financial Reporting Standards issued by the International Accounting Standards Board. As a result, this will be the last set of financial statements prepared under the current FRSS.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*.

In addition to the adoption of the new framework, the Group will also concurrently apply the following SFRS(I)s and interpretations of SFRS(I)s [SFRS(I)s INT] which are relevant to the Group:

#### Effective for the financial year of the Group beginning on 1 July 2018

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers*
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*

#### Effective for the financial year of the Group beginning on 1 July 2019

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- Amendments to SFRS(I) 1-28: *Long-term Interests in Associates and Joint Ventures*

Management anticipates that the adoption of the above SFRS(I)s and SFRS(I)s INT in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16.

#### SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

SFRS(I) 9 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the potential impact of the application of SFRS(I) 9 on the financial statements of the Group in the period of their initial application.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

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

#### SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a five-step model that will apply to revenue arising from contracts with customers. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in SFRS(I) 15 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the potential impact of the application of SFRS(I) 15 on the financial statements of the Group in the period of their initial application.

#### SFRS(I) 16 Leases

SFRS(I) 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity.

SFRS(I) 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-to-use asset representing its right to use the underlying lease asset and a lease liability representing its obligation to make lease payments.

SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019 with early application permitted for entities that apply SFRS(I) 15 *Revenue from Contracts with Customers* at or before the date of initial application of SFRS(I) 16. The Group is currently assessing the potential impact of the application of SFRS(I) 16 on the financial statements of the Group in the period of their initial application.

### 2.4 Revenue recognition

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

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, 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 risks and rewards of ownership of the goods to the customer which generally coincides with delivery and acceptance of the goods sold.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

### 2.4 Revenue recognition (Cont'd)

#### (ii) Interest income

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

#### (iii) Rental income

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

### 2.5 Government grants

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

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

### 2.6 Group accounting

#### (i) Subsidiaries

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

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

### 2.6 Group accounting (Cont'd)

#### (ii) Acquisitions

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

#### (iii) Disposals

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

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

#### (iv) Joint Venture

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

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

### 2.6 Group accounting (Cont'd)

#### (iv) Joint Venture (Cont'd)

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

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

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

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

### 2.7 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.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

### 2.7 Property, plant and equipment (Cont'd)

#### (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.

### 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. The effects of any revision are included in profit or loss when the changes arise.

### 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.



# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

### 2.10 Impairment of non-financial assets

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

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

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

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

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

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

### 2.11 Financial assets

#### (i) Classification

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

#### 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 a related party", "receivable from immediate holding company" and "cash and cash equivalents" on the statements of financial position.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

### 2.11 Financial assets (Cont'd)

#### (ii) Recognition and derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is transferred to profit or loss.

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

#### (iii) Initial measurement

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

#### (iv) Subsequent measurement

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

#### (v) Impairment

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

##### Loans and receivables

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

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

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.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

### 2.12 Cash and cash equivalents

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

### 2.13 Borrowings

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

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

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

### 2.14 Financial liabilities

Financial liabilities include trade and other payables, payable to a related party and payable to immediate holding company. 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

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

### 2.16 Leases

- (i) When the Group is the lessee:

The Group leases property, plant and equipment under operating leases.

#### *Lessee – Operating leases*

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

### 2.16 Leases (Cont'd)

- (ii) When the Group is the lessor:

The Group leases its properties under operating leases.

#### *Lessor – Operating leases*

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

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

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

### 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 Taxes

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

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

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

### 2.18 Taxes (Cont'd)

Deferred income tax is measured:

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

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

#### Value-added-tax

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

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

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

### 2.19 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 2018

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

### 2.19 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.

### 2.20 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.

### 2.21 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.

### 2.22 Share capital

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



# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

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

#### (i) Impairment of assets

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

### 3.2 Critical accounting estimates and assumptions

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

#### (i) Impairment and collectability of receivables

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

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

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

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

### 3.2 Critical accounting estimates and assumptions (Cont'd)

#### (ii) Useful lives of property, plant and equipment

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

Management estimates the useful lives of property, plant and equipment to be within 3 to 40 years. The carrying amount of the Group's property, plant and equipment as at the end of reporting period was RMB66,287,000 (2017: RMB64,780,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore future depreciation charges could be revised.

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

As at 30 June 2018, the carrying amount of the property, plant and equipment of a subsidiary of the Company, Xuzhou Zhongxin Fruit and Juice Company Limited ("Xuzhou Zhongxin") amounted to RMB31,500,859 (2017: RMB34,023,581). Management has assessed that there is an indication of impairment of Xuzhou Zhongxin's property, plant and equipment as Xuzhou Zhongxin had ceased production since FY2015.

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

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

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

#### (iv) Allowances for slow moving inventories

Management carries out an inventory review at the end of each reporting period to determine any need for allowance for slow moving inventory items. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. In the event of significant changes to the current market conditions, possible changes in these estimates could result in revisions to the carrying amount of the inventories. The carrying amount of the inventories at the end of the reporting period as disclosed in Note 20 to the financial statements of the Group is RMB11,215,000 (2017: RMB7,098,000).

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

### 3.2 Critical accounting estimates and assumptions (Cont'd)

#### (v) Income tax

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

## 4. REVENUE

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

## 5. OTHER OPERATING INCOME

	Group	
	2018 RMB'000	2017 RMB'000
Amortisation of deferred capital grant	4	–
Gain on disposal of property, plant and equipment	5	–
Government grants/incentives	11	19
Interest income from immediate holding company	538	604
Interest income from bank	7	2
Write-back of trade and other payables	–	183
Rental income	106	137
Others	13	–
	<b>684</b>	<b>945</b>

During the previous financial year, the Management has gone through a detailed analysis and assessment of the trade and other payables recorded by the Company's subsidiaries, Yuncheng Zhongxin Fruit and Juice Company Limited ("Yuncheng Zhongxin") and Xuzhou Zhongxin and concluded that the outstanding trade and other payables of approximately RMB183,000 were no longer liable to be paid. Consequently, these amounts were written back to profit or loss as other income in the previous financial year.

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

During the financial year, loan to the Group's immediate holding company bear interest at variable rates according to the People's Bank of China at 4.35% (2017: 4.35%) based on the closing interest rates for each quarter.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 6. STAFF COSTS

	Group	
	2018 RMB'000	2017 RMB'000
Wages and salaries	6,916	5,604
Employer's contribution to defined contribution plans including PRC's defined contribution national pension scheme	1,562	1,384
Other staff costs	444	167
	<b>8,922</b>	<b>7,155</b>

### 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	
	2018 RMB'000	2017 RMB'000
Wages and salaries	1,351	1,095
Directors' fees (Note 8)	463	463
	<b>1,814</b>	<b>1,558</b>

## 7. FINANCE COSTS

	Group	
	2018 RMB'000	2017 RMB'000
Interest on borrowings:		
– with respect to advances received from immediate holding company	2,952	2,161
Others	94	19
	<b>3,046</b>	<b>2,180</b>

## 8. PROFIT BEFORE INCOME TAX

	Group	
	2018 RMB'000	2017 RMB'000
This was arrived at after charging:		
Amortisation of land use rights (Note 14)	190	169
Audit fees to auditors of the Company	462	454
Audit fees to other auditors	205	295
Directors' fees (Note 6)	463	463
Depreciation of property, plant and equipment (Note 13)	983	1,006
Foreign currency exchange loss	83	8
Operating lease expense (Note 29b)	2,323	1,030

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 9. INCOME TAX EXPENSE

	Group	
	2018 RMB'000	2017 RMB'000
Current income tax		
– under provision in the previous financial year	17	–
– for the financial year	60	28
	<b>77</b>	28

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 30 June 2018 and 2017 were as follows:

	Group	
	2018 RMB'000	2017 RMB'000
Profit before income tax	5,435	3,450
Income tax using the statutory tax rate of 17% (2017: 17%)	924	587
Effect of different tax rate in PRC	435	276
Income not subject to tax	(1,876)	(846)
Expenses not deductible	594	11
	<b>77</b>	28

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

Pursuant to Section 149 of Finance Bill (2008), a special incentive was granted by the Tax Authorities of PRC to companies engaging in preliminary processing of farm products. Pursuant to this special incentive, the profits of the subsidiaries would be fully exempted from PRC corporate income tax for the financial years 2017 and 2018. Certain provinces in the PRC will require the application of tax exemption in year 2017 and 2018.

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

## 10. EARNINGS PER SHARE

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

The basic earnings per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. There were no potential dilutive shares for financial years 2018 and 2017.

	Group	
	2018	2017
Net earnings for the year (RMB'000)	5,358	3,422
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)	<b>0.51 cents</b>	0.32 cents

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 11. INVESTMENT IN JOINT VENTURE

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Unquoted share at cost	<b>28,336</b>	28,336	<b>23,336</b>	23,336
Less: Allowance for impairment	–	–	<b>(12,885)</b>	(23,336)
Reversal of allowance for impairment	–	–	–	10,451
Share of loss	<b>(18,305)</b>	(17,899)	–	–
	<b>10,031</b>	10,437	<b>10,451</b>	10,451
<i>Movement in share of loss:</i>				
Balance at beginning	<b>(17,899)</b>	(19,896)		
Share of (loss)/profit for the financial year	<b>(406)</b>	1,997		
Balance at end	<b>(18,305)</b>	(17,899)		

The details of the joint venture as at 30 June 2018 were as follows:

Name of Joint venture	Principal Activities	Country of incorporation/ principal place of business	Proportion of ordinary shares directly held by the Group	
			2018 %	2017 %
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")	<b>50</b>	50

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

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

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

### Summarised statement of financial position

	2018 RMB'000	2017 RMB'000
Cash and cash equivalents	<b>169</b>	602
Other current assets	<b>11,152</b>	17,620
Total current assets	<b>11,321</b>	18,222
Non-current assets	<b>29,232</b>	29,309
Total assets	<b>40,553</b>	47,531
Current financial liabilities (excluding trade payables)	<b>(19,654)</b>	(25,647)
Other current liabilities (including trade payables)	<b>(837)</b>	(1,011)
Total current liabilities	<b>(20,491)</b>	(26,658)
Net assets	<b>20,062</b>	20,873
Proportion of the Group's ownership	<b>50%</b>	50%
Group's share of net assets	<b>10,031</b>	10,437

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 11. INVESTMENT IN JOINT VENTURE (CONT'D)

Summarised statement of profit or loss and other comprehensive income

	2018 RMB'000	2017 RMB'000
Revenue	91,667	75,298
Cost of sales	(78,630)	(62,437)
Gross profit	13,037	12,861
Interest income	–	3
Other operating income	–	65
Operating expenses	(11,821)	(6,832)
Interest expense	(1,748)	(1,851)
Depreciation and amortisation	(280)	(253)
(Loss)/Profit before income tax	(812)	3,993
Income tax expense	–	–
(Loss)/Profit for the financial year	(812)	3,993

## 12. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 RMB'000	2017 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
<i>Movement of impairment loss in investment in subsidiaries is as follows:</i>		
Balance at beginning and end of the financial year	17,425	17,425

The details of the subsidiaries as at 30 June 2018 are as follows:

Name of Subsidiaries	Principal Activities	Country of incorporation/ principal place of business	Proportion of ownership interest		Cost of investments	
			2018 %	2017 %	2018 RMB'000	2017 RMB'000
Xuzhou Zhongxin*	Production of fruit juice concentrate	The People's Republic of China	100	100	46,154	46,154
Yuncheng Zhongxin*	Production of fruit juice concentrate	The People's Republic of China	100	100	19,473	19,473
					65,627	65,627

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



# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 13. PROPERTY, PLANT AND EQUIPMENT

### (a) Group

	Buildings RMB'000	Plant & machinery RMB'000	Furniture, fittings & office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
<b>2018</b>					
<b>Cost:</b>					
As at 1 July 2017	59,306	96,997	3,495	2,067	161,865
Additions	2,752	3,664	143	424	6,983
Reclassifications	–	(5)	5	–	–
Write off	–	(768)	–	(348)	(1,116)
As at 30 June 2018	62,058	99,888	3,643	2,143	167,732
<b>Accumulated depreciation and impairment loss:</b>					
As at 1 July 2017	21,943	70,519	2,699	1,924	97,085
Depreciation for the financial year	2,066	2,889	230	27	5,212
Write off	–	(515)	–	(337)	(852)
As at 30 June 2018	24,009	72,893	2,929	1,614	101,445
<b>Carrying amount:</b>					
As at 30 June 2018	38,049	26,995	714	529	66,287
<b>2017</b>					
<b>Cost:</b>					
As at 1 July 2016	59,161	93,747	3,453	2,067	158,428
Additions	145	3,245	47	–	3,437
Reclassifications	–	5	(5)	–	–
As at 30 June 2017	59,306	96,997	3,495	2,067	161,865
<b>Accumulated depreciation and impairment loss:</b>					
As at 1 July 2016	19,911	68,727	1,758	1,889	92,285
Depreciation for the financial year	2,032	2,459	274	35	4,800
Reclassifications	–	(667)	667	–	–
As at 30 June 2017	21,943	70,519	2,699	1,924	97,085
<b>Carrying amount:</b>					
As at 30 June 2017	37,363	26,478	796	143	64,780

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

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

### (b) Company

	<b>Furniture, fittings &amp; office equipment</b>
	<b>RMB'000</b>
<b>2018</b>	
<b>Cost:</b>	
As at 1 July 2017	151
Additions	15
As at 30 June 2018	166
<b>Accumulated depreciation:</b>	
As at 1 July 2017	149
Depreciation for the financial year	3
As at 30 June 2018	152
<b>Carrying amount:</b>	
As at 30 June 2018	14
<b>2017</b>	
<b>Cost:</b>	
As at 1 July 2016 and 30 June 2017	151
<b>Accumulated depreciation:</b>	
As at 1 July 2016	147
Depreciation for the financial year	2
As at 30 June 2017	149
<b>Carrying amount:</b>	
As at 30 June 2017	2

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Depreciation expense charged to:				
Administrative expenses	802	820	3	2
Distribution expenses	181	186	–	–
Total charged to profit or loss				
(Note 8)	983	1,006	3	2
Capitalised in Inventories (Note 20)	4,229	3,794	–	–
	5,212	4,800	3	2

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 14. LAND USE RIGHTS

	Group	
	2018 RMB'000	2017 RMB'000
<b>Cost:</b>		
At beginning of financial year and at end of financial year	9,253	9,253
<b>Accumulated amortisation:</b>		
At beginning of financial year	1,815	1,646
Charge to profit or loss (Note 8)	190	169
At end of financial year	2,005	1,815
<b>Carrying amount:</b>		
At end of financial year	7,248	7,438

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

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

## 15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Cash and bank balances	6,189	6,510	4,028	6,230

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

Cash and bank balances are denominated in the following currencies:

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Renminbi	2,161	280	–	–
Singapore dollar	4,028	6,230	4,028	6,230
	6,189	6,510	4,028	6,230

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 16. OTHER RECEIVABLES

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Other receivables:				
– Non-related parties	2,061	2,320	–	–
Less: Allowance for doubtful debts:				
As at beginning and end of year	(120)	(120)	–	–
Net other receivables	1,941	2,200	–	–
Deposits	246	246	–	–
Value-added-tax receivable	7	–	–	–
	2,194	2,446	–	–

## 17. RECEIVABLE FROM SUBSIDIARIES

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

## 18. RECEIVABLE FROM A RELATED PARTY

Amount receivable from a related party was non-trade, unsecured, interest-free and was repayable on demand. The amount of outstanding balance was due from a subsidiary of immediate holding company.

## 19. RECEIVABLE FROM IMMEDIATE HOLDING COMPANY

Amount receivable from immediate holding company was trade in nature, 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	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Raw materials	3,781	3,299	–	–
Work-in-progress	3,237	3,991	–	–
Finished goods	4,390	1	–	–
	11,408	7,291	–	–
Less: Allowance for slow moving inventories:	(193)	(193)	–	–
	11,215	7,098	–	–

The cost of inventories recognised as an expense and included in "Cost of sales" amounted to approximately RMB75,936,037 (2017: RMB55,639,042).

Depreciation of approximately RMB4,229,000 (2017: RMB3,794,000) were absorbed into inventories' costing (Note 13).

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 21. SHARE CAPITAL

	Group and Company			
	2018		2017	
	No of shares	RMB'000	No of shares	RMB'000
Issued and fully paid:				
<u>Ordinary shares</u>				
At beginning and end of financial year	<b>1,055,459,201</b>	<b>252,093</b>	1,055,459,201	252,093

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

## 22. CONTRIBUTED SURPLUS

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

## 23. STATUTORY AND OTHER RESERVES

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

The SRF is not available for dividend distribution to shareholders.

## 24. DEFERRED CAPITAL GRANT

	Group	
	2018 RMB'000	2017 RMB'000
Cost:		
At beginning of financial year	–	–
Received during the financial year	<b>240</b>	–
	<b>240</b>	–
Accumulated amortisation:		
At beginning of financial year	–	–
Amortisation (Note 8)	<b>4</b>	–
At end of financial year	<b>4</b>	–
Carrying amount:		
At end of financial year	<b>236</b>	–
Net carrying amount:		
Current	<b>6</b>	–
Non-current	<b>230</b>	–
	<b>236</b>	–

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

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 25. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Trade payables:				
– Non-related parties	5,066	4,216	–	–
Other payables:				
– Non-related parties	1,612	1,245	–	–
Accrued salaries, bonus and directors' remunerations	1,809	1,659	486	461
Accruals	182	1,795	919	709
	8,669	8,915	1,405	1,170

## 26. PAYABLE TO A RELATED PARTY

Amount payable to a related party was non-trade, unsecured, interest-free and was payable on demand.

## 27. PAYABLE TO IMMEDIATE HOLDING COMPANY

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

## 28. BORROWINGS

	Group	
	2018 RMB'000	2017 RMB'000
Current:		
Bank loan – Unsecured	2,000	–

The bank loan as at 30 June 2018 was unsecured, bore a fixed interest rate of 4.35% per annum and is repayable within 12 months. The carrying amounts of borrowings approximate their fair values.

## 29. COMMITMENTS

### (a) Capital commitments

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

	Group	
	2018 RMB'000	2017 RMB'000
Construction costs	3,950	4,507

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 29. COMMITMENTS (CONT'D)

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

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

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

	Group	
	2018 RMB'000	2017 RMB'000
Not later than one year	825	825

## 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 RMB118,465,000 (2017: RMB87,668,000) was derived from immediate holding company (Note 31), in relation to sale of fruit juice concentrate, constituted approximately 97.1% (2017: 98.6%) of total revenue.



# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 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	
	2018 RMB'000	2017 RMB'000
Sales to:		
– immediate holding company, SDIC Zhonglu	118,465	87,668
– joint venture, Linyi	–	19
– related party, Hebei SDIC Zhonglu Fruit and Vegetable Juice Co., Ltd (“Hebei SDIC”)^	–	181
– related party, Qingdao SDIC Zhonglu Fruit Juice Co., Ltd (“Qingdao SDIC”)^	2,658	2
– related party, Rushan Zhongcheng Fruit Juice Beverage Co., Ltd (“Rushan Zhongcheng”)^	–	16
Sales of machineries to related party, Shanxi SDIC Zhonglu Fruit Juice Co., Ltd (“Shanxi SDIC”)^	253	–
Purchases from:		
– joint venture, Linyi	7	835
– related party, Liaoning SDIC Zhonglu Fruit Juice Co., Ltd (“Liaoning SDIC”)^	–	1,647
Purchase of machineries and equipment from related party, Hancheng Zhonglu Fruit Juice Co., Ltd (“Hancheng Zhonglu”)^	–	127
Payment to a subsidiary of SDIC Zhonglu for lease of certain storage facility#	533	1,030
Interest paid with respect to the loans and advances provided by immediate holding company, SDIC Zhonglu	2,952	2,161
Interest received from SDIC Zhonglu for excess cash deposit by the Group in relation to financing from SDIC Zhonglu	538	604
Sales by joint venture, Linyi to:		
– immediate holding company, SDIC Zhonglu	35,284*	33,934*
– related party, Hebei SDIC^	–	519*
– related party, Qingdao SDIC^	1,346*	346*
– related party, Rushan Zhongcheng^	5*	241*
– related party, Shanxi SDIC^	–	89*
– related party, Shandong SDIC Zhonglu	198	–
Purchases by joint venture, Linyi from:		
– related party, Hancheng Zhonglu^	–	60*
– related party, Liaoning SDIC^	513*	450*
– related party, Rushan Zhongcheng^	188*	441*
– related party, Shandong Luling Fruit Juice Co., Ltd^	1,231*	1,550*
– related party, Shandong SDIC Nong Mu^	–	206*
– related party, Wan Rong SDIC Zhonglu Fruit Juice Co., Ltd^	–	13*
Interest paid by joint venture, Linyi to immediate holding company, SDIC Zhonglu for loans and advances received from immediate holding company, SDIC Zhonglu	858*	359*

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

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

# Yuncheng Zhongxin, a subsidiary of the Company and Qingdao SDIC for Qingdao SDIC to lease certain storage facility to Yuncheng Zhongxin for one year beginning 1 July 2017 and expired on 30 June 2018. The agreement was renewed on a yearly basis which is carried forward from prior year.

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 32. FAIR VALUE OF ASSETS AND LIABILITIES

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

## 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.

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

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

	Interest bearing RMB'000	Group Non-interest bearing RMB'000	Total RMB'000	Interest bearing RMB'000	Company Non-interest bearing RMB'000	Total RMB'000
<b>2018</b>						
<b>Assets</b>						
Cash and cash equivalents	6,189	–	6,189	4,028	–	4,028
Receivables from immediate holding company	42,034	–	42,034	–	–	–
	48,223	–	48,223	4,028	–	4,028
<b>Liabilities</b>						
Payable to immediate holding company	58,925	–	58,925	–	–	–
Borrowings	2,000	–	2,000	–	–	–
	60,925	–	60,925	–	–	–
<b>2017</b>						
<b>Assets</b>						
Cash and cash equivalents	6,510	–	6,510	6,230	–	6,230
Receivables from immediate holding company	34,735	–	34,735	–	–	–
	41,245	–	41,245	6,230	–	6,230
<b>Liabilities</b>						
Payable to immediate holding company	53,437	–	53,437	–	–	–

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 33. FINANCIAL RISK MANAGEMENT (CONT'D)

### Sensitivity analysis for interest rate risks

The Group's and the Company's borrowings at floating arrangement on which effective hedges have been entered into is denominated mainly in RMB. If the RMB interest rates had been higher/lower by 0.50% (2017: 0.50%) with all other variables being held constant, the profit before tax would have been lower/higher by RMB304,625 (2017: RMB267,185) as a result of higher/lower interest expense on these borrowings. The Group and Company is not significantly affected by interest rate fluctuation on its interest-bearing financial assets and borrowings.

### Liquidity risk

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

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

	2018 RMB'000				2017 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
<b>Group</b>								
<b>Financial assets:</b>								
Cash and cash equivalents	6,189	–	–	6,189	6,510	–	–	6,510
Other receivables	2,194	–	–	2,194	2,446	–	–	2,446
Receivable from a related party	294	–	–	294	–	–	–	–
Receivable from immediate holding company	43,888	–	–	43,888	36,277	–	–	36,277
Total undiscounted financial assets	52,565	–	–	52,565	45,233	–	–	45,233
<b>Financial liabilities:</b>								
Deferred capital grant	236	–	–	236	–	–	–	–
Trade and other payables	8,669	–	–	8,669	8,915	–	–	8,915
Payable to a related party	20	–	–	20	–	–	–	–
Payable to immediate holding company	61,524	–	–	61,524	53,704	–	–	53,704
Borrowings	2,088	–	–	2,088	–	–	–	–
Total undiscounted financial liabilities	72,537	–	–	72,537	62,619	–	–	62,619
Total net undiscounted liabilities	(19,972)	–	–	(19,972)	(17,386)	–	–	(17,386)

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 33. FINANCIAL RISK MANAGEMENT (CONT'D)

### Liquidity risk (Cont'd)

	2018 RMB'000				2017 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
<b>Company</b>								
<b>Financial assets:</b>								
Cash and cash equivalents	4,028	–	–	4,028	6,230	–	–	6,230
Receivable from subsidiaries	29,013	–	–	29,013	71,992	–	–	71,992
Total undiscounted financial assets	33,041	–	–	33,041	78,222	–	–	78,222
<b>Financial liabilities:</b>								
Trade and other payables	1,405	–	–	1,405	1,170	–	–	1,170
Total undiscounted financial liabilities	1,405	–	–	1,405	1,170	–	–	1,170
Total net undiscounted financial assets	31,636	–	–	31,636	77,052	–	–	77,052

As at 30 June 2018, the Group's current liabilities exceeded its current assets by RMB5,564,000 (2017: RMB10,241,000).

The ability of the Group to meet its financial obligations is dependent on the continuing financial support from its bankers and its immediate holding company, and the Group generating sufficient positive cash flows from its operations. For the half year ended 30 June 2018 ("HY2018") the immediate holding company recorded a net profit of RMB19,022,830 (HY2017: RMB1,447,857). From the period of 1 January 2018 to 30 June 2018, the financial position of the immediate holding company is represented by a net asset value of RMB602,849,934 (HY2017: RMB542,023,993) and positive cash flows from operating activities of RMB403,713,961 for HY2018 (HY2017: RMB387,371,624).

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 going concerns.

### 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 2018

## 33. FINANCIAL RISK MANAGEMENT (CONT'D)

### Currency risk (Cont'd)

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

Group	Renminbi RMB'000	Singapore Dollar RMB'000	Total RMB'000
<b>2018</b>			
<b>Assets</b>			
Cash and cash equivalents	2,161	4,028	6,189
Other receivables	2,194	–	2,194
Receivable from a related party	294	–	294
Receivable from immediate holding company	42,034	–	42,034
	<b>46,683</b>	<b>4,028</b>	<b>50,711</b>
<b>Liabilities</b>			
Deferred capital grant	236	–	236
Trade and other payables	8,669	–	8,669
Payable to a related party	20	–	20
Payable to immediate holding company	58,925	–	58,925
	<b>67,850</b>	<b>–</b>	<b>67,850</b>
Net financial (liabilities)/assets	(21,167)	4,028	(17,139)
Less: Net financial liabilities denominated in the respective entities' functional currency	21,167	–	21,167
Currency exposure	–	4,028	4,028
Group	Renminbi RMB'000	Singapore Dollar RMB'000	Total RMB'000
<b>2017</b>			
<b>Assets</b>			
Cash and cash equivalents	280	6,230	6,510
Other receivables	2,446	–	2,446
Receivable from immediate holding company	34,745	–	34,745
	<b>37,471</b>	<b>6,230</b>	<b>43,701</b>
<b>Liabilities</b>			
Trade and other payables	8,915	–	8,915
Payable to immediate holding company	53,437	–	53,437
	<b>62,352</b>	<b>–</b>	<b>62,352</b>
Net financial (liabilities)/assets	(24,881)	6,230	(18,651)
Less: Net financial liabilities denominated in the respective entities' functional currency	24,881	–	24,881
Currency exposure	–	6,230	6,230

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 33. FINANCIAL RISK MANAGEMENT (CONT'D)

### Currency risk (Cont'd)

Company	Renminbi RMB'000	Singapore Dollar RMB'000	Total RMB'000
<b>2018</b>			
<b>Assets</b>			
Cash and cash equivalents	–	4,028	4,028
Receivable from subsidiaries	27,787	–	27,787
	<b>27,787</b>	<b>4,028</b>	<b>31,815</b>
<b>Liabilities</b>			
Trade and other payables	1,405	–	1,405
Net financial assets	26,382	4,028	30,410
Less: Net financial assets denominated in the Company's functional currency	(26,382)	–	(26,382)
Currency exposure	–	4,028	4,028

Company	Renminbi RMB'000	Singapore Dollar RMB'000	Total RMB'000
<b>2017</b>			
<b>Assets</b>			
Cash and cash equivalents	–	6,230	6,230
Receivable from subsidiaries	68,951	–	68,951
	<b>68,951</b>	<b>6,230</b>	<b>75,181</b>
<b>Liabilities</b>			
Trade and other payables	1,170	–	1,170
Net financial assets	67,781	6,230	74,011
Less: Net financial assets denominated in the Company's functional currency	(67,781)	–	(67,781)
Currency exposure	–	6,230	6,230

If the Singapore Dollar ("SGD") change against the RMB by 5% (2017: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial assets position of the SGD exposure will be as follows:

	Increase/(Decrease)			
	Group		Company	
	2018	2017	2018	2017
	Profit after tax		Loss after tax	
	RMB'000	RMB'000	RMB'000	RMB'000
SGD against RMB				
– strengthened	202	312	(202)	(312)
– weakened	(202)	(312)	202	312

# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 33. FINANCIAL RISK MANAGEMENT (CONT'D)

### Credit risk

Credit risk is the risk that companies and other parties will be unable to meet their obligations to the Group resulting in financial loss to the Group and the Company. The 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 2018:

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

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

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

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

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

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

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

### Capital risk

The Company's objectives when managing capital are:

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

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

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

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



# Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

## 33. FINANCIAL RISK MANAGEMENT (CONT'D)

### Capital risk (Cont'd)

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total debt (as shown in the statements of financial position) less cash and cash equivalents. Total capital is equity plus net debt. The gearing ratios at 30 June 2018 and 30 June 2017 were as follows:

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Total debt	<b>69,620</b>	62,352	<b>1,405</b>	1,170
Less: Cash and cash equivalents	<b>(6,189)</b>	(6,510)	<b>(4,028)</b>	(6,230)
Net debt/(cash)	<b>63,431</b>	55,842	<b>(2,623)</b>	(5,060)
Total equity	<b>77,772</b>	72,414	<b>89,098</b>	132,687
Total capital	<b>141,203</b>	128,256	<b>86,475</b>	127,627
Gearing ratio	<b>45%</b>	44%	<b>NA</b>	NA

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

### Categories of financial instruments

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

	Group		Company	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
<b>Financial assets</b>				
<b>Loans and receivables</b>				
Cash and cash equivalents	<b>6,189</b>	6,510	<b>4,028</b>	6,230
Other receivables	<b>2,194</b>	2,446	–	–
Receivable from subsidiaries	–	–	<b>27,787</b>	68,951
Receivable from a related party	<b>294</b>	–	–	–
Receivable from immediate holding company	<b>42,034</b>	34,745	–	–
<b>Financial liabilities at amortised cost</b>				
Trade and other payables	<b>8,669</b>	8,915	<b>1,405</b>	1,170
Payable to a related party	<b>20</b>	–	–	–
Payable to immediate holding company	<b>58,925</b>	53,437	–	–

## 34. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 30 June 2018 were authorised for issue in accordance with a resolution of the Board of Directors dated 10 October 2018.

# Statistics of Shareholdings

AS AT 18 SEPTEMBER 2018

## SHARE CAPITAL AND VOTING RIGHTS

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

## SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	Direct Interest		Deemed Interest		Total %
	Number of Shares	%	Number of Shares	%	
SDIC Zhonglu Fruit Juice Co., Ltd.	560,598,425	53.11	–	–	53.11
State Development and Investment Corporation	–	–	560,598,425 <sup>1</sup>	53.11	53.11
Ho Kam Har	163,171,897	15.46	–	–	15.46
Go Twan Heng	120,750,399	11.44	–	–	11.44

**Note:**

- 1 State Development and Investment Corporation is deemed to be interested in 560,598,425 shares held by SDIC Zhonglu Fruit Juice Co., Ltd. by virtue of Section 6 of the Companies Act, Cap. 50.

## SHAREHOLDING HELD IN PUBLIC HANDS

Based on the information provided to the Company as at 18 September 2018, approximately 19.985% of the issued shares of the Company was held in the hands of the public as defined in the Listing Manual Section B: Rules of the Catalist of the Singapore Exchange Securities Trading Limited ("**Catalist Rules**"). Accordingly, Rule 723 of the Catalist Rule has been complied with.

# Statistics of Shareholdings

AS AT 18 SEPTEMBER 2018

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	0.00	0	0.00
100 – 1,000	34	3.73	30,769	0.00
1,001 – 10,000	427	46.87	2,338,460	0.22
10,001 – 1,000,000	429	47.09	42,605,550	4.04
1,000,001 AND ABOVE	21	2.31	1,010,484,422	95.74
<b>TOTAL</b>	<b>911</b>	<b>100.00</b>	<b>1,055,459,201</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SDIC ZHONGLU FRUIT JUICE CO., LTD	560,598,425	53.11
2	HO KAM HAR	163,171,897	15.46
3	GO TWAN HENG	120,750,399	11.44
4	GO WEI HO	34,212,000	3.24
5	SHANXI BODING INDUSTRY & TRADE CO., LTD	29,000,000	2.75
6	XI'AN KINGFAR ENTERPRISE LTD	28,672,401	2.72
7	LIM CHEE SAN OR TAN TEE GIAM	16,650,000	1.58
8	CHINA ORIGIN INVESTMENT LTD	13,900,000	1.32
9	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	10,710,000	1.01
10	LUM WENG YU	7,113,000	0.67
11	LAKESIDE EMPLOYEE HOLDINGS LIMITED	4,500,000	0.43
12	SOH CHUNG HIAN	4,030,000	0.38
13	PHUA GIM CHUAN	3,000,000	0.28
14	LOW WENG KEONG	2,800,000	0.27
15	GOH GEOK KHIM	2,400,000	0.23
16	NG HENG SAN	2,200,000	0.21
17	LIM HOO PING @ HO PENG	1,755,000	0.17
18	TAN LYE SENG	1,662,900	0.16
19	DBS NOMINEES (PRIVATE) LIMITED	1,248,400	0.12
20	LIM LAY CHIN	1,085,000	0.10
<b>TOTAL</b>		<b>1,009,459,422</b>	<b>95.65</b>

# 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 Thursday, 25 October 2018 at 10.00 a.m. to transact the following business:

## ORDINARY BUSINESS

1. To receive, consider and adopt the Directors’ Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2018 together with the Independent Auditors’ Report thereon. **(Resolution 1)**
2. To approve the proposed Directors’ fees of S\$74,162 for the financial year ended 30 June 2018. (2017: S\$92,194) **(Resolution 2)**
3. To re-elect the following Directors of the Company who retired by rotation in accordance with Article 107 of the Company’s Constitution and who being eligible, offer themselves for re-election:  
  
 Mr Tham Mun Chee *[See Explanatory Note (a)]* **(Resolution 3)**  
 Ms Liu Xiu Wen *[See Explanatory Note (b)]* **(Resolution 4)**
4. To re-appoint Messrs RT LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

## SPECIAL BUSINESS

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

### 6. AUTHORITY TO ALLOT AND ISSUE SHARES

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

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

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

- (B) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this resolution was in force,

provided that:

- (1) the aggregate number of the Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to the shareholders of the Company (including the Shares to be issued

# Notice of Annual General Meeting

in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with paragraph (2) below);

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

*[See Explanatory Note (c)]*

**(Resolution 6)**

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

"That:–

- (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 2018, 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 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 (d)]*

**(Resolution 7)**

By Order of the Board

Ong Bee Choo  
Company Secretary

10 October 2018  
Singapore

# Notice of Annual General Meeting

## Explanatory Notes:

- (a) Key information on Mr Tham Mun Chee, who is seeking re-election as a Director of the Company, is found on page 4 of the Annual Report. Mr Tham Mun Chee will remain as Lead Independent Director and Chairman of the Audit Committee and Remuneration Committee, member of the Nominating Committee upon re-election as a Director of the Company. The Board considers Mr Tham Mun Chee to be independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Mr Tham Mun Chee and the other Directors, or the Company, or its 10% shareholders.
- (b) Key information on Ms Liu Xiuwen, who is seeking re-election as a Director of the Company, is found on page 4 of the Annual Report. Ms Liu Xiuwen will remain as Independent Director and Chairperson of the Nominating Committee, as well as members of the Audit Committee and Remuneration Committee upon re-election as a Director of the Company. The Board considers Ms Liu Xiuwen to be independent for the purposes of Rule 704(7) of the Catalist Rules. There are no relationships (including immediate family relationships) between Ms Liu Xiuwen and the other Directors, or the Company, or its 10% shareholders.
- (c) The proposed ordinary resolution 6, if passed, will empower the Directors of the Company from the date of the above annual general meeting until the date of the next annual general meeting, to allot and issue Shares and/or Instruments. The aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted) which the Directors may allot and issue under this Resolution, shall not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings). For issues of Shares and convertible securities other than on a pro-rata basis to all shareholders, the aggregate number of Shares and convertible securities to be issued shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings). The authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is earlier. However, notwithstanding the cessation of this authority, the Directors are empowered to issue Shares pursuant to any convertible securities issued under this authority.
- (d) The proposed ordinary resolution 7, if passed, will empower the Directors of the Company to do all acts necessary to give effect to the IPT Mandate as described in the Addendum accompanying the Annual Report 2018. The authority shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the date that the next Annual General Meeting of the Company is held or required by law to be held.

## Notes:

- (1) A member of the Company (other than a **"Relevant Intermediary"**) entitled to attend, speak and vote at the Annual General Meeting of the Company is entitled to appoint not more than two proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the Company. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
- (2) A Relevant Intermediary may appoint more than two proxies provided that each proxy must be appointed to exercise the rights attached to different shares held by him (which number and class of shares shall be specified). Where such member's proxy form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

**"Relevant intermediary"** has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

- (3) A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.
- (4) The instrument appointing a proxy must be duly deposited at the registered office of the Company at 25 International Business Park, #02-53 German Centre, Singapore 609916 at least forty-eight (48) hours before the time appointed for the holding of the Annual General Meeting.

## PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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 or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (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 or service providers), 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 or service providers) 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

## ADDENDUM DATED 10 OCTOBER 2018

**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 proposed renewal of the general mandate for interested person transactions to be tabled at the annual general meeting to be held at 8 Wilkie Road #03-08, Wilkie Edge, Singapore 228095 on 25 October 2018 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 Catalist. The Sponsor has not verified the contents of this Addendum.

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

The contact person for the Sponsor is Ms Keng Yeng Pheng, Associate Director, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income At Raffles, Singapore 049318 and E-mail: [sponsorship@ppcf.com.sg](mailto:sponsorship@ppcf.com.sg)).



## ADDENDUM IN RELATION TO

## THE PROPOSED RENEWAL OF GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS



# Addendum

## DEFINITIONS

In this Addendum, the following definitions apply throughout unless otherwise stated:

- “Addendum”* : This addendum to Shareholders dated 10 October 2018 in respect of the proposed renewal of the IPT Mandate
- “AGM”* : The annual general meeting of the Company to be held on 25 October 2018 at 8 Wilkie Road #03-08, Wilkie Edge, Singapore 228095 at 10.00 a.m
- “Associate”* : (a) in relation to any director, chief executive officer, substantial shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
  - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
  - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (b) in relation to a substantial shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Audit Committee”* : The audit committee of the Company comprising Tham Mun Chee, Quan Yuhong and Liu Xiuwen for the time being
- “Board” or “Director”* : The board of directors of the Company for the time being
- “Catalist Rules”* : The SGX-ST’s Listing Manual Section B: Rules of Catalist, as may be amended, varied or supplemented from time to time
- “CDP”* : The Central Depository (Pte) Limited
- “Company”* : Zhongxin Fruit and Juice Limited
- “Controlling Shareholder”* : A person who:
- (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in a company (unless SGX-ST determines that such a person is not a Controlling Shareholder of a company); or
  - (b) in fact exercises control over a company
- “EAR Group”* : The entity at risk group, comprising
- (a) the Company;
  - (b) a subsidiary of the Company that is not listed on the SGX-ST or an approved exchange; and
  - (c) an associated company of the Company that is not listed on the SGX-ST or an approved exchange, provided that the listed group, or the listed group and its interested person(s), has control over the associated company
- “Group”* : The Company and its subsidiaries

# Addendum

<i>"Interested Person"</i>	: A Director, chief executive officer, or Controlling Shareholder of the Company or an Associate of any such Director, chief executive officer, or Controlling Shareholder
<i>"Interested Person Transaction"</i>	: Has the meaning ascribed to it in Chapter 9 of the Catalist Rules
<i>"IPT Mandate"</i>	: The general mandate for the purposes of Chapter 9 of the Catalist Rules, for the Group to enter into the SDIC Interested Person Transactions
<i>"Latest Practicable Date"</i>	: 1 October 2018, the latest practicable date prior to the printing of the Addendum
<i>"SDIC Interested Persons"</i>	: SDIC Zhonglu and its Associates
<i>"SDIC Interested Person Transactions"</i>	: Transactions proposed to be entered into between the Group and SDIC Interested Persons under Appendix A of this Addendum
<i>"SDIC Zhonglu"</i>	: SDIC Zhonglu Fruit and Juice Co., Ltd.
<i>"SFA"</i>	: The Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
<i>"SGX-ST"</i>	: Singapore Exchange Securities Trading Limited
<i>"Shareholders"</i>	: Registered holders for the time being of Shares, except that where the registered holder is the CDP, the term "Shareholders" shall, in relation to such Shares and where the context admits, refer to the persons named as depositors in the Depository Register maintained by CDP whose securities accounts are credited with those Shares
<i>"Shares"</i>	: Ordinary shares in the capital of the Company
<i>"S\$" and "cents"</i>	: Singapore dollars and cents, respectively
<i>"US\$" and "cents"</i>	: United States dollars and cents, respectively
<i>"RMB" and "cents"</i>	: Renminbi and cents, respectively
<i>"%"</i>	: Per centum or percentage

The terms "depositor" and "Depository Register" shall have the meanings ascribed to them respectively by Section 81SF of the SFA.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

Any reference in this Addendum to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or Catalist Rules or any statutory modification thereof and not otherwise defined in this Addendum shall have the same meaning assigned to it under the Act or Catalist Rules or any statutory modification thereof, as the case may be.

Any reference to a time of day in this Addendum shall be a reference to Singapore time unless otherwise stated.

# Addendum

## 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)  
Tham Mun Chee (Lead Independent Director)  
Liu Xiuwen (Independent Director)

### Registered Office:

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

10 October 2018

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

Dear Sir/Madam,

## ADDENDUM RELATING TO THE PROPOSED RENEWAL OF GENERAL MANDATE FOR INTERESTED PERSON TRANSACTIONS

### 1. INTRODUCTION

The Directors wish to seek approval of Shareholders at the AGM to be held on 25 October 2018 at 8 Wilkie Road #03-08, Wilkie Edge, Singapore 228095 at 10.00 a.m. for the proposed renewal of IPT Mandate.

The purpose of this Addendum, to be circulated to Shareholders together with the annual report of the Company for the financial year ended 30 June 2018 (the “**Annual Report**”) is to provide Shareholders with relevant information pertaining to the aforesaid proposal to be tabled as a special matter at the AGM and to seek Shareholders’ approval for the resolution relating to the same. The notice of the AGM (“**Notice of AGM**”) is set out on pages 74 to 76 of the Annual Report.

### 2. THE 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 the adoption of the 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 Interested Persons (SDIC Zhonglu together with its associates), 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 to Shareholders dated 6 September 2012 (“Circular 2012”).

# Addendum

The Directors propose to seek the approval of Shareholders for the IPT Mandate to be renewed at the 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 AGM and continue in force until the conclusion of the next annual general meeting of the Company.

The scope of the Renewed IPT Mandate, the details of such SDIC Interested Person Transactions, the SDIC Interested Persons, the approval and review procedures for the SDIC Interested Person Transactions and the general administrative procedure for SDIC Interested Person Transactions remain unchanged from the IPT Mandate set out in the Circular 2012 and are set out in Appendix A of this Addendum.

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

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

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

As apple and other fruits are perishable and the production are seasonal in nature, 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 (other than Ms. Quan Yuhong) of the Company is of the view that the appointment of SDIC Interested Person(s) as a non-exclusive distributor(s) in the PRC 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, 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.

# Addendum

Disclosure will also be made in the annual report of the Company on 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 Catalyst Rules.

## 3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

	Number of Shares			% of total Issued Share
	Direct Interest	Deemed Interest	Total Interest	
<b><u>Directors</u></b>				
Zhang Jiming	–	–	–	–
Quan Yuhong	–	–	–	–
Tham Mun Chee	–	–	–	–
Liu Xiuwen	–	–	–	–
<b><u>Substantial Shareholders (other than Directors)</u></b>				
SDIC Zhonglu Fruit Juice Co., Ltd.	560,598,425	–	560,598,425	53.11
State Development and Investment Corporation <sup>(1)</sup>	–	560,598,425	560,598,425	53.11
Ho Kam Har	163,171,897	–	163,171,897	15.46
Go Twan Heng	120,750,399	–	120,750,399	11.44

Note:

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

## 4. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of the Company (other than Ms. Quan Yuhong) has reviewed the terms of the Renewed IPT Mandate and is satisfied that the review procedures proposed by the Company as set out in Appendix A to this Addendum are sufficient to ensure that the SDIC Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Audit Committee of the Company (other than Ms. Quan Yuhong) confirms that the methods or procedures for determining the transaction prices have not changed from the Circular 2012.

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 7 relating to the proposed renewal of IPT Mandate as set out in the Notice of AGM.

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

# Addendum

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 25 October 2018 at 10.00 a.m. for the purpose of considering and if, thought fit, passing, with or without modification, the resolution relating to the proposed renewal of the IPT Mandate at the AGM.

## 7. DIRECTORS' RESPONSIBILITY STATEMENT

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

## 8. ABSTENTION FROM VOTING

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

## 9. DOCUMENT AVAILABLE FOR INSPECTION

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

Yours faithfully,

For and on behalf of Zhongxin Fruit and Juice Limited

Tham Mun Chee  
Lead Independent Director

# Addendum

## APPENDIX A

### Scope of IPT Mandate

The IPT Mandate will cover the following transactions:

- (a) the recurring entrusted loans 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 the entrusted loans; 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 18 September 2018, 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 Entrusted Loans Made on behalf of the SDIC Interested Persons to the EAR Group

It is proposed that SDIC Zhonglu or any SDIC Interested Person shall procure a licenced bank in the PRC to grant loans to any member of the EAR Group (the "**Borrower**"). Such loans are likely to be (i) secured by collateral provided by a SDIC Interested Person or (ii) guaranteed by a SDIC Interested Person. Interest paid by the Borrower to the relevant bank under such a loan will be paid by the relevant bank to the relevant SDIC Interested Person. Effectively, the Borrower will be paying interest to the relevant SDIC Interested Person. Under the laws of the PRC, a corporation is not permitted to directly grant loans to other corporations. An entrusted loan arrangement will allow the SDIC Interested Persons to indirectly grant loans to the EAR Group, in compliance with the laws of the PRC.

The proposed entrusted loans will be made through a licensed bank in the PRC and such loans 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 entrusted loans) 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) each loan shall be repayable within a period to be agreed between the Borrower, the SDIC Interested Person making the loan and the intermediary bank;
- (c) the SDIC Interested Person making the loan may require the loan 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 bank may also require additional collateral from the EAR Group. The exact terms for such arrangement will be agreed between the Borrower, the SDIC Interested Person making the loan and the intermediary bank; and

# Addendum

- (d) if the EAR Group is unable to make full or part repayment of the loan by the due date, SDIC Zhonglu may request that payment of any outstanding sums be settled by way of the Company's issuance of new Shares to SDIC Zhonglu 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 Catalyst 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 Persons 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 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;
- (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 the juice concentrate to SDIC Interested Persons; and
- (d) the sum received by the EAR Group for the sale of the juice concentrate to SDIC Interested Persons may be used towards the payment of the loans 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 average price (nett of any commission) of recent sales with similar quality and batch size by SDIC Interested Persons to their customers.

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 the review by the Audit Committee.

## **Approval and Review Procedures for the SDIC Interested Person Transactions**

### Review Procedures

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

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

### Approval Limits for Entrusted Loans

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

The Chief Executive Officer and the Chief Financial Officer of the Company are authorised jointly to review and approve any entrusted loans between the EAR Group and the SDIC Interested Persons if the aggregate amount of the outstanding entrusted loans between the EAR Group and the SDIC Interested Persons does not exceed RMB50,000,000. Only the principal amount of the entrusted loans 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.



# Addendum

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 yearly 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 concurrence 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.

On top of 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 or related to any SDIC Interested Person in any transaction, 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.

## **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 a biannual 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)

## ANNUAL GENERAL MEETING PROXY FORM

### IMPORTANT

1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Cap.50 of Singapore may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in the capital of Zhongxin Fruit and Juice Limited, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective agent Banks/SRS Operators if they any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 October 2018.

I/We, \_\_\_\_\_ (name) \_\_\_\_\_ (NRIC/Passport No.)

of \_\_\_\_\_ (address)

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

Name	NRIC/Passport No.	Proportion of Shareholding(s)	
		No. of Shares	%
Address			

\*and/or

Name	NRIC/Passport No.	Proportion of Shareholding(s)	
		No. of Shares	%
Address			

as \*my/our \*proxy/proxies to attend, speak and vote for \*me/us on \*my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be held at 8 Wilkie Road, #03-08 Wilkie Edge, Singapore 228095 on Thursday, 25 October 2018 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 indicated hereunder. If no specific direction as to voting is given, the \*proxy/proxies will vote or abstain from voting at \*his/their discretion, as \*he/they will on any other matter arising at the AGM and at any adjournment thereof. If no person is named in the above boxes, the Chairman of the AGM shall be \*my/our proxy to vote, for or against the Resolutions to be proposed at the AGM as indicated hereunder, for \*me/us and on \*my/our behalf at the AGM and at any adjournment thereof.

No.	Resolutions	**For	**Against
<b>ORDINARY BUSINESS</b>			
1.	Adoption of Audited Financial Statements of the Company for the financial year ended 30 June 2018 and the Directors' Statement and the Auditors' Report thereon.		
2.	Approval for payment of proposed Directors' fees of S\$74,162 for the financial year ended 30 June 2018.		
3.	Re-election of Mr Tham Mun Chee as Director of the Company.		
4.	Re-election of Ms Liu Xiuwen as Director of the Company.		
5.	Re-appointment of Messrs RT LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
<b>SPECIAL BUSINESS</b>			
6.	Authority to allot and issue shares.		
7.	Approval for the proposed renewal of the General Mandate for Interested Person Transactions.		

\* Delete accordingly

\*\* Voting will be conducted by poll. Indicate your vote "For" or "Against" with a (✓) within the box provided. Alternatively, please indicate the number of votes "For" or "Against" next to each resolution.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2018

**Total Number of Shares Held**

Signature(s) of Member(s)/Common Seal

**IMPORTANT: Please read notes overleaf**

**Notes:**

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy, failing which the appointments will be deemed to have been made in the alternative.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

**"Relevant intermediary"** has the meaning ascribed to it in Section 181(6) of the Companies Act, Chapter 50 of Singapore.

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be signed by the appointor or his duly authorised attorney or if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
4. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

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

*Fold along this line*

5. The instrument appointing a proxy or proxies (together with the power of attorney or other authority, if any, under which it is signed or a notorially 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 forty-eight (48) hours before the time appointed for the AGM.
6. Completion and return of an instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy or proxies, to the AGM.
7. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register as well as shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
8. The Company shall be entitled to reject an instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument appointing a proxy or proxies which has been lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register at least 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.







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