



Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Zhongxin Fruit and Juice Limited

Stock code: 5EG

Meeting details:

Date: 29 October 2021

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

Q1. As disclosed in the business overview (page 9), the group experienced a slowdown in market demand for its fruit juice concentrate products in FY2021. The group further stated that its near-term performance is dependent on factors including the speed of recovery of the global economies and consumer spending as well as the outcome of the US and China trade disputes.

Management has stated that it will expand the product offerings to cater to the evolving consumer tastes and needs, and also support the end customers' initiatives to develop and broaden geographical market reach and product distribution channels.

Revenue for the financial year ended 30 June 2021 decreased to RMB130.8 million and the group recorded a loss of RMB(3.9) million after recognising a RMB(4.2) million impairment of property, plant and equipment.

- (i) **Can management help shareholders understand how much R&D is carried out by the group? How does the group carry out product innovation? What are the avenues for the group to understand the “evolving consumer tastes and needs”?**
- (ii) **Can the board elaborate further on the group's performance obligation? How much influence does the group have on the development and broadening of new geographical markets? Is management tasked to help the end customers expand their geographical reach?**
- (iii) **Separately, for the new fresh garlic processing venture by Xuzhou Zhongxin, can management (re)state the business model and elaborate further on Xuzhou Zhongxin's competitive advantage in this new business?** Revenue from processed garlic amounted to RMB8.9 million (page 65). On page 9, it was stated that the export demand for processed garlic has been lower than expected and that the new venture has not met management's expectations. After deliberating on the market situation, management has taken the decision to suspend the garlic processing activities since the end of FY2021 and will continuously monitor the situation. The group will consider resuming garlic processing activity in the next garlic harvesting season if market conditions improve. **What is the amount of capital invested in the new business? Would the board be reviewing its board approval process for any major capital expenditure?**
- (iv) **Can the board help shareholders understand the reasons for the 20% increase in staff costs to RMB8.1 million (page 66 – Note 6: Staff costs) when revenue decreased by 25% in FY2021?**

Q2. The “impairment assessment on property, plant and equipment (PPE)” is a key audit matter (KAM) highlighted by the independent auditor in their report on the audit of the financial statements. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

As shown in the KAM (page 38), as of 30 June 2021, the group’s PPE were carried at net book value of RMB 48.98 million. For PPE with indicators of impairment, management performed an impairment review to assess the recoverable amounts of those PPE based on the higher of value-in-use (“VIU”) and fair value less costs of disposal (“FVL COD”).

(i) What were the indicators of impairment used by management?

In particular, the carrying amount of plant & machinery as at 30 June 2020 of RMB19.19 million was written down by RMB(4.2) million during the financial year. As at 30 June 2021, the carrying value of plant and machinery stood at RMB14.06 million.

Xuzhou Zhongxin Fruit and Juice Company Limited has had idle production machineries upon the cessation of concentrated apple juice production since FY2015 while some of Yuncheng Zhongxin Fruit and Juice Company Limited’s plant and machineries have malfunctioned (page 64).

(ii) What are the current production capacities and utilisation rates across the group and its subsidiaries for FY2021 as well as prior to the pandemic?

(iii) Can the audit committee (AC) provide shareholders with greater clarity on the state of idle plant and machineries? Why has the group retained the idle production machineries for the past 6 years?

(iv) Would the AC lead a review to look at how the group could realise the recoverable value of the idle machineries in an orderly manner in the next 6-12 months?

Q3. On 15 October 2021, the company announced that it has received a settlement payment of RMB27.5 million in relation to the disposal of a subsidiary by the group in 2006. The final settlement amount of RMB27.5 million (~S\$5.8 million) includes interest and default interest and was received in full on 13 October 2021.

This marks the close of the chapter after 15 years.

- (i) **Will the board declare a capital reduction totaling RMB27.5 million to reward shareholders?** Based on the corporate announcement page at SGX.com, the company has not declared a dividend. The company (formerly known as New Lakeside Holdings Limited) was first listed on the SGX Sesdaq (now known as the SGX Catalist) in 2004. Based on the current exchange rate, the company would be able to support a capital reduction of \$0.00549 per share.

^On 1 October 2020, the Accounting and Corporate Regulatory Authority (“ACRA”), the Monetary Authority of Singapore (“MAS”) and Singapore Exchange Regulation (“SGX RegCo”) published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings (“Meetings Order”) would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](https://www.sias.org.sg)

Join our mailing list [here](#) to receive latest news and upcoming events.

[^] Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation
(<https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation>)



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