



Company Registration No.: 200208395H



20 Sustainability 22 Report

TABLE OF CONTENTS

03 BOARD STATEMENT

04 - 06 ABOUT THE ZHONGXIN GROUP

07 - 08 ABOUT THIS REPORT

09 - 12 OPERATION AND FINANCIAL OVERVIEW

13 - 14 OUR PEOPLE

15 - 16 GOVERNANCE STRUCTURE

17 STAKEHOLDER ENGAGEMENT

18 - 19 MATERIALITY ASSESSMENT

20 - 22 EFFLUENTS MANAGEMENT

23 TRAINING AND EDUCATION FOR
EMPLOYEE

24 - 25 QUALITY AND SAFETY ON
CONCENTRATED JUICE

26 FOCUS AND TARGETS

27 - 28 GRI CONTENT INDEX

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

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

The contact person for the Sponsor is Mr Lance Tan, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957 and contact number: (+65) 6590 6881.



BOARD STATEMENT



The Board of Directors (the “Board”) is pleased to present the fifth Sustainability Report (the “Report”) of Zhongxin Fruit and Juice Limited (the “Company”) together with its subsidiaries (the “Zhongxin Group”) for the financial year ended 30 June 2022.

The past year has not been easy for many industries, including Zhongxin Group. For the financial year ended 30 June 2022, the business climate remained challenging as the Covid-19 pandemic continued to wreak havoc in global economics since the beginning of 2020.

This past year, we continued to tackle the challenging environment posed by the COVID-19 pandemic and inflationary pressures representing an existential threat to the longevity and well-being of the world.

We maintain our attention on capturing greater opportunities and implementing long-term sustainability strategies to build resilience and thrive in an evolving market. We also adapted fast and emerged stronger and better in the wake of the pandemic.

While combating the tough climate, we stay dedicated in managing the key material economic, environmental, social and governance (“EESG”) aspects of our business and operations. Throughout the financial year, Zhongxin Group’s insights and skills are assessed to remain as follow:

- sustainability issues and analysis;
- sustainability and business activities in problem solving;
- acquire basic knowledge and tools for compiling sustainability practices; and
- develop analytical approach for business decision making related to sustainable development.

We will continually review our portfolio and challenge ourselves to be the best long-term strategic partner by focusing on the potential of our businesses and aiming to secure sustainable growth. This approach guides our capital allocation strategy as well as our input and contribution to portfolio businesses at both the board and management levels.

Embedding EESG in our management systems is a key part of our overall strategy. We take active steps to measure our level of readiness, initiate conversations with our stakeholders, and chart our progress towards our sustainability goals.

Following these reviews, we sought to align the material topics with the overall sustainability strategy by incorporating its core EESG metrics into our material topics. We wrapped up the materiality assessment with a gap analysis against last year’s sustainability report.

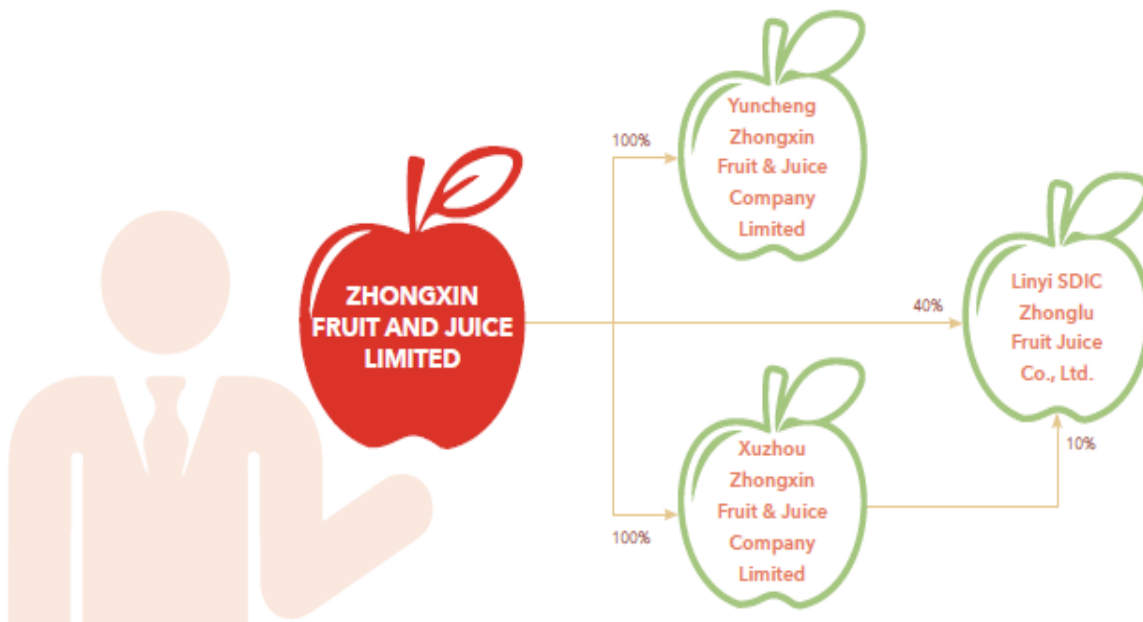
In this fiscal year 2022 sustainability report, we’re excited to share these stories and progress with you. We look forward to your continued support as we continue to create value for our stakeholders as we drive our business in a responsible and sustainable manner.

Liu Yu
Chairman and Executive Director

ABOUT THE ZHONGXIN GROUP



Zhongxin Fruit and Juice Limited (the “Company”) and together with its subsidiaries (collectively known as the “Zhongxin Group”) is a subsidiary of the world's leading producer of fruit and vegetable juice concentrates and beverages, SDIC Zhonglu Fruit Juice Co., Ltd. (“SDICZL”). The Zhongxin 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 SDICZL. The concentrated apple juice produced is used as an ingredient in packet juice drinks, soft drinks, cider, yoghurt and candies.



Zhongxin Group consists of two wholly-owned subsidiaries, which are Yuncheng Zhongxin Fruit & Juice Company Limited (“Yuncheng Zhongxin”) and Xuzhou Zhongxin Fruit & Juice Company Limited (“Xuzhou Zhongxin”) and a 50% owned joint venture company, known as Linyi SDIC Zhonglu Fruit Juice Co., Ltd (“Linyi SDICZL”).

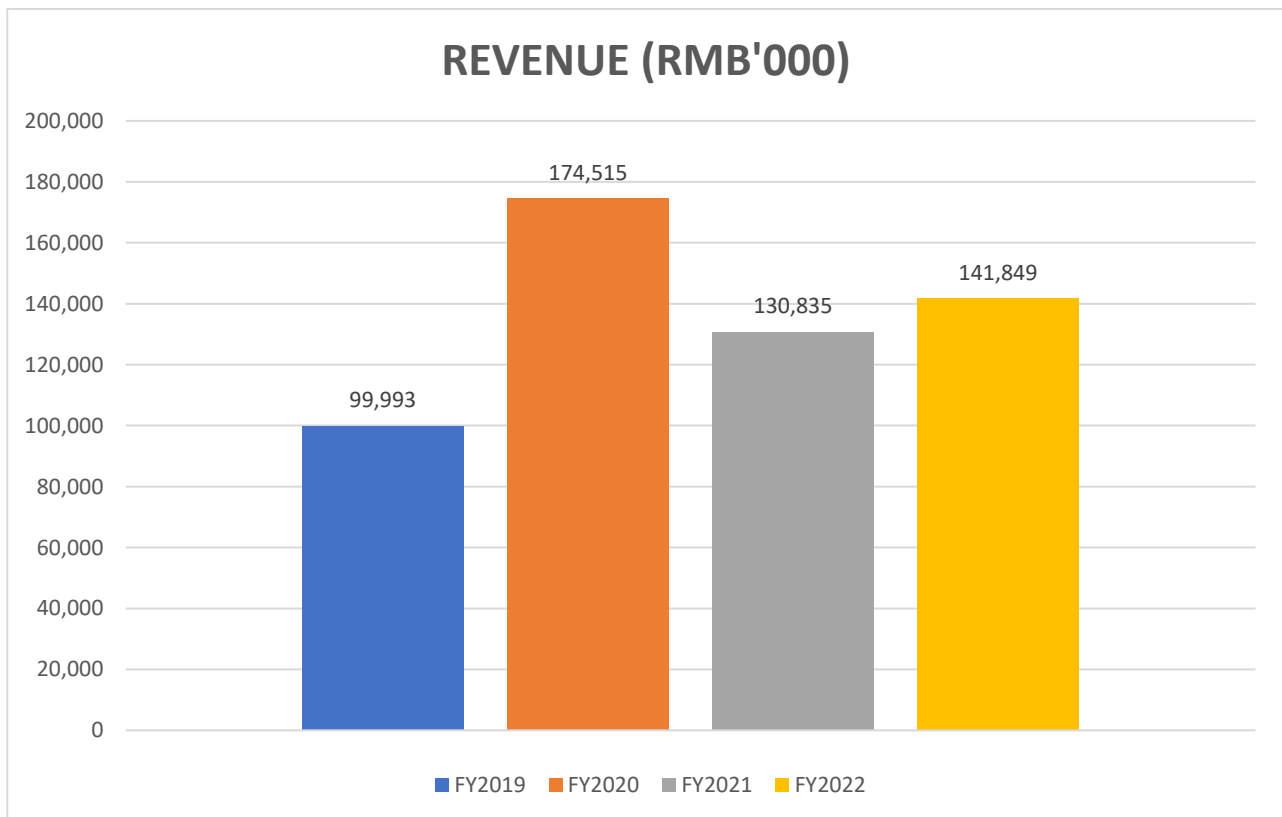
The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) with a registered office in Singapore and its main operations are located in the People’s Republic of China (“PRC”).

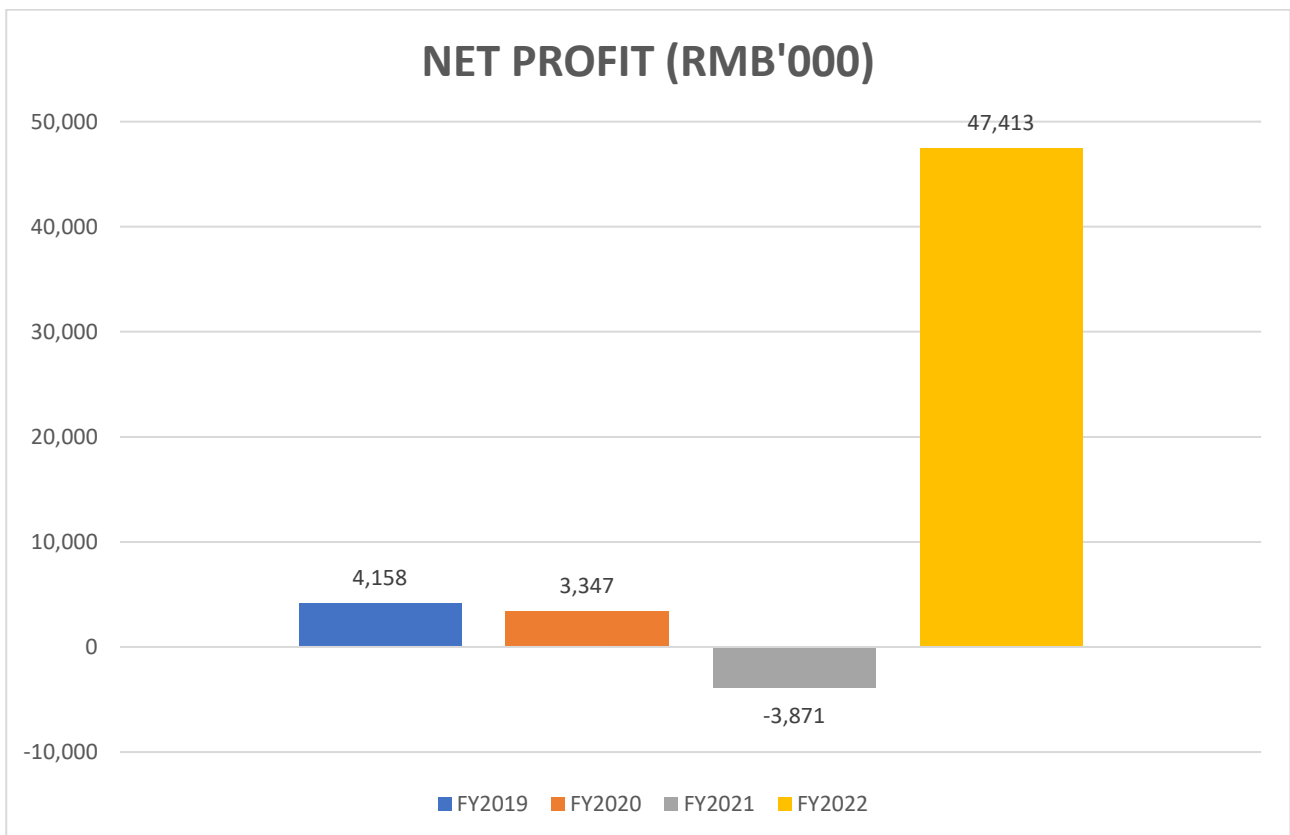
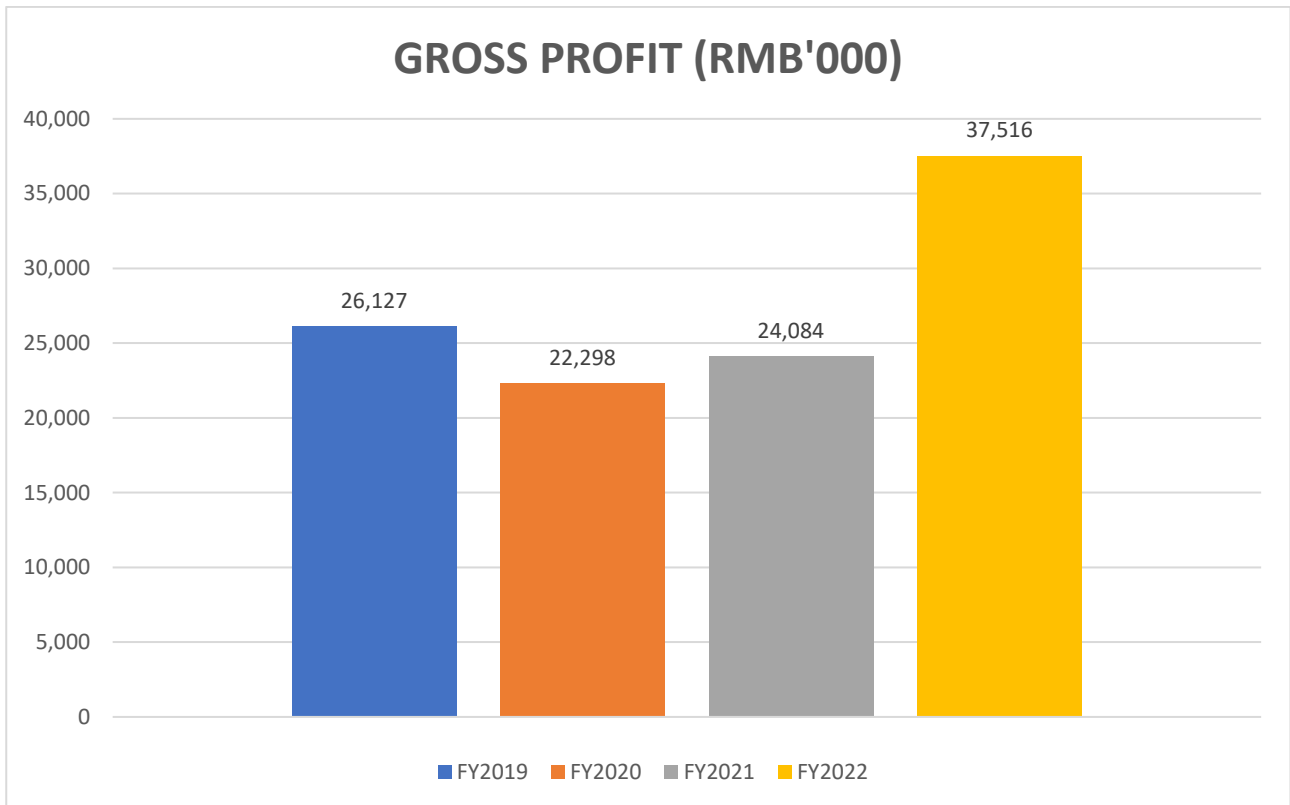
The new wave of COVID-19 outbreak in People’s Republic of China (“PRC”) since first quarter of calendar year 2022 had caused city-wide lockdown in major cities of the country. The lockdown did not materially affect the procurement and production operations of the fruit juice concentrate business of the Group in FY2022 as these activities had been undertaken during the first half of the financial year (i.e. second half of calendar year 2021) prior to the implementation of various strict outbreak prevention measures by the Chinese government.

Despite the challenging operating environment and inconsistent global market demand for fruit juices at the outset of the COVID-19 pandemic, Yuncheng Zhongxin carried on the production of fruit juice concentrate business in the financial year. This is to ensure that it has sufficient inventories on hand to capture sales opportunities and to cater to market demand as and when necessary when the fruit juice market rebounded and stabilised.

Xuzhou Zhongxin has continued the suspension of its fruit juice production due to operational constraint. Xuzhou Zhongxin has also suspended its garlic processing activities since the end of financial year ended 30 June 2021 due to the low demand for garlic in the main importing countries mainly attributable to rising shipping costs and trade and shipping disruptions. After considering the costs and benefits, including the anticipated volume of business, manpower and other resources that need to be put in place to resume the production, the Management decided that it may not be commercially viable for Xuzhou Zhongxin to resume its fruit juice production and garlic processing activities and has taken the decision to continue the suspension of Xuzhou Zhongxin’s fruit juice concentrate production and garlic processing.

Financial Highlights





Please refer to the Group's annual report ("Annual Report") for the financial year ended 30 June 2022 ("FY2022") and operation and financial overview section between page 9 to 12 for detailed analysis and commentary of financial performance.

ABOUT THIS REPORT

The sustainability report express our commitment to sustainability and transparency. This is our fifth sustainability report. To reflect the interests of our key stakeholders realistically, this report is designed to provide a true and fair view of the company. Towards sustainability, Zhongxin Group aims to include general and available information on the strategy in this report.

REPORTING BOUNDARY

This report covers the sustainability performance of Zhongxin Fruit and Juice Limited (the “Company”) for FY2022 which has been prepared in accordance with the Global Reporting Initiative (the “GRI”) Standards: Core option as it is an internationally recognised reporting framework.

The scope of this report will focus on the sustainability performance, activities and initiatives, as part of our efforts to align our sustainability reporting with relevant market standards.



REPORTING PERIOD AND SCOPE

The report contains a full year’s data from 1 July 2021 to 30 June 2022 (“FY2022”). It focuses on the business owned by Zhongxin Group, including the subsidiaries. A sustainability report will be published annually in accordance with our Sustainability Report policy.

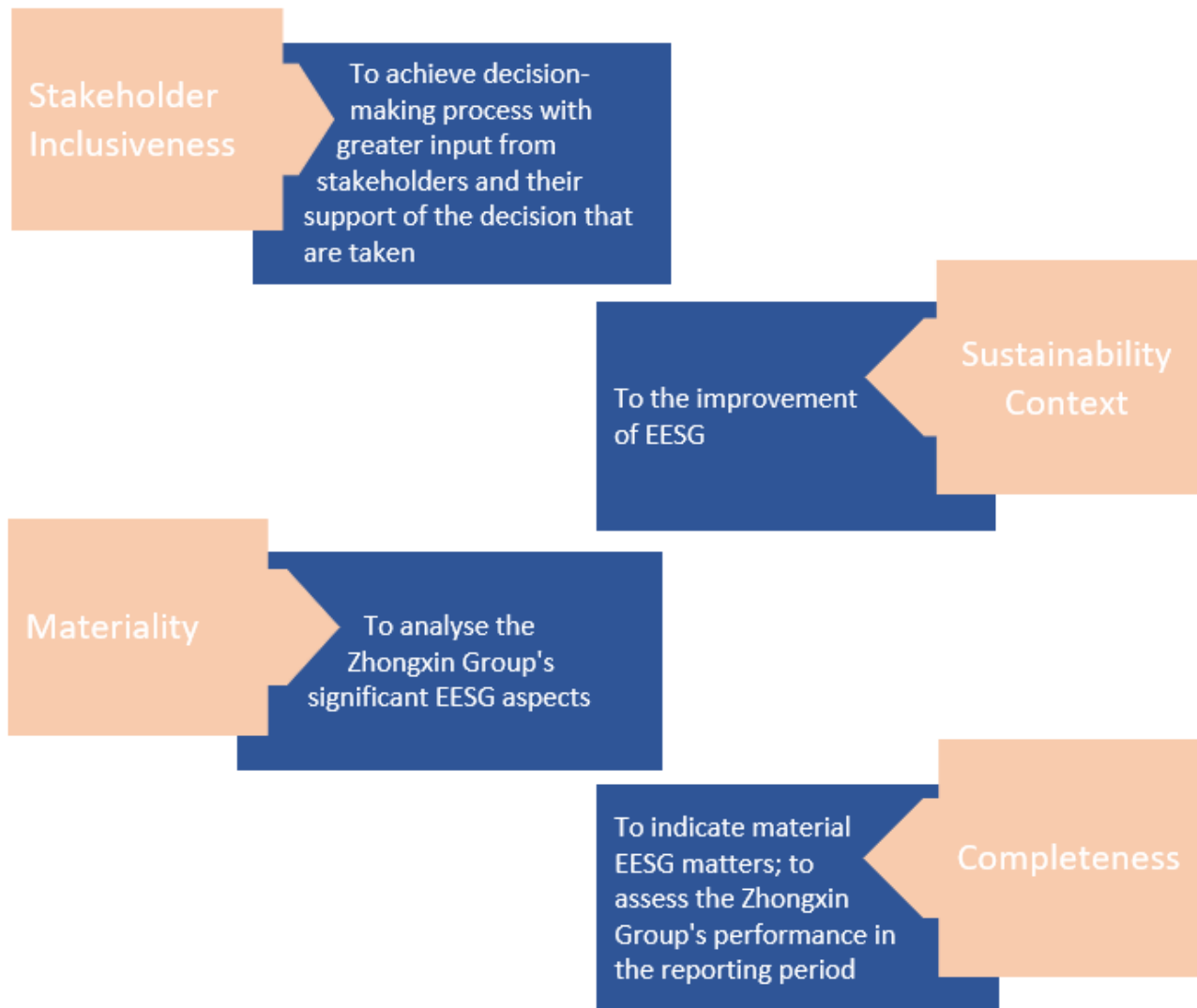
INDEPENDENT ASSURANCE

We have not obtained any independent assurance of the information being reported but are in the process of integrating sustainability processes and report information into our processes. True and fair view of data and information disclosed is relied on internal verification. The Group’s Sustainability Reporting Committee (“SRC”) comprised of two committees, namely the Steering Committee and Working Committee who are responsible for the transparency and accountability of our ESG performance. We continue to adopt a phased approach to our reporting and will consider seeking external assurance as our sustainability reporting matures over time if necessary.

REPORTING FRAMEWORK

We continue our sustainability journey and reporting in accordance with the GRI standards “Core Option”. The internationally recognised GRI Standards were selected as a widely adopted reporting framework that supplies guidance suited for our business model. We also looked into addressing gaps in our sustainability performance by benchmarking our sustainability processes against industry leaders, to further improve our processes and performance through best practice sharing and knowledge transfer.

The content of this sustainability report is determined by the following Content Reporting Principles established by GRI Standards:-



CONTACT FOR MATTERS PERTAINING TO ZHONGXIN GROUP SR 2022

We value and appreciate all feedback to help make our future reports more relevant to our stakeholders. Please direct any questions pertaining to our sustainability initiatives or reporting, or comments and feedback to:

Email: AC@zhongxinfr.com

Phone number: (+65) 6557 2308

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

OPERATION AND FINANCIAL OVERVIEW

Market Overview

Apple Concentrate Market 2022 Research Report contains in-depth information on key drivers, opportunities, challenges, industry trends, and market impact. It also provides data on pricing; branding strategies, and target customers for the industry. It presents a futuristic growth outlook of the Apple Concentrate Market in a pre-and post-COVID-19 scenario.

The global apple juice concentrate market is expected to grow at a Compound Annual Growth Rate (“CAGR”) of 5.5% during the forecast period, 2018-2030. The market growth can be attributed to the increasing demand for healthy and nutritious food products across the globe. In addition, rising awareness about the benefits of apple juice concentrate is also propelling the demand for this product. This segment is projected to grow at a CAGR of 5.8% during the forecast period owing to its high nutritional value and fresh taste.

Apple juice concentrate is a type of apple juice that has been reduced in volume by removing water. It is used to make other types of apple juice, as well as other beverages and food products. Apple juice concentrate is important because it allows for the production of many different types of apple-based products while using a relatively small amount of apples.

Geographically, the global apple juice concentrate market has been segmented into North America, Europe, Asia-Pacific, and the rest of the world. Asia Pacific is expected to dominate the global apple concentrate market in the year 2022.

Seasonal Operations

The fruit juice industry is cyclical in nature as raw materials such as apples are in season during the second half of the calendar year (i.e. the first half of the Zhongxin Group’s financial year). To ensure the freshness of the ingredients, generally, the Zhongxin Group procures the raw materials and produces the fruit juice during the first half of the financial year for its full year’s supply.

The sales of the Zhongxin Group are not affected significantly by seasonal or cyclical factors during the financial period.

The variance analysis on the items in the **statement of comprehensive income** during the FY2022 are as follow:

No.	Area	Variance Analysis
1.	Revenue	<ul style="list-style-type: none"> - The average selling price of concentrated fruit juices remained relatively constant in FY2021 and FY2022. The Group recorded higher sales volume in FY2022 due to higher customer demand for concentrated fruit juices. Due to the above reasons, revenue improved by approximately RMB11.0 million or 8%. - Yuncheng Zhongxin increased its fructose and fruit essence production in FY2022 in view of the availability of satisfactory raw materials’ supply. The sales of fructose and fruit essence constituted less than 10% of the Group’s sales in FY2022.
2.	Gross profit	<ul style="list-style-type: none"> - Gross profit margin improved from 18% in FY2021 to 26% in FY2022 mainly due to the lower average procurement cost of raw materials and higher operating efficiency resulted from the implementation of cost control measures. This resulted in the gross profit to improve by approximately 56% or RMB13.4 million.

No.	Area	Variance Analysis
3.	Other income	<ul style="list-style-type: none"> - The increase in other income was mainly due to the settlement payment of RMB27.5 million received from the ultimate beneficial controlling shareholder of Sanmenxia Tianyu Investment Co., Ltd in relation to the matters as disclosed in the announcement issued by the Company on 15 October 2021.
4.	Expenses	<ul style="list-style-type: none"> - The increase in distribution expenses was mainly due to higher transportation costs incurred in FY2022 following the increase in the volume of sales in the financial year as well as due to the increased freight charges. - The decrease in administrative expenses was mainly due to the following: <ul style="list-style-type: none"> (a) Absence of RMB4.2 million impairment of property, plant and equipment recognised by Yuncheng Zhongxin and Xuzhou Zhongxin in FY2021 relating to idle plant and machineries. There was no such impairment in FY2022; and (b) Lower repair and maintenance costs by approximately RMB0.2 million as the major enhancement and upkeep activities had been carried out in the previous financial year. - The decrease in finance costs was mainly due to: <ul style="list-style-type: none"> (a) Lower interest paid by Xuzhou Zhongxin with respect to the lower level of average loans and advances throughout the financial year made by the Group's immediate holding company, SDICZL in FY2022 to Xuzhou Zhongxin to finance its working capital requirements; and (b) Absence of RMB0.7 million foreign exchange loss recognised in FY2021. The Group recorded foreign exchange gain of approximately RMB26,000 in FY2022.
5.	Share of profit from equity-accounted joint venture	<ul style="list-style-type: none"> - In FY2022, the Group shared the profit from its equity-accounted joint venture, Linyi SDIC Zhonglu Fruit Juice Co., Ltd ("Linyi SDIC") of approximately RMB3.4 million as compared to approximately RMB0.2 million in FY2021. Linyi SDIC's financial performance improved in FY2022 as compared to FY2021 mainly due to an improvement in gross profit and gross profit margin attributed to a decrease in average procurement costs.
6.	Income Tax Expense	<ul style="list-style-type: none"> - Income tax expense in FY2022 was related to the income tax on non-operating income that was not exempted from tax.
7.	Profit for the financial year	<ul style="list-style-type: none"> - Due to the reasons explained above, the Group recorded profit after taxation of RMB47.4 million in FY2022 as compared to loss after taxation of RMB3.9 million in FY2021.

The variance analysis on the items in the **statement of financial position** as at 30 June 2022 are as follow:

NON-CURRENT ASSETS

No.	Area	Variance Analysis
1.	Investment in Joint Venture	- Investment in joint venture increased by approximately RMB3.4 million due to a higher carrying amount of the investment in Linyi SDIC following the share of profit in FY2022.
2.	Property, plant and equipment (“PPE”)	- PPE decreased by approximately RMB3.5 million mainly due to depreciation charges of RMB4.7 million offset by addition of PPE of RMB1.2 million. - Included in the depreciation charges in FY2022 was an amount of RMB3.7 million (FY2021: RMB4.0 million) that was absorbed into inventories costing while the remaining amount of RMB 1.0 million (FY2021: RMB1.0 million) was charged to distribution and administrative expenses.

CURRENT ASSETS

No.	Area	Variance Analysis
3.	Cash and cash equivalents	- Cash and cash equivalents decreased by approximately RMB1.3 million as explained under the statement of cash flows below.
4.	Other receivables	- Other receivables decreased by approximately RMB4.1 million mainly attributable to: (a) decrease in value-added tax receivable of RMB3.2 million; and (b) allowance for doubtful debts of RMB795,000 provided for the outstanding amount receivable from the relevant authority of Fengxian county.
5.	Receivable from a related party	- Receivable from a related party as at 30 June 2022 of approximately RMB7,000 relates to payment made on behalf of a related party.
6.	Receivable from immediate holding company	- Receivable from immediate holding company increased by approximately RMB24.9 million due to the increase in trade amount owing by SDICZL in relation to sales made during the financial year.
7.	Inventories	- Inventories decreased by approximately RMB20.5 million due to higher level of sales activities in the financial year as well as lower inventories held by Xuzhou Zhongxin resulting from the slowing down of its operating activities.

CURRENT LIABILITIES

No.	Area	Variance Analysis
1.	Trade and other payables	- Trade and other payables increased by approximately RMB1.5 million mainly due to increase in value added tax payable and other operating tax payable.
2.	Payable to immediate holding company	- Payable to immediate holding company decreased by approximately RMB49.9 million mainly due to the repayment of outstanding loans and advances during the financial year.
3.	Borrowings	- The borrowings outstanding as at 30 June 2021 had matured and fully settled in the financial year. - The borrowings of RMB9.9 million as at 30 June 2022 were obtained by Yuncheng Zhongxin from a financial institution for working capital purpose.

The analysis of the **statement of cash flows** for FY2022 are as follow:

1. Net cash generated from operating activities of RMB53.8 million in FY2022 was mainly due to the positive cash flows before working capital changes and the changes in working capital inflow largely from the increase in receivable from immediate holding company, offset by the decrease in inventories and trade and other receivables;
2. Net cash used in investing activities of RMB1.2 million in FY2022 was mainly attributable to additions of PPE; and
3. Net cash used in financing activities of RMB53.8 million in FY2022 was mainly due to repayment to immediate holding company.

We target to attain sustainable economic growth annually.

OUR PEOPLE

As a business that is focussed on bringing joy to customers through our products, we always put attention for people at the core of our purpose. The Zhongxin Group understands that people are critical assets to the Group. Beyond this, we recruit employees with the necessary experience, competence and qualifications without any discrimination. The Zhongxin Group does this to attract and retain good people amongst the Group.

We also foster diverse and open relations, guided by respect, ethics and reinforce diversity and inclusion. We value people's potential, and we create a workplace that promotes equity and inclusion across all our initiatives.

The Human Resources ("HR") department sets the Zhongxin Group's key policies and tracks the implementation of these policies in our organisation in order to effectively implement employment policies across our operations. To set up a holistic and engaging environment where our people are able to deliver their best work, Zhongxin Group is committed to offer equal opportunities, staff welfare and career development for all persons and genders, which means treating people fairly and without bias.



Care for Our
Employees
A Responsible
Employer

Diversity and Equal Opportunities

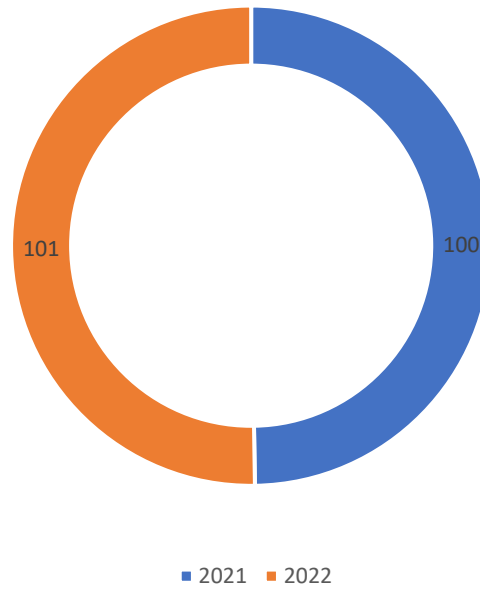
Respecting and protecting basic human rights are fundamental to all our operations and deeply ingrained in our Code of Conduct, which applies to all employees. The Zhongxin Group continues to remain committed to upholding to fairness and equitable treatment of all candidates in our recruitment and selection process. Our aspiration is to mirror the diversity of the markets we serve and employ at least 40% of female employees. When undertaking the recruitment process, the primary objective is to place a candidate in an appropriate role based solely on skill, experience and competencies required to effectively and efficiently fulfill the role. A candidate race, age, gender and marital status do not form any part of the consideration process. All employment decisions will conform to the principle of equal opportunity by imposing only the valid requirements of the position on the candidate under consideration.

From FY2021 to FY2022, our male employee numbers decreased from 57 to 56 while the number of female employees we engaged increased from 43 to 45.

The gender and age distribution of our entire workforce for this reporting year as follow:

Company's Name	Number of Employees			
	Gender			
	Male		Female	
	2021	2022	2021	2022
Yuncheng Zhongxin	52	49	34	35
Xuzhou Zhongxin	5	5	8	8
The Company	-	2	1	2
Total	57	56	43	45

Total Number of Employees in 2021 and 2022



Age Range	Number of Employees			
	2021		2022	
	Number	Rate	Number	Rate
18 – 30	10	10%	7	7%
31 - 40	36	36%	37	37%
41 - 50	39	39%	39	39%
Over 50	15	15%	18	18%
Total	100	100%	101	100%

Target for FY2022	Performance in FY2022	Target for FY2023
Move towards a more balanced gender and age diversity ratio.	No material changes in our diversity ratios between FY2021 and FY2022.	<ul style="list-style-type: none"> - Ratio of female employees over total employees should not fall below 40%. - Ratio of employees with age 50 and above over total employees should not fall below 15%.



GOVERNANCE STRUCTURE

We believe that good corporate governance is the cornerstone of our business. Our governance structure complies with applicable laws and regulations throughout our operations. Our business is conducted with professional and transparent management, supported by committees, governance forums, and a clear definition of processes and procedures, which enables the Zhongxin Group to effectively manage our risks and opportunities, protect our reputation as a business, deliver sustainable value for our stakeholders and responsible strategic planning.

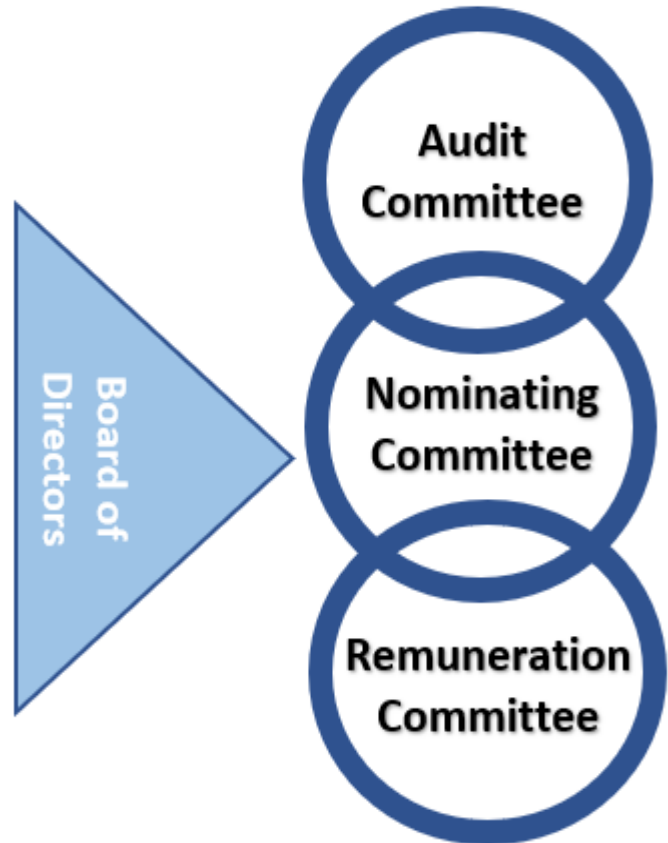
We set out governance levels to assure a balance between our stakeholders’ guidelines and business management.

The Board of Directors has a number of committees to assist in discharging its duties and responsibilities. These include an audit committee, nominating committee and remuneration committee with its own terms of reference and operating procedures, which are monitored and reviewed periodically.

The code provides guidance on issues such as:

- Our policies against corruption and bribery;
- Our policies and procedures, including internal controls and accounting; and
- Conflicts of interest and appropriate discussion to be made.

The Board of Directors role is to maintain and protect the skateholders’ returns and value for long term period and implementations of risk management policies and practices. The Board of Directors also oversees the management and monitoring of the material EESG factors of the Zhongxin Group in order to ensure the sustainability matters are considered as part of its business strategies and goals.



RESPONSIBLE GOVERNANCE

We act with integrity, responsibility and clear purpose

Under well-established governance, we work with transparency, solid compliance guidelines and risk management, driving economic prosperity, environmental preservation and social development.



The Board of Directors is well versed in the businesses and is capable of supervising important managerial judgments related to business execution, with the aim of enhancing the sustainable growth and mid to long term corporate value of the Zhongxin Group. Career diversity in field of expertise and business experience are considered to ensure that the Board maintains a well-balanced composition, in light of the Zhongxin Group's mid to long term business strategy or managerial issues and the size of the Board is also considered to enhance the effectiveness of deliberations and monitor overall performance.

All of our sustainability reporting processes are led by a sustainability steering and working committee.

The sustainability steering committee fosters the sustainable development of the Zhongxin Group in a holistic approach according to sustainability policy. The purpose to set out sustainability steering committee is as follow:

- To further integrate sustainability into our strategy and business;
- To assist the Board of Directors in fulfilling the Board of Directors' oversight responsibilities with respect to the Zhongxin Group's sustainability efforts;
- To review our sustainability progress and priorities; and
- To ensure accountability at all levels of the Zhongxin Group.

The Working Committee focuses on EESG directed business practices. EESG criteria add value to business and society through sustainable solutions and the core mission of the committee is to share positive examples of EESG minded best practices, as well as new initiatives stemming from EESG criteria.

Both of these committees comprise of representatives from all business units. Roles and responsibilities have been assigned to each component of our sustainability governance structure to further enhance the integration of sustainability into our operations.



STAKEHOLDER ENGAGEMENT

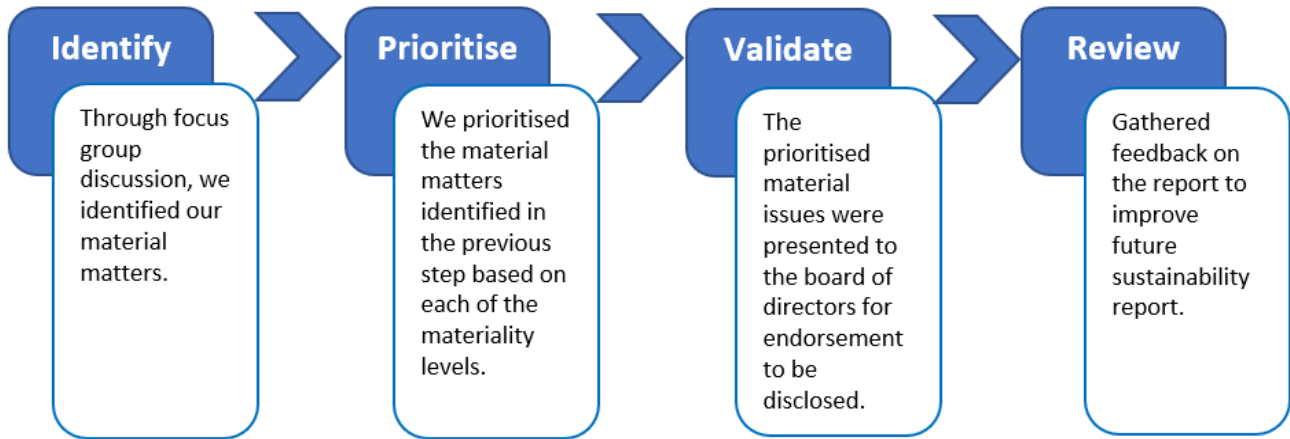
The Zhongxin Group recognises the importance of engaging our stakeholders to encourage open communications and build relationships. Stakeholders include any individual or group who are impacted by or interested in our activities.

Our robust engagement model helps us connect with both internal and external stakeholders. This helps us in developing strong partnerships and thus build success together. We strive to build and maintain strong relationships based on trust and respect will all stakeholders and utilise various platforms where they can voice their opinions and suggestions, as shown in the table below.

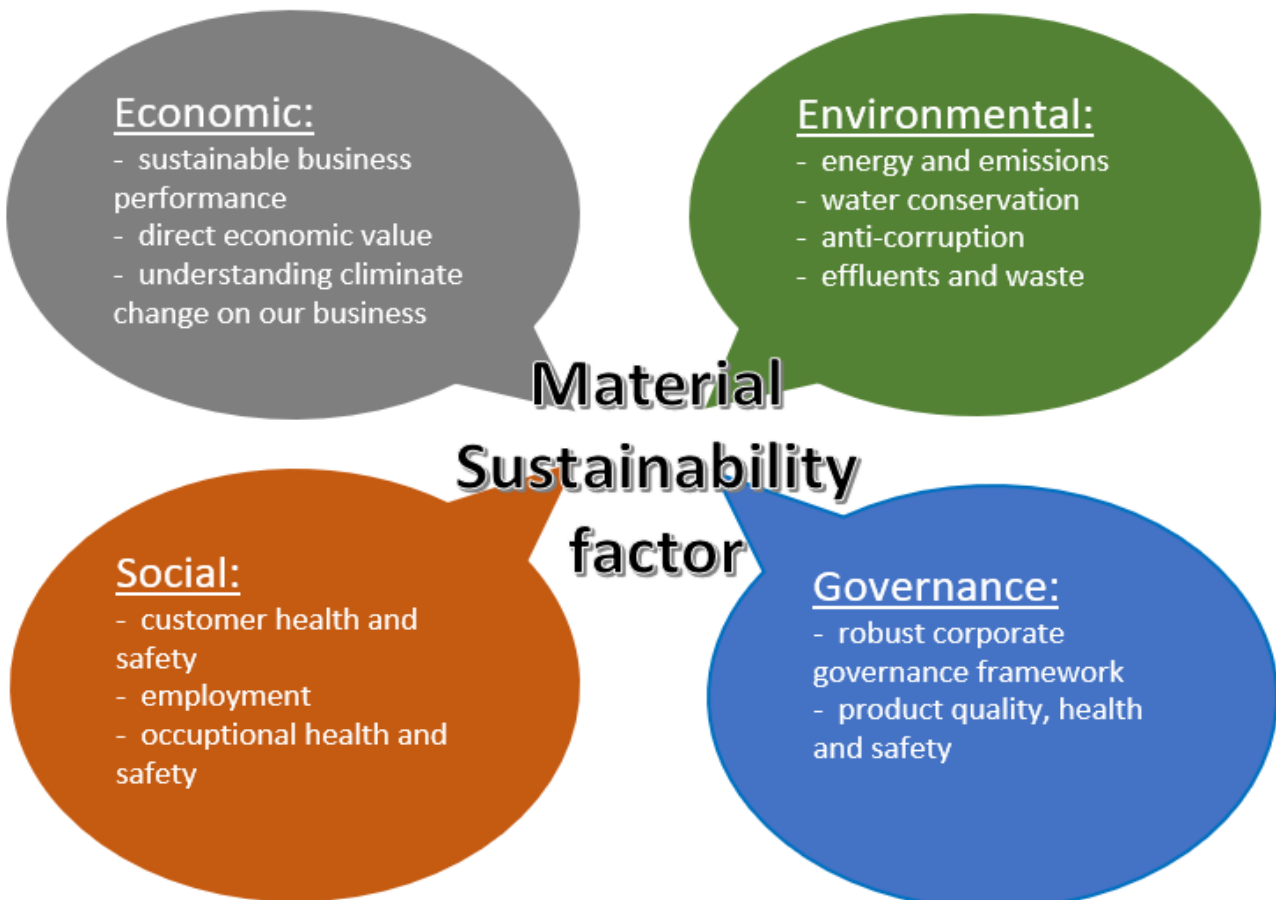
Key Stakeholder Groups		Stakeholders' Expectations/ Concerns	Engagement Platforms
Internal stakeholders	Managers and Employees	<ul style="list-style-type: none"> Occupational health and safety Equitable employee practices Fair remuneration and benefit Development career 	<ul style="list-style-type: none"> Mandatory training for skills and career development Weekly meeting Staff appraisals Company events Email communications Proper working environment
External stakeholders	Supplier and Farmers	<ul style="list-style-type: none"> Local communities Anti-corruption Occupational health and safety 	<ul style="list-style-type: none"> Direct communications Reasonable selling prices Strong cooperation
	Investors and Shareholders	<ul style="list-style-type: none"> Business operations and performance Future business plan Environmental compliance Key strategic development Industry trends 	<ul style="list-style-type: none"> Sustainability report and annual report Announcement and circulars Investor presentation Annual General Meeting Fair corporate governance Inflation of financial returns Identify risk and opportunities
	Parent Company (SDICZL)	<ul style="list-style-type: none"> Regular interests Strength on financial performance and business 	<ul style="list-style-type: none"> Regular meetings and visits Sustainable development
	Government Agency and Regulators	<ul style="list-style-type: none"> Environmental compliance Transparent communications Waste management 	<ul style="list-style-type: none"> Discussions Compliance with rules and regulations Opportunities for business

MATERIALITY ASSESSMENT

We conduct a materiality assessment annually to ensure that our sustainability efforts across each aspect of EESG align with matters that are important to our business and stakeholders. We continue to focus on our previously identified material issues as they remain most relevant to our operations, business and stakeholders. Our four steps approach on materiality assessment as follow:



Through the above four steps, we were able to gain an understanding of the sustainability issues that matter most to our key stakeholders. The Group conducted its first materiality assessment in FY2018 and found that they were still relevant to the Group in FY2022. Based on relative importance to sustainable development and to the Zhongxin Group’s business success, the following issues have been identified to be material for the purpose of this report.



We stay committed to improve the identification and management of material issues annually to ensure their relevance to our stakeholders.

Control on COVID-19 Impacts

Amid the global COVID-19 pandemic, the situation in the PRC currently is generally under control. While the rising community cases due to resurgence of new Covid variants has caused lockdowns in some of the cities in the PRC and brought pressures to the government authorities and the communities, the situation is largely manageable. Amid the uncertainty concerning the slowing down of the virus spread as well as the emergence of new Covid variants, the Zhongxin Group aims to stay vigilant in order to be in a position to take prompt action to deal with the situation promptly.

With the various preventive measures taken by the PRC authorities, the Zhongxin Group has been continuing its operations with minimal disruptions, taking extra precautionary measures to safeguard its employees and ensuring the Zhongxin Group's continued compliance with the government's directives.

While the Zhongxin Group has achieved improvements in sales and gross profit margin and recorded profits in financial year 2022, sustaining the improved performance of the business remains challenging in the mid to long term. The market demand fluctuates and the harvesting conditions are unpredictable. The Zhongxin Group is also mindful that the COVID-19 situation remains fluid. Headwinds such as competition, cost pressures brought about by escalating logistic and shipping costs, inflation, rising interest rates as well as the evolving geopolitical climate will continue to present challenges and drive operating costs higher. The unpredictable harvesting conditions may also cause difficulty in sourcing quality raw materials and impede the Zhongxin Group's ability to maximise the production activity to meet the market demands. All these factors will continue to create uncertainty and will have an impact on the business of the Zhongxin Group. The Zhongxin Group aims to mitigate these risks through cost control measures and productivity improvements, and strives to continue driving the growth in sales by expanding the product offerings to cater to the evolving consumer tastes and needs. Leveraging on the resources and network of its parent company, SDICZL, the Zhongxin Group aims to strengthen its foothold in the concentrated fruit juice industry and broaden its product varieties to include other value-added products.

The business activities of Xuzhou Zhongxin has been suspended due to various business constraints. The Management is actively looking at options to renew the business model of Xuzhou Zhongxin and to maximise its asset realisation value.

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

EFFLUENTS MANAGEMENT

Over the past few decades, the global demand for fruit production has increased due to the growing population and changing demographics to consume healthy foods and drinks. In this regard, acres gifted for fruit production have been steadily increasing throughout the world. At the same time, effluents management become a hot topic amongst this industry.

In order to have a systematic process for managing effluent and cost control, the Zhongxin Group has been implementing some measures on wastewater management as follow:

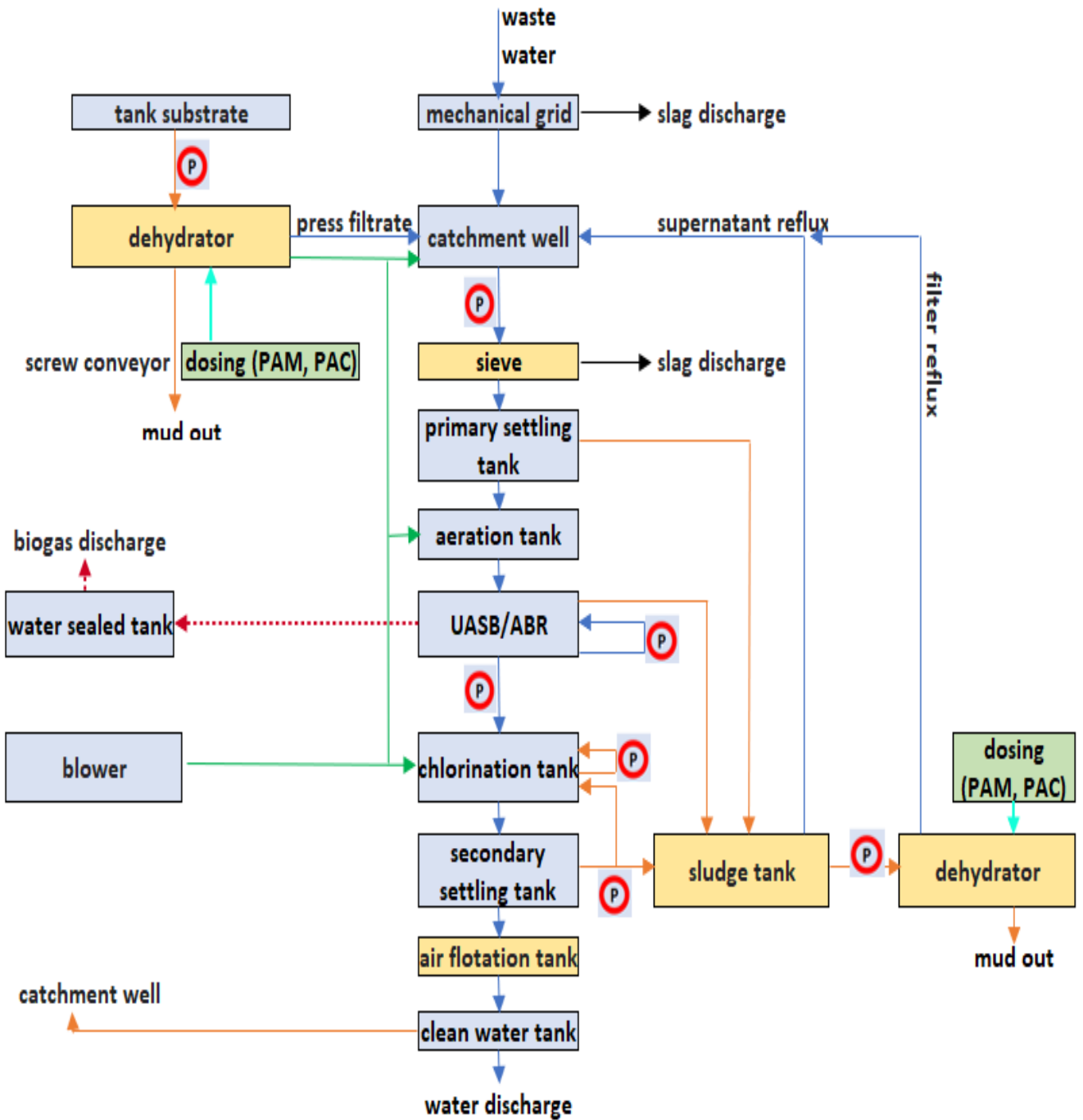
- monitor the maintenance of sewage equipment and cultivation of sludge are function well before the pressing season;
- supervise and inspect the operation of equipment and the addition of auxiliary materials during the pressing season;
- promote sewage heating transformation; and
- promote the accurate sewage addition system.

We understand that managing and reducing waste and effluents generated are important towards our daily operations. To prosper and maintain a better quality of life, the Zhongxin Group has set out few plans to control wastewater as follow:

- maintain daily processing capacity at 2,000 cubic meters or above;
- control the processing fee for a ton of fruit juice at RMB55 or lower;
- control the cost of water per ton at RMB4.5 or lower; and
- ensure all pollutants are discharged accordingly.

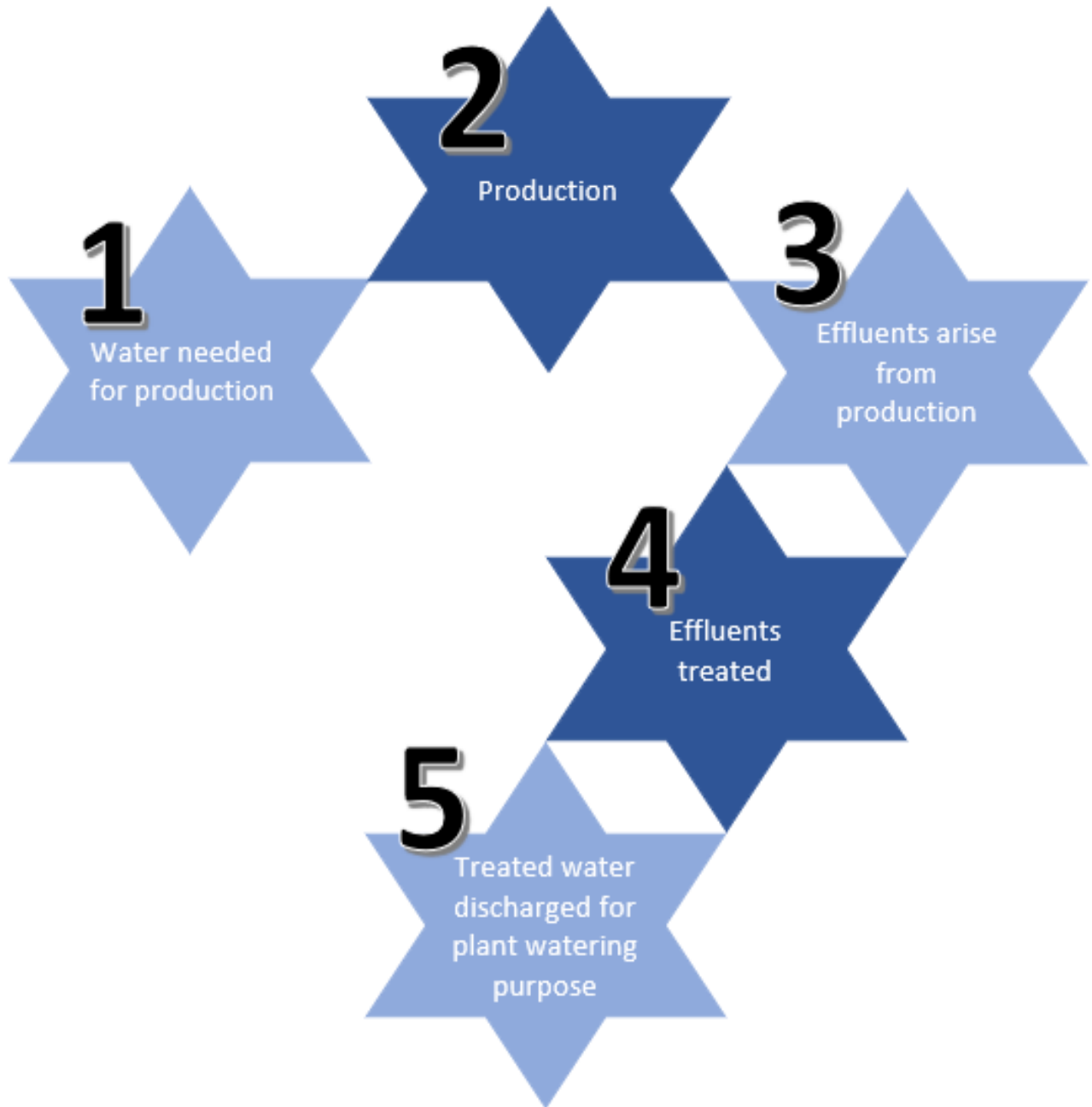


The treatment process of effluents management



Outline:

- sewage
- air
- sludge
- dosing
- slag
- biogas
- P pump



The total volume of water used for production, effluents arising from production and effluents treated monthly for FY2021 and FY2022 are disclosed in the table below:

	Water needed for Production		Effluents arising from Production		Effluents Treated	
2021	50,000	cubic meters	110,000	cubic meters	110,000	cubic meters
2022	30,000	cubic meters	54,750	cubic meters	54,750	cubic meters

The effluents collected were approximately 54,750 cubic meters per month during the FY2022 production season.

Zhongxin Group uses natural gas in all operational plants and declare natural gas usage according to production and plan. As per records, natural gas is more costly in terms of per unit of energy which generates lesser carbon emission as compared to other sources of energy such as coal.

TRAINING AND EDUCATION FOR EMPLOYEE



In current modern business environment, the Zhongxin Group recognises the need to continuously upgrade our employees' skillsets to complete in this competitive business environment. Therefore, education and training become essential in maintaining a competitive workforce.

Training is the method of improving the employees' talents, abilities, and expertise to perform. We intend to deepen our engagement, and will be monitoring and reporting on staff turnover, with the aim of improving and reducing staff turnover.

The training programmes content for FY2022 are as follow:

Training Content

1. Hazardous waste, resource conservation and energy conservation and environmental protection training, occupational health, and the general secretary's important discussion on safety production (regulations, ad hoc, hazardous chemicals, emergency knowledge);
2. Anti-epidemic requirements for resumption of work and production, company system training, SA8000 standard training, business ethics guidelines and procedures;
3. General Hygienic Specification for Food Production (GB14881-2013);
4. Food safety system (FSSC22000, HACCP system, combined with the company's system documents) and product quality management requirements training;
5. Kosher knowledge training, allergens, food fraud and food defense related knowledge;
6. Exams, emergency drills such as firefighting and electric shock first aid (safety standardization training);
7. Safety Standardized Training; and
8. The internal safety production responsibility system of each department, the safety and precision training of each department and each post, the internal operating procedures and systems of the department, the three-level document training and the relevant professional training of each department.

We encourage management and employees to continue their career development and job-related education yearly. All employees of the Zhongxin Group receive regular feedback on their performance and development through appraisal. In FY2022, the average number of training courses attended per employee is 24 which is 60 minutes per course. In the next financial year ending 30 June 2023 ("FY2023"), our target is to provide at least 20 number of training courses in order to enhance the employees' skills and knowledge.

QUALITY AND SAFETY ON CONCENTRATED JUICE

Quality and safety refer to routines in the preparation, handling and storage meant to prevent the beverage products encounter any number of health hazards during their journey through the supply chain. Safe beverage handling practices and procedures are thus implemented at every stage of the beverage production life cycle in order to curb these risks and prevent harm to consumers.

Around the world, the majority of laws about safety are under the concepts of HACCP. **HACCP** – *Hazard Analysis and Critical Control Points* is a systemic, risk-based approach to preventing the biological, chemical and physical contamination of beverage in production, packaging and distribution environments. The HACCP concept is designed to counter health hazards by identifying potential beverage safety problems before they happen, rather than inspect beverage products for hazards after the fact. The HACCP concept entails controlling for contaminants at a number of key junctures in the food production process and strict adherence to hygiene practices throughout.

The Zhongxin Group has built the certification programs around FSSC22000 too, which includes an interactive communication strategy between upstream and downstream industry players and a comprehensive system for management. Furthermore, the norm encompasses a model for how to implement a customised HACCP concept depending on the industry, product and facilities. For instance, should a risk of metal contamination be identified, FSSC22000 may recommend the installation of a metal detector with a rejection mechanism to manage the hazard.

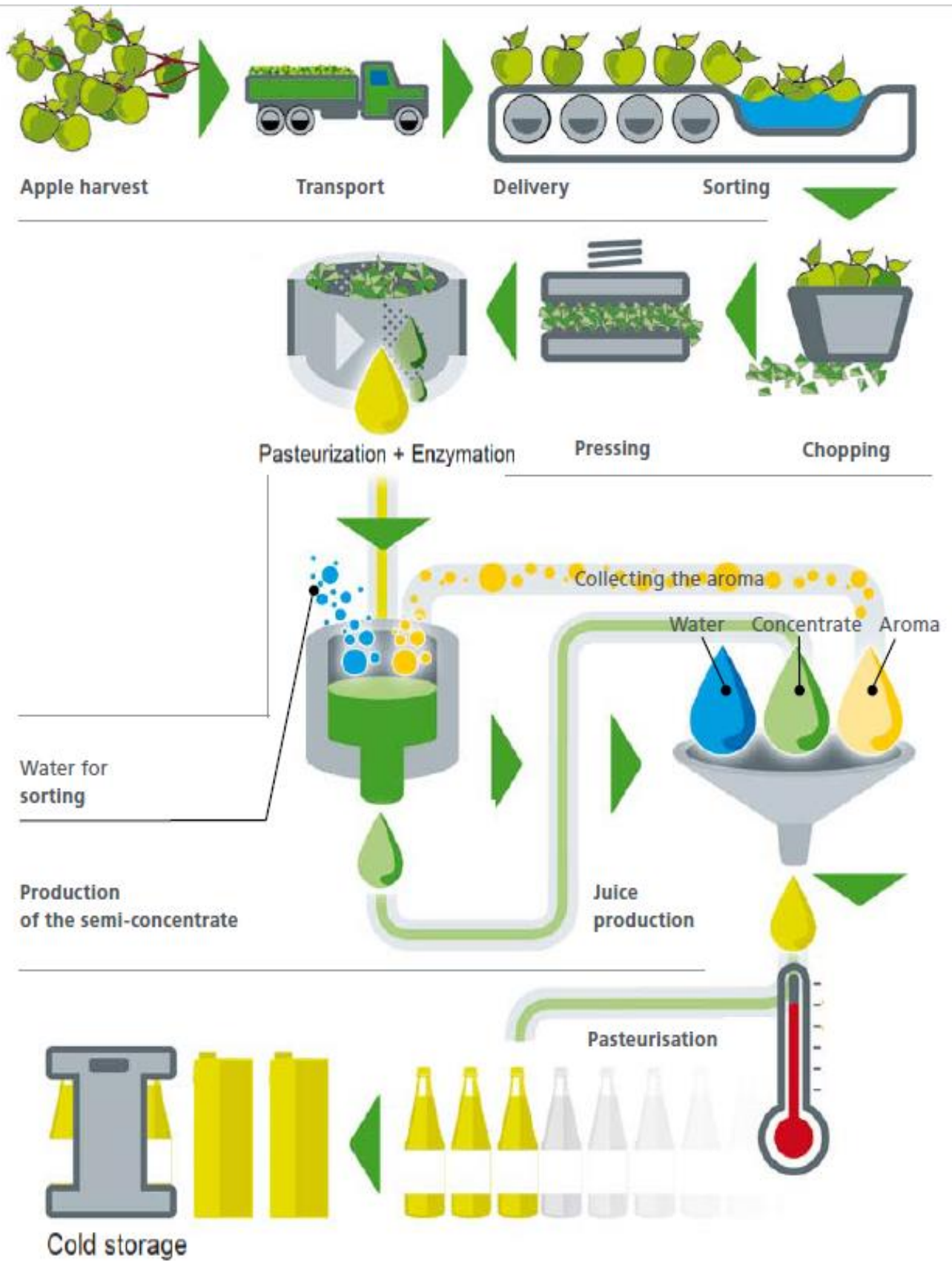
While HACCP lays out the steps necessary to proactively ensure beverage quality safety in individual beverage production environments, a healthy supply chain also demands action on a collective level with the following beverage safety principles:

1. **Corporate responsibility** – to ensure the quality and safety of beverage product within the bounds of the responsibility. This includes implementing in-house controls according to HACCP. In addition, corporations assume liability for any damages the products may cause.
2. **Traceability** – responsible for documenting where the materials are sourced and where are sent. This documentation helps regulatory bodies quickly identify the source of contamination should a recall become necessary.
3. **Official beverage controls** – responsible for enforcing foods and beverage law requirements through risk-oriented reviews, targeted sample collection and regular inspections.
4. **Transparent risk communication** – to be promptly informed of imminent and potential beverage safety hazards.

In FY2022, the Zhongxin Group did not breach any health and safety related regulations. There were also no fines or non-monetary sanctions for non-compliance with regulations. The Zhongxin Group's health and safety policies are regularly reviewed and will be updated where appropriate to meet the requirements of the applicable laws and regulations relating to health and safety.



Flow Chart Apple Juice Concentrate



FOCUS AND TARGETS

Focus Area	Targets for FY2023
ECONOMIC	
Economic Performance	Continue to be vigilant and respond swiftly to any adverse situations due to economic uncertainties.
ENVIRONMENTAL	
Economic Compliance	Zero incident of non-compliance and penalties pertaining to environmental-related issues.
Water Management	Formulate relevant procedures to improve water management. Maintain or reduce water consumption.
SOCIAL	
Employment	Reduce employee turnover and maintain the ratio for male and female.
Training & Education	Maintain average number of training courses attended per employee at least 20 per year.
Occupational Health and Safety	Zero cases of workplace safety and health complaint.
Socio-economic Compliance	No incidents of non-compliance with relevant socio-economic laws and regulations.
GOVERNANCE	
Anti-Corruption	Zero tolerance for bribery, fraud and corruption.
Economic Compliance	Maintain zero incidents of non-compliance with relevant anti-corruption laws and regulations.

All targets set in FY2022 have been achieved, except for provide at least 40 number of courses in order to enhance the employees' skills and knowledge. As Covid-19 measurement in China still very strict, the Zhongxin Group has carried the number of courses in FY2022 less than expectation.

GRI CONTENT INDEX

GRI Standards Disclosure Reference	Disclosure	Section	Page Reference
Organizational Profile			
102-1	Name of the organization	About the Zhongxin Group	Page 4 - 6
102-2	Activities, brands, products and services	About the Zhongxin Group	Page 4 - 6
102-3	Location of headquarters	About the Zhongxin Group	Page 4 - 6
102-4	Location of operations	About the Zhongxin Group	Page 4 - 6
102-5	Ownership and legal form	About the Zhongxin Group	Page 4 - 6
102-6	Markets served	About the Zhongxin Group	Page 4 - 6
102-7	Scale of the organization	About the Zhongxin Group Operation and Financial Overview	Page 4 - 6 Page 9 - 12
102-8	Information on employees and other workers	Our people	Page 13 - 14
102-9	Supply chain	Operation and Financial Overview	Page 9 - 12
102-10	Significant changes to the organisation and its supply chain	None	
102-11	Precautionary principle or approach	About the Zhongxin Group	Page 4 - 6
102-12	External initiatives	None	
102-13	Memberships of associations	None	
Strategy			
102-14	Statement from senior decision-maker	Board Statement	Page 3
Ethics and Integrity			
102-16	Values, principles, standards and norms of behaviour	About the Zhongxin Group	Page 4 - 6
Governance			
102-18	Governance structure	Governance Structure	Page 15 - 16
Stakeholder Engagement			
102-40	List of stakeholder groups	Stakeholder Engagement	Page 17
102-41	Collective bargaining agreements	None	
102-42	Identifying and selecting stakeholders	Stakeholder Engagement	Page 17
102-43	Approach to stakeholder engagement	Stakeholder Engagement	Page 17
102-44	Key topics and concerns raised through stakeholder engagement	Stakeholder Engagement	Page 17

Reporting Practice			
102-45	Entities included in the organisation's consolidated financial statements	About the Zhongxin Group	Page 4 - 6
102-46	Defining report content and topic boundaries	About this Report	Page 7 - 8
102-47	List of material topics	Materiality Assessment	Page 18 - 19
102-48	Restatements of information	None	
102-49	Changes in reporting	None	
102-50	Reporting period	About this Report	Page 7 - 8
102-51	Date of most recent report	22 November 2021	
102-52	Reporting cycle	About this Report	Page 7 - 8
102-53	Contact point for questions regarding the report	About this Report	Page 7 - 8
102-54	Claims of reporting in accordance with GRI Standards	About this Report	Page 7 - 8
102-55	GRI Content Index	GRI Content Index	Page 27 - 28
102-56	External assurance	None	
Management Approach			
103-1	Explanation of the material topic and its boundary	Materiality Assessment	Page 18 - 19
103-2	The management approach and its components	Materiality Assessment	Page 18 - 19
103-3	Evaluation of the management approach	Materiality Assessment	Page 18 - 19
Topic-Specific Standards			
GRI 306: Effluents and Waste			
306-1	Water discharge by quality and destination	Effluents Management	Page 20 - 22
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	Training and Education for Employee	Page 23
GRI 416: Customer Health and Safety			
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Quality and Safety on Concentrated Juice	Page 24 - 25