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

Company Registration No.: 200208395H

Sustainability Report



TABLE OF CONTENTS

No.	Topics	Pages
1.	Board Statement	3
2.	About the Zhongxin Group	4 – 5
3.	About this Report	6 – 7
4.	Operation and Financial Overview	8 – 10
5.	Our People	11
6.	Governance Structure	12 – 13
7.	Stakeholder Engagement	14
8.	Materiality Assessment	15 – 16
9.	Focus and Targets	17 – 18
10.	Effluents Management	19 – 20
11.	Training and Education for Employee	21 – 22
12.	Quality and Safety on Concentrated Juice	23 – 25
13.	GRI Content Index	26 – 27

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 Catalist.

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

We are pleased to present the fourth 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 2021 which highlights the progress and achievements of our organisation over the previous 12 months.

The key material economic, environmental, social and governance ("EESG") factors for Zhongxin Group has been identified and reviewed by the Board of Directors. The Board of Directors of Zhongxin Group oversees the management and monitoring of these factors and takes them into consideration in the determination of the company's strategic direction and policies. Sustainability sets us on a path towards a more holistic and balanced approach that addresses the environmental, social and governance (ESG) priorities of our internal and external stakeholders, wider strategy to create long-term value for all our stakeholders.

Thinking and acting sustainably provides the motivation and inspiration for us all. We live by sustainability, because we are convinced that we should do the right thing – and because sustainable thinking and acting will pay off for the success of the company in the long term.

With this sustainability and environmental statement, which is geared towards GRI standards, we hope to provide a more detailed insight into what we have achieved thus far, what we are working on and what plans we have for the future. We observed a total of four principles, namely, materiality, stakeholder inclusiveness, sustainability index and completeness. For reporting quality, we observed the principles of balance, comparability, accuracy, timeliness, clarity and reliability.

In FY2021, the COVID-19 situation was under control, most of the industries have resumed production and the pandemic has minimal impact on the supply chain of the Zhongxin Group. During this time, the safety of our employees is also our priority and we take serious safety measures such as safe distancing and trainings for employees to prevent any outbreak of COVID-19 at work sites.

Furthermore, Zhongxin Group recognises the importance of sustainability and actively embraces sustainability practices in the Group's strategic formulation process. It is our belief that by doing so, we can:

- achieve sustainable growth;
- care for our people; and
- protect our environment.

I am delighted to introduce this report and share with you the progress we made since our last sustainability update. I ask that you join us in our journey toward a more sustainable and inclusive world. Together we are stronger. May our efforts compound to truly build A Brighter World Tomorrow.

Xiao Yao
Non-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 primary business of the Zhongxin Group is the production of concentrated apple juice which is sold mainly to multinational Food & Beverage ("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.



The 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").



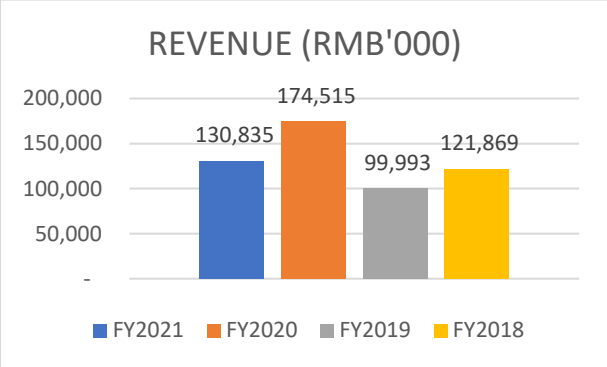
The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") with a registered office in Singapore and its main operations are located in the People's Republic of China ("PRC").

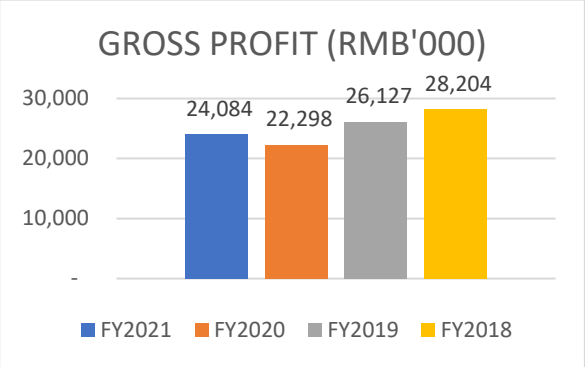
The Group has expanded into fresh garlic processing business and commenced the sales of processed garlic in FY2021. While this new business segment was still profitable in the FY2021, the current contribution from the garlic sales is relatively low. The COVID-19 pandemic has also led to downtrend in the export demand for processed garlic. The outcome from this new venture is not as initially anticipated. After deliberating on the market situation, the Management took the decision to suspend the garlic processing activities since the end of FY2021. The Management will continuously monitor the situation and if market conditions improve, it will consider resuming garlic processing activity in the next garlic harvesting season starting in the next financial year ending 30 June 2022.

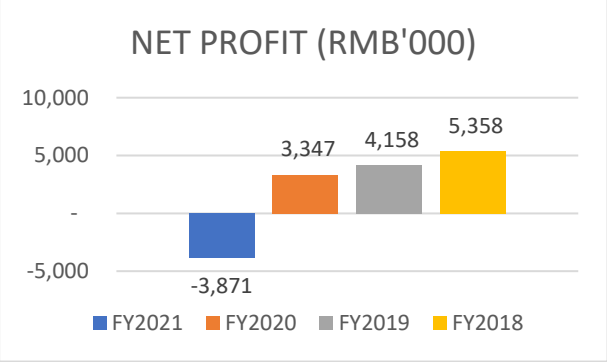
Leveraging on the resources and network of the parent company, SDICZL, the Group aims to strengthen its foothold in the concentrated fruit juice industry and broaden its product varieties to include other value-added products.

Principles and code of conducts of the Company is to maintain a strong and dynamic management team to strive continuously for stable and profitable projects in Asia and to ensure remarkable deliverances. Concurrently, the Company conducts internal audit to ensure good controls and governance.

Financial Highlights







Please refer to the Group's annual report ("Annual Report") for the financial year ended 30 June 2021 ("FY2021") for detailed analysis and commentary of financial performance.

Award and Government Grants

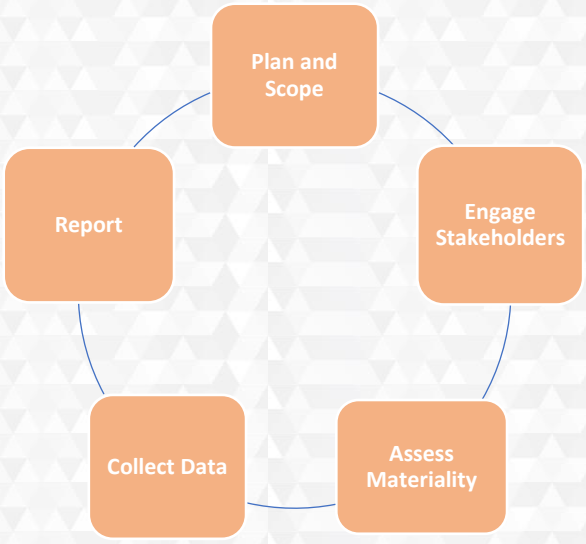
The Group won the honorary title of "Advanced Primary Party Organisation" by the non-committee of Linyi County. The Group strictly implements the Group's management and control requirements to prevent and control the spread of COVID-19. The Group also received RMB86,994 from the government as part of the COVID-19 business support measures.

ABOUT THIS REPORT

This year, we continue to address the EESG aspects deemed material to Zhongxin Group.

Reporting Boundary

As a guide, this report covers the sustainability performance of Zhongxin Fruit and Juice Limited (the "Company") for FY2021. The scope of this report will focus on the sustainability performance, activities and initiatives. Material issues and topics described have been selected according to their level of significance within the Group's boundaries, the sustainability context and the stakeholders' expectations, and for comparability of our performance indicators over time.



Reporting Period and Scope

The report covers the performance of our consolidated entities in FY2021. The reporting period is the same as that of the financial year of the Zhongxin Group which covers data and information on our sustainability performance from 1 July 2020 to 30 June 2021 ("FY2021"). This report was prepared in accordance to the Global Reporting Initiative ("GRI") Standards: Core Option. The GRI Standards is the most widely used and internationally accepted sustainability reporting framework. A GRI Index at the end of the report specifies the location of the relevant disclosures.

Independent Assurance

We did not seek external assurance for this sustainability report. We have relied on internal verification to ensure the accuracy of data. The Group's Sustainability Reporting Committee ("SRC") is experienced in ESG integration, engagement and voting. Our SRC comprised of two committees, namely the Steering Committee and Working Committee who are responsible for the transparency and accountability of our ESG performance. Our ESG performance is reported in good faith and to the best of our knowledge. However, we continue to adopt a phased approach to our reporting and will consider seeking external assurance as our sustainability reporting matures over time.

Reporting Framework

Zhongxin Group has chosen the GRI framework as it is the most established international sustainability reporting standard and in respect of the extent to which such framework is applied, this Sustainability Report has been prepared with reference to the GRI Standards reporting guidelines, at Core level.

GRI Standards has been selected and used within our Longevity Reporting Framework. It applied since we issued our inaugural report and represents not only the first global sustainability reporting framework but is independent and continues to be the only sustainability reporting framework that can demonstrate widespread global adoption.

Referring to the KPMG Survey of Sustainability Reporting 2020, 73% of the world's 250 largest companies and 67% of the 100 largest companies in 52 countries amongst a total of 5,200 companies have applied GRI. GRI Standards are aligned with best practices, comprehensive, flexible, regularly updated, robust and provide a good base of ESG performance comparison across organisations of all sizes and diverse sectors, allowing for organisations to select the appropriate standards to collect and measure ESG performance on a wide variety of ESG topics. Therefore, GRI Standards demonstrate strong alignment and excellent presentation capabilities for the ESG topics that are material to our business and key stakeholders.

The content of this sustainability report is identified by the Content Reporting Principles establish by GRI Standards, as follows:-

Principles	Stakeholder Inclusiveness	Sustainability Context	Materiality	Completeness
Objectives	•Responding to the identification of stakeholder expectations and interests	•Presenting the Group's performance in the wider context of sustainability	•Identifying the Group's significant EESG topics	•Disclosing significant EESG topics and boundaries to assess the Group's performance in the reporting period

This report fully complies with the requirements of the SGX-ST Listing Rules Practice Note 7F Sustainability Reporting Guide.

Contact Us

We welcome any feedback and queries on this report and any aspect of our sustainability performance disclosed in this report.

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OPERATION AND FINANCIAL OVERVIEW

According to customs statistics, China, a significant exporter of apple juice, has experienced high shipping costs in recent times, due to container shortages. This increase in transportation costs can be directly reflected in the pricing of Chinese apple juice.

The export volume of Chinese apple juice concentrate (AJC) was 163,838,848 kg from January to May 2021. Total export volume of Chinese AJC was 420,395,025 kg from January to December 2020, of which 156,237,564 kg was exported to the United States, accounting for 37.1% of China's total export volume of AJC. The countries importing more than 10,000 tons of AJC from China were the United States (156,237,564 kg), Japan (45,442,464 kg), Russia (39,789,399 kg), South Africa (34,859,246 kg), Canada (30,165,190 kg), Australia (24,910,841 kg), Turkey (15,211,549 kg) and Germany (11,063,529 kg). In 2020, more than 70 countries and regions imported AJC from China. The export volume of Chinese AJC was 163,838,848 kg from January to May 2021, slightly lower than that of the same period in 2020.

Due to the continuing impact of COVID-19 and the continuous rise of international shipping fees, Chinese AJC export will slow down in the second half of 2021 and export volume will be reduced.

Meanwhile, China is also reported to have low apple juice concentrate (AJC) stocks, giving Chinese apple juice prices further bullish impetus. Spring production of Chinese AJC reached 15,000-20,000 tonnes, which means that total production is estimated to be below 400,000 tonnes for the 2020/21 marketing year, with pre-season estimates previously quoted to be in the region of 500,000-600,000 tonnes.

The Mintec price of Chinese apples has declined quarter on quarter as of May 2021, however, prices for the fresh market are still significantly above the industrial fruit price, and therefore of minimal interest to the processing sector.

Industry professionals predict that Chinese production of AJC will be less than 400,000 tons in 2021-2022 crop. In view of the current domestic and international statistics records, it will be more rational for the Chinese manufacturers to focus on the production in the new crop season.

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. To ensure the freshness of the ingredients, generally, the 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 Group are not affected significantly by seasonal or cyclical factors during the financial period.

Despite the challenging operating environment and dwindling 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.

Xuzhou Zhongxin has outsourced the manufacturing of its concentrated apple juice to contract manufacturers since financial year 2020 and is able to remain competitive in the fruit juice market through this initiative. Similarly, Xuzhou Zhongxin continued the outsourced contract manufacturing arrangement in FY2021 so as to build up its fruit juice concentrate inventories in order to be able to respond to any customer demand timely.

Xuzhou Zhongxin has ventured into fresh garlic processing business since June 2020 and commenced the sales of processed garlic in FY2021.

Sales in the second half year of FY2021 decreased by approximately 38% as compared to the first half year of FY2021 as the Group experienced lower demand for its products in the second half year of FY2021 which resulted in the lower sales volume of concentrated fruit juice.

The fluctuation analyses on other items in the statement of comprehensive income during the FY2021 are as follow:

1. Gross profit margin improved from 13% in FY2020 to 18% in FY2021 mainly due to the lower average procurement cost of raw materials and higher operating efficiency resulted from the implementation of cost control measures, as well as the slight improvement in average selling price as explained above. This resulted in the gross profit to improve slightly by approximately 8% or RMB1.8 million. The gross profit from the sales of processed garlic constituted less than 3% of the Group's gross profit in FY2021.

2. Decrease in other income was mainly due to the absence of RMB0.6 million government grant received by Yuncheng Zhongxin in FY2020 relating to the subsidies for costs of dismantling the coal-fire boilers in its production plants pursuant to the exercise of switching from coal-fired boilers to the use of natural gas in its operational plants. There was no such income in FY2021.

3. Increase in administrative expenses was mainly due to RMB4.2 million impairment of property, plant and equipment ("PPE") recognised by Yuncheng Zhongxin and Xuzhou Zhongxin in FY2021 relating to idle plant and machineries.

4. Increase in finance costs was mainly due to higher interest paid by Xuzhou Zhongxin with respect to the higher level of average loans and advances throughout the financial year made by the Group's immediate holding company, SDICZL in FY2021 to Xuzhou Zhongxin to finance its working capital requirements.

5. Zhongxin Group shared the profit from its equity-accounted joint venture, Linyi SDIC Zhonglu Fruit Juice Co., Ltd ("Linyi SDIC") of approximately RMB0.2 million as compared to RMB3.9 million in FY2020 mainly due to lower revenue and gross profit recorded in Linyi SDIC attributed to decreased sales volume.

6. Income tax expense in FY2021 was related to the income tax on non-operating income that was not exempted from tax

Due to the above analysis, Zhongxin Group has recorded recorded loss after taxation of RMB3.9 million in FY2021 as compared to profit after taxation ("PAT") of RMB3.3 million in FY2020. Excluding the RMB4.2 million impairment of PPE as explained above, the Group would have recorded a PAT of approximately RMB0.3 million in FY2021.

The fluctuation analyses on certain items in the statement of financial position as at 30 June 2021 are as follow:

1. Decreased in non-current assets approximately by RMB6.0 million from RM72.2 million as at 30 June 2020 to RMB66.2 million as at 30 June 2021 mainly attributable to the decrease in PPE of approximately RMB6.0 million. This was due to PPE impairment amounted to RMB4.2 million and depreciation charges of RMB5.0 million, partially offset by addition of PPE amounted to RMB3.2 million.

2. Decreased in current assets by approximately RMB7.7 million from RMB136.4 million as at 30 June 2020 to RMB128.7 million as at 30 June 2021 mainly due to (a) cash and cash equivalents decreased by approximately RMB2.4 million as explained under the analyses of the statement of cash flows below, (b) settlement of notes receivable which lead to a decrease in notes receivables of RMB50.0 million, (c) prepayments decreased by approximately RMB1.9 million as compared to 30 June 2020 due to lesser prepaid expenses made to suppliers in view of the lower level of production activities, partially offset by (i) other receivables increased by approximately RMB1.8 million mainly attributable to the increase in value added tax receivable, (ii) receivable from immediate holding company increased by approximately RMB16.7 million due to the increase in trade amount owing by SDICZL in relation to sales made during the financial year, and (iii) inventories increased by approximately RMB28.0 million as the Group carried higher level of finished goods as at 30 June 2021 as compared to 30 June 2020.

3. Overall decreased in current liabilities by approximately RMB9.9 million from RMB123.1 million as at 30 June 2020 to RMB113.2 million as at 30 June 2021 mainly due to settlement of borrowings offset with increase in payable to immediate holding company arising from advances received for funding of the Group's working capital.

The analyses of the statement of cash flows for FY2021 are as follow:

1. Net cash generated from operating activities of RMB12.1 million in FY2021 was mainly due to the positive cash flows before working capital changes and the changes in working capital inflow largely from the increase in inventories and receivable from immediate holding company, offset by the decrease in notes receivables.

2. Net cash used in investing activities of RMB1.0 million in FY2021 was mainly attributable to additions of PPE and offset by the interest received.

3. Net cash used in financing activities of RMB13.5 million in FY2021 was mainly due to repayment of borrowings and offset by advances received from its immediate holding company.

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

OUR PEOPLE

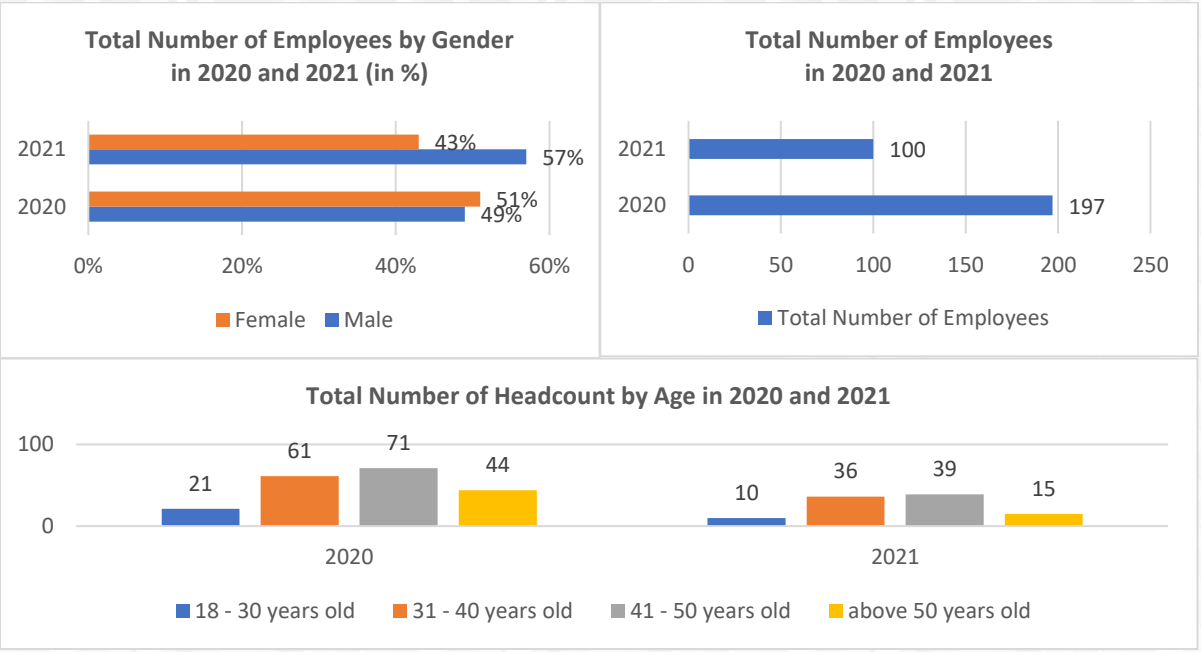
Pivotal to our success is our people performing at their best. People defined our organisation here at Zhongxin Group. We value the vital contributions by all employees towards sustaining Zhongxin Group's long-term success.

To underscore our care and commitment towards our employees, the Group drives a human resource ("HR") strategy focused on fair remuneration and equal opportunities, training and development, employee wellness and engagement, and work-life harmony. We remain committed to improving gender diversity across our organization and will continue reporting on our progress in our annual Sustainability Report.

The Group is a promoter of gender equality and age diversity in our industry. Additionally, all staff in our Group have the right to enjoy maternity leave regardless of age, gender and seniority. We believe in providing equal opportunities for all employees to help them realise their fullest potential. From FY2020 to FY2021, our male employee numbers decreased from 96 to 57 while the number of female employees we engaged decreased from 101 to 43.

The following charts indicate the gender and age distribution of our entire workforce for this reporting year:

Company's name	Number of Employees			
	Gender			
	Male		Female	
	2021	2020	2021	2020
Yuncheng Zhongxin	52	71	34	52
Xuzhou Zhongxin	5	25	8	48
The Company	0	0	1	1
Total	**57**	**96**	**43**	**101**

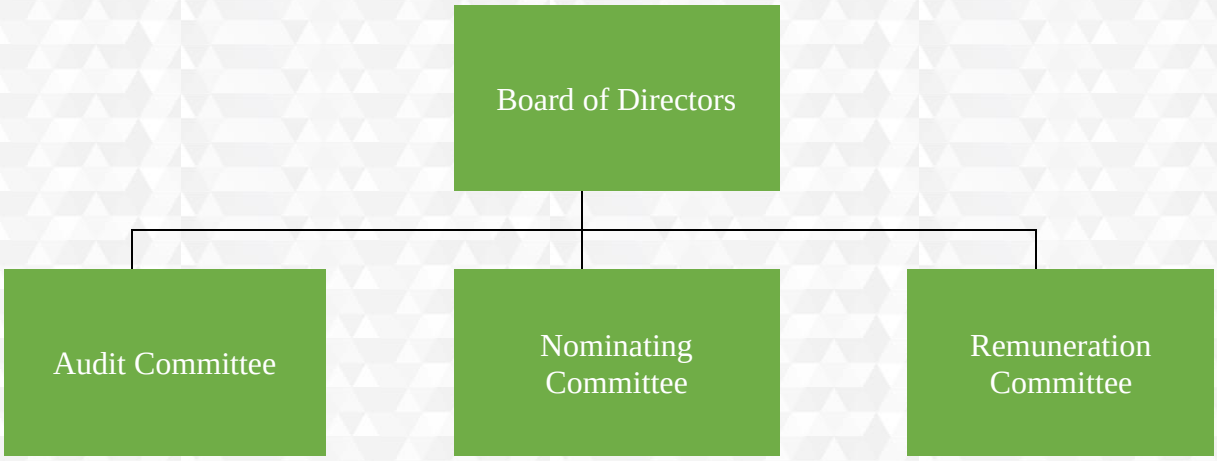


GOVERNANCE STRUCTURE

We equate good governance with good business: we do well by doing good. Good governance is essential to building a sustainable business, delivering on our brand promise – PROTECTS WHAT'S GOOD – and safeguarding our reputation, which ensures that management is accountable to the stakeholders and operates in an ethical and responsible manner.

The Group commits to manage all businesses without undue influence and has regarded honesty, integrity, and fairness as its core values which are required to strictly follow the Code of Conduct and Group's policy to prevent potential bribery, extortion, fraud and money laundering.

Three committees have been established in order to assist it in the execution of its responsibilities, namely the Audit Committee, the Nominating Committee and the Remuneration Committee. Each Committee has its own terms of reference and operating procedures, which are reviewed periodically. Appointments of and reviews by independent external and internal auditors in addition to the oversight by the key management enhances governance for Zhongxin Group.



The primary roles of the Board of Directors are to protect and enhance long term shareholders' value and returns, set the Zhongxin Group's corporate strategies and directions, oversee management of the Zhongxin Group's business affairs, financial performance and key operational initiatives, and implementations of risk management policies and practices.

During FY2021, the Board of Directors conducts two formal meetings with full attendance. Ad-hoc meetings will be convened when required. The Board of Directors takes overall responsibility for driving the sustainability strategy of Zhongxin Group, while the sustainability reporting is led by the SRC.



The Board of Directors formulate the corporate sustainability strategies and guidelines and monitor overall performance.

Steering Committee is a form of corporate governance made up of high-level executives, authorities or stakeholders. The Steering Committee develop and oversee the sustainability policy and framework. In order to organize and coordinate the sustainability initiatives, they also provide support, guidance and timely updates to the Board of Directors on the sustainability management performance of Zhongxin Group. This may include such tasks as:

- Providing advice on the budget;
- Defining and helping to achieve the outcomes;
- Identifying the priorities;
- Identifying and monitoring the potential risk and timelines;
- Monitoring the quality of the product as it develops; and
- Addressing key material issues with planes follow up measures.

The Working Committee monitors and collates the data and information for the material EESG factors. This may include such tasks as:

- knowledge sharing and addressing relevant EESG issues;
- organising the substantive aspects of each activity; and
- organising annual programs that are applicable to the specific interests.

Both of these committees comprise of representatives from all business units. Sustainability management will be embedded in our values, vision and mission, which we are in the process of refreshing for Zhongxin Group.

STAKEHOLDER ENGAGEMENT

Zhongxin Group believes that fostering active relationships across our stakeholder groups is critical in sustaining our growth as a Company. The Group values its stakeholders and their feedback regarding its businesses and sustainability aspects.

In FY2021, the SRC has reviewed and ascertained that employees, customers, shareholder and investors, and business partners are our key stakeholder groups.

We engage and communicate with our stakeholders the importance of sustainability through the following channels:

Key Stakeholder Groups		Stakeholders' Expectations/ Concerns	Engagement Platforms
Internal stakeholders	**Managers and Employees**	• Workplace health and safety • Equitable employee practices • Employee welfare, remuneration and benefit • Job security	• Feedback sessions • Training programmes • Annual performance appraisal • Teamwork • On-going communication • Proper working environment
External stakeholders	**Supplier and Farmers**	• Clear two-way communication • Timely feedback regarding materials	• Phone calls/emails communication • Meetings • Equitable selling prices • Strong cooperation
	Investors and Shareholders	• Business operation • Financial performance • Business direction • Key strategic development • Future business outlook	• Annual report and sustainability report • Announcement and circulars • Public announcement on Company • Annual General Meeting • Better corporate governance • High financial returns • Identify risk and opportunities
	Parent Company (SDICZL)	• Equitable interests • Strength on financial performance and business	• Regular meetings and visits • Sustainable development
	Government Agency and Regulators	• Corporate governance • Transparent communication and information	• Site visits • Opportunities for business collaboration and investment • Compliance with rules and regulations

MATERIALITY ASSESSMENT

Our sustainability process begins with the identification of relevant aspects. Relevant aspects are then prioritised to identify material factors which are subject to validation. The Zhongxin Group has engaged an external sustainability consultant to work with the Steering and Working Committees on the sustainability approach and has developed a list of EESG topics that the Zhongxin Group considered material and important to the stakeholders.



The Group conducted its first materiality assessment in FY2018 and identified four material matters and one reporting matter as summarised as follow. In FY2021, the Group re-examined these matters and found that they were still relevant to the Group and similar to the EESG factors reported on for FY2020.



ECONOMIC	ENVIRONMENTAL	SOCIAL	GOVERNANCE
• Economic performance • Anti-corruption	• Energy • Effluents and waste • Environmental assessment	• Opportunity and diversity • Health and safety	• Corporate governance • Risk management

Moving forward, to keep abreast of critical issues, the SRC, supporting the Board in its oversight, will continue to review annually material ESG topics against the changing business environment, stakeholder opinions, and emerging global and local trends.

COVID-19 Impacts

The business environment was challenging in FY2021 as the COVID-19 pandemic and resurgence of new infections around the world continued to disrupt business operations.

The situation in China is currently under control. The Chinese economy has rebounded and is slowly recovering currently. With various preventive measures taken by the Chinese authorities, the Group has been continuing to operate while minimizing interruptions and taking additional preventive measures for all employees to ensure adherence to the government's instructions.

Unless unforeseen circumstances occur, the Group does not expect the COVID-19 pandemic to have a significant impact on the Group's procurement and production operations in the next financial year. Zhongxin Group will continue to rely and leverage on the resources of the SDICZL's market to safeguard the interests of investors.

The current international epidemic situation is severe and has not been effectively controlled for a long time. The risk of domestic imported new crown pneumonia still exists. Recently, there have been many local-related cases of new crown pneumonia which is a cause for alarm. Therefore, we will remain vigilant and continue to implement the necessary prevention measures and controls.

Furthermore, we continue to partner closely with local governments in all regions where we operate to keep our teams safe and help prevent the spread of the disease. In FY2021, all employees have been vaccinated.

Through the Group's best effort, we are having continuous communications with our clients to provide updates as to the status and availabilities of our products. In addition, in order to provide additional support through these challenging times, the Group has been open to negotiations with regards to the terms of payments with our clients.

Responses on COVID-19

During the global COVID-19 pandemic, the Group pays high attention on the business. In 2020, the Group had temporarily shutdown and stop production. All security personnel are required to stay at home or work from home. The Group implemented semi-closed management, strictly implemented the epidemic prevention work and control. No one in the Group was infected.

Nowadays, the COVID-19 pandemic in China is generally under control. The lives of residents have been completely normalized, and the domestic economy has continued to develop steadily. Yet, the epidemic in other countries is not effectively controlled and continues to spread widely. The imported COVID-19 cases still bring a lot of pressure to China.

In FY2021, the COVID-19 preventive measures implemented by the Group are as follow:

- employees, customers and suppliers are required to check the temperature before entry;
- strictly control the number of people entering the workplace;
- separate employees' meals area; and
- regular disinfection of the factory area to fully protect the health and safety of the company's employees and suppliers.

FOCUS AND TARGETS

Focus Sector	Impact to Stakeholders	Performance in FY2021	Targets in FY2022
ECONOMIC PERFORMANCE			
Financial strength. Positive economic growth.	All stakeholders seek for favourable financial performance.	Group revenue – RMB130.8 million. Net assets – RMB81.4 million.	Revenue growth. New business initiatives. To improve operation results. Favourable cashflows.
CORPORATE GOVERNANCE			
Laws and regulations. Risk management.	Compliance with legislation as well as national and international standards of corporate governance, anti-corruption, risk management, environmental health and safety.	No breaches of any social and economic laws and regulations. Results and necessary reporting requirements complied with.	Compliance with social and economic laws and regulations. Commitment to release financial results on time. Strengthen on the risk management framework.
EMPLOYEE			
Workplace. Welfare, compensation and remuneration. Trainings.	Develop equitable human capital and retain staff who are core assets to the Group.	No major attrition or loss of key management staff to competitors. Provide training regularly.	Retain high-level performance staff. Provide training programme and implement succession planning. Non-discrimination in hiring employees. Provide at least 40 number of courses in order to enhance the employees' skills and knowledge.

ENVIRONMENTAL, QUALITY AND SAFETY			
Environmental assessment. Safety and quality control.	Promote work safety environmental and reduce wastages, efficacy and conservation are key aspect impacting all our stakeholders.	No breaches of any environmental laws and regulations. Waste is reduced on the business. Zero incident of fatal accident reported.	To reduce or maintain the waste level as a Group. Promote safety and quality management policy. Carry friendly workplace by creating awareness on caring for Green & Healthy Environment. To maintain zero product recalls.
COMMUNITY INVOLVEMENT			
Employee.	Ability to innovate will translates to how we manage the business continuity.	Provide equitable and growth opportunities to our employees.	Introduce social programmes for employee participation.
CORPORATE COMMUNICATION			
Teamwork. Build relationship with stakeholders. Two-way communication.	To maintain a positive relationship, constant flow of communication using available platforms is important in all aspects and applies to all our stakeholder groups.	Half-yearly announcements are made available in FY2021.	Ensure clear two-way communications. Release of the Group's financial results on time.

EFFLUENTS MANAGEMENT



Effluents from the fruit juice industry contain primarily high concentration of organic materials, which are occasionally discharged into the municipal wastewater collection system and processed in wastewater treatment plans along with domestic wastewater.

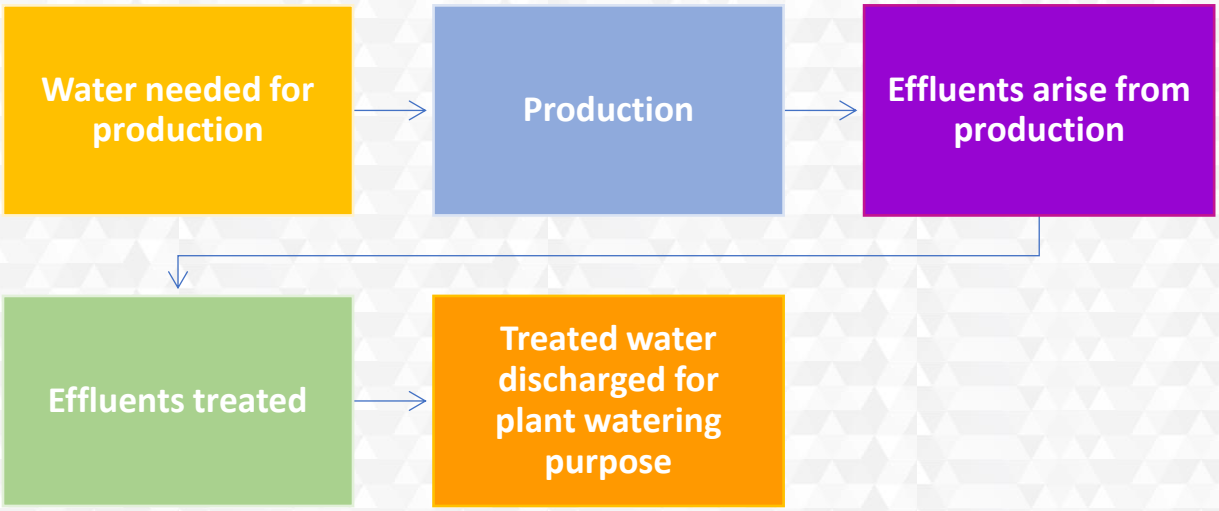
A systematic process for managing effluent is important for process efficiency and cost control.

The Group maintains the quality of anaerobic system and ensure its system is functioning well. Anaerobic upflow sludge blanket reactor is a simple and easily operated anaerobic system. In such system, sufficient refining efficiency can be achieved at low temperatures, as well as high temperatures.

The linking of resources efficiency with lean management approaches offers enormous potential for savings. Therefore, we understand the importance in managing and reducing the waste and effluents generated throughout our operations. For our communities to prosper and enjoy a high quality of life, we have to conscientiously monitor our discharge into the environment and seek to eliminate or at least reduce any ecological impact. In order to balance the competing and growing water demands from customers, improving and increasing water efficiency are become our critical core.

The Group has strictly follow the operation requirements of the sewage treatment system to ensure that the sewage treatment meets the discharge standards. After the sewage treatment process is passed through the biochemical treatment, the sewage is discharged to the temporary storage pool outside the Group. The treated sewage can fully meet the requirements of farmland irrigation water standards and is used by local villagers for irrigation and land greening in nearby fields.

The following diagram shows the summary of the process of treating the effluents:



The table below shows the total volume of what used for production, effluents products and treated monthly for FY2020 and FY2021:

	Water needed for Production	Effluents arising from Production	Effluents Treated
2020	139,000 cubic meters	209,000 cubic meters	209,000 cubic meters
2021	50,000 cubic meters	110,000 cubic meters	110,000 cubic meters

The effluents collected were approximately 110,000 cubic meters per month during the FY2021 production season.

Zhongxin Group uses natural gas in all operational plants. Natural gas is more costly in terms of per unit of energy but generates lesser carbon emission as compared to other sources of energy such as coal.

TRAINING AND EDUCATION FOR EMPLOYEE

Our workplace is the engine that keeps us running. Our employees are our most valuable assets, so we invest in training and development programs aimed at providing employees with important skills to achieve their career goals, and in turn, help us achieve our goals as a Company.

To both produce optimal results and enhance effective teamwork across all divisions, we offer internal trainings to assist employees achieve a higher level of competency and safety standards, in order to further enhance the quality of our services and products. Zhongxin Group will also source for external training courses for employees if required.

Training programs conducted throughout 2021 included managerial skills, technical skills and functional skills. A key objective of training is to develop competencies, which would enable our employees to perform their current or future jobs successfully. It is compulsory for employees to attend safety training courses to build and maintain a safe working environment and culture which in line provide encouragement and support our employees to maximise their potential and have a rewarding career.

The following trainings remained compulsory for employees and monitored by the Human Resource Department:

- Good manufacturing process (GMP);
- HACCP system – quality control;
- FSSC22000 Food safety and quality management system;
- Linyi county safety supervision bureau safety training; and
- Concentrated apple juice processing procedures and related knowledge.

We believe that with more skilled employees, Zhongxin Group's human capital and contribution to employees' satisfaction will be enhanced, which will undoubtedly improve overall performance. With this, Zhongxin Group adopts various skill upgrading programmes with the objective of assisting to provide the upgrading of employees' skills and to facilitate continued employability.

Leadership Qualities



Speak the truth
Open and honest with everyone and value diverse perspective and debate

Be decisive
Align and prioritise actions to drive results frequently

Achieve Results
Accountable to exceed short-term and long-term expectations

Customer Focus
Understand and anticipate customer's needs and drive innovation for their benefit

Develop Skills
Accountable for the strength and diversity of others and own development

Improve Everything
Reach across boundaries for new ideas to improve our business

In FY2021, the Group provided training in various aspects such as COVID-19 prevention, safety and occupational health management system, food quality management system, food law, civil code, job operating procedures, company system and etc.

All our employees were subjected to an annual performance review to discuss their job performance and career goals which training hours is of indicators in the annual performance review. In FY2021, the average number of training courses attended per employee is 8 which is 45 minutes per course. It did not meet the previous target set in FY2020 mainly due to the cancellation of most of the training courses as a result of the COVID-19 pandemic.

In the next financial year ending 30 June 2022 ("FY2022"), our target is to provide at least 40 number of courses in order to enhance the employees' skills and knowledge.

QUALITY AND SAFETY ON CONCENTRATED JUICE

Good results is the culmination of something good

Quality of materials:	Development:	High quality and performance equipment:	Mastering the production and logistics processes:
High quality products can only be produced from good materials.	We place great importance on the development and use of safe recipes, processes and packaging materials that assure high quality.	Quality preservation and safe production methods are only possible when using high quality and performance process equipment.	High quality products originate from production and logistics processes and not through post controls; the greatest possible attention must thus be paid to pre and in process control.

Integration of the human factor:

All efforts are worthless if the staff are not integrated into the organisation and if the organisation does not aim for high quality.

All employees in the workplace are responsible for quality and performance.

We are constantly updating our HACCP, something that guarantees maximum safety by thoroughly analysing all potentially critical aspects of the production process. We also support the entire production process with an extensively automated in-process control system. All quality relevant process para-meters can thus be monitored on a permanent basis.

In the beverage business, we implement a comprehensive hygiene concept for cleaning and disinfecting the production facilities and the production environment and for the hygiene of our employees. Microbiological checks guarantee a flawless and safe hygiene status.

Our aseptic filling of fruit juices in bottles is guaranteed by an ultra-modern, automated microbiological control system. This ensures that we can minimize the risk of production errors, something that makes a contribution to reducing the amount of waste and error costs.

Getting the best out of each fruit every day for a healthy and enjoyable life, Zhongxin Group continuously train and motivate our employees towards committed quality assurance in the framework of comprehensive training sessions which are redefined on an annual basis.

In order to fulfil this high demand, we work in many fields with great commitment to product safety and quality as well as saving and optimizing packaging materials. Our priority is to ensure that consumers understand our commitment to provide healthy and safe for consumption concentrated juice which conform to food safety standards and regulatory requirements.

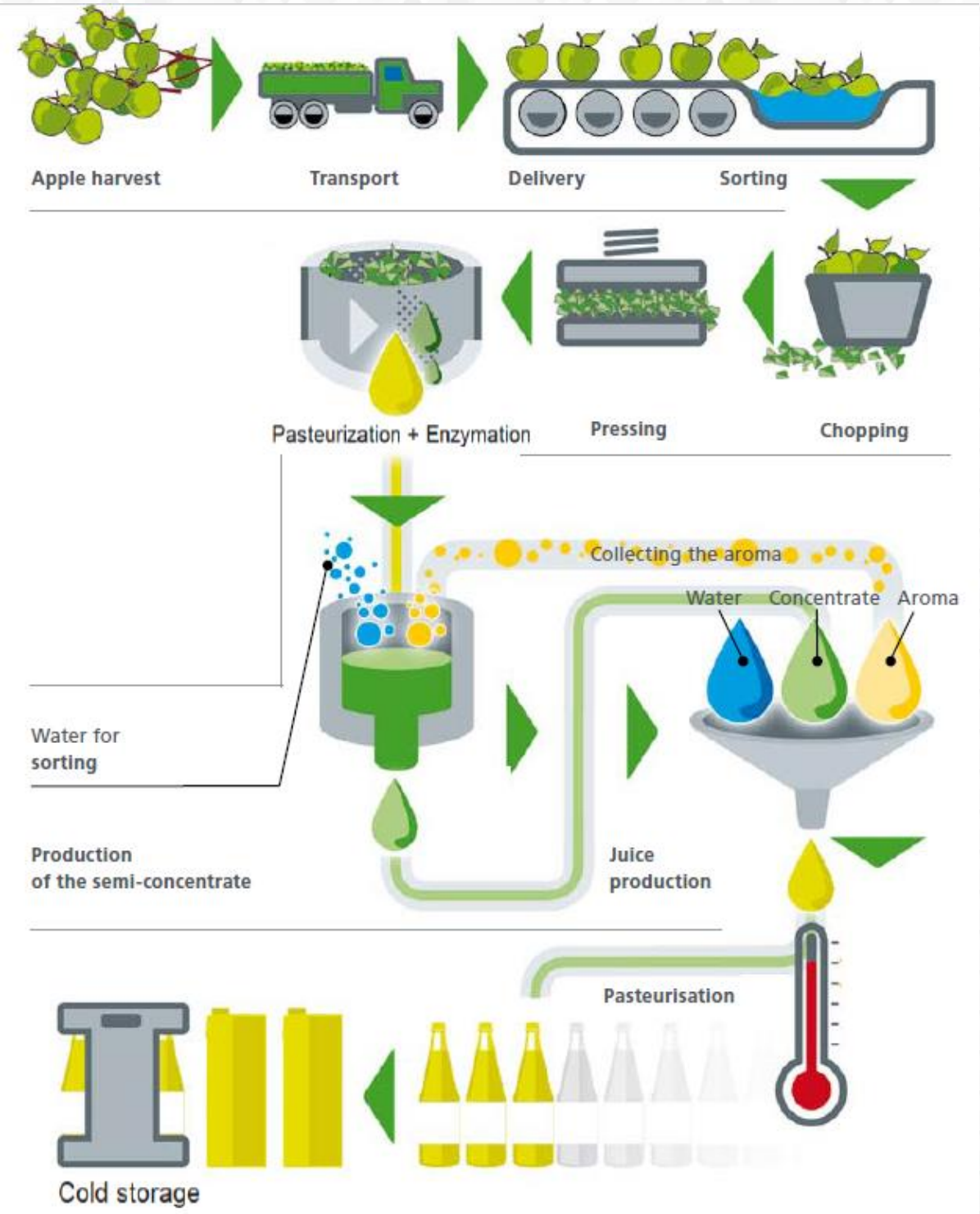
“Food Safety Law” for the food industry is still monitor by the government in China. The Group has established HACCP, FSSC22000 and other food safety management systems and passed certification. The quality control of each process from raw materials to finished products is strictly in accordance with system requirements. Product indicators meet the requirements of relevant laws, regulations and standards as well as customer requirements.

Concentrated juices are tested based on the following main factors:

- Acidity
- Microorganism
- Pesticide Residue
- Turbidity
- Patulin

In FY2021, the Zhongxin Group has not breached any health and safety related regulations. There were also no fines or non-monetary sanctions for non-compliance with regulations. Zhongxin Group has achieved the FY2021 target. We target to maintain zero product recalls in FY2022.

Flow Chart Apple Juice Concentrate



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 - 5
102-2	Activities, brands, products and services	About the Zhongxin Group	Page 4 - 5
102-3	Location of headquarters	About the Zhongxin Group	Page 4 - 5
102-4	Location of operations	About the Zhongxin Group	Page 4 - 5
102-5	Ownership and legal form	About the Zhongxin Group	Page 4 - 5
102-6	Markets served	About the Zhongxin Group	Page 4 - 5
102-7	Scale of the organization	About the Zhongxin Group Operation and Financial Overview	Page 4 - 5 Page 8 - 10
102-8	Information on employees and other workers	Our people	Page 11
102-9	Supply chain	Operation and Financial Overview	Page 8 - 10
102-10	Significant changes to the organisation and its supply chain	None	
102-11	Precautionary principle or approach	About the Zhongxin Group	Page 4 - 5
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 - 5
Governance			
102-18	Governance structure	Governance Structure	Page 12 - 13
Stakeholder Engagement			
102-40	List of stakeholder groups	Stakeholder Engagement	Page 14
102-41	Collective bargaining agreements	None	
102-42	Identifying and selecting stakeholders	Stakeholder Engagement	Page 14
102-43	Approach to stakeholder engagement	Stakeholder Engagement	Page 14
102-44	Key topics and concerns raised through stakeholder engagement	Stakeholder Engagement	Page 14

Reporting Practice			
102-45	Entities included in the organisation's consolidated financial statements	About the Zhongxin Group	Page 4 - 5
102-46	Defining report content and topic boundaries	About this Report	Page 6 - 7
102-47	List of material topics	Materiality Assessment	Page 15 - 16
102-48	Restatements of information	None	
102-49	Changes in reporting	None	
102-50	Reporting period	About this Report	Page 6 - 7
102-51	Date of most recent report	27 November 2020	
102-52	Reporting cycle	About this Report	Page 6 - 7
102-53	Contact point for questions regarding the report	About this Report	Page 6 - 7
102-54	Claims of reporting in accordance with GRI Standards	About this Report	Page 6 - 7
102-55	GRI Content Index	GRI Content Index	Page 26 - 27
102-56	External assurance	None	
Management Approach			
103-1	Explanation of the material topic and its boundary	Materiality Assessment	Page 15 - 16
103-2	The management approach and its components	Materiality Assessment	Page 15 - 16
103-3	Evaluation of the management approach	Materiality Assessment	Page 15 - 16
Topic-Specific Standards			
GRI 306: Effluents and Waste			
306-1	Water discharge by quality and destination	Effluents Management	Page 19 - 20
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	Training and Education for Employee	Page 21 - 22
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 23 - 25