



ZHONGXIN

Fruit and Juice Limited

中新果业有限公司

Company Registration No.: 200208395H

20 Sustainability 23 Report



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This Sustainability Report has been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "Sponsor").

This Sustainability Report has not been examined or approved by the Singapore Exchange Securities Trading Limited ("SGX-ST"). The SGX-ST assumes no responsibility for the contents of this Sustainability Report, including the correctness of any of the 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 sixth 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 2023.

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.

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.

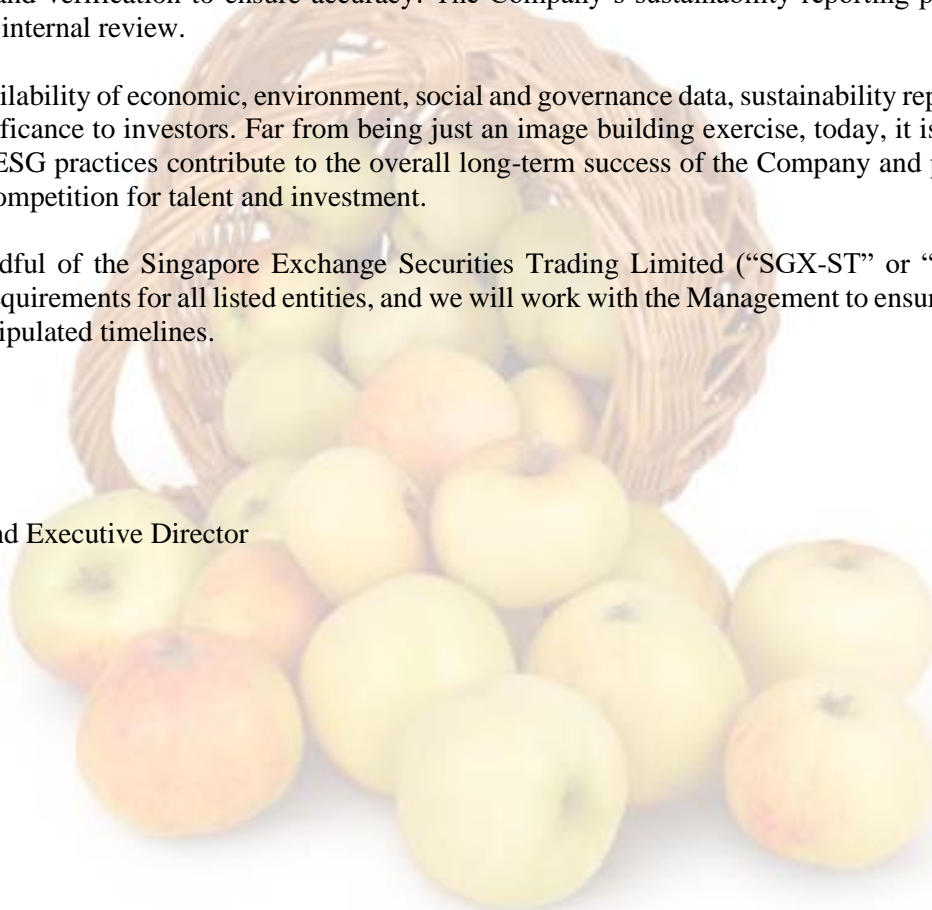
We will continually review our portfolio and challenge ourselves to be the best long-term strategic partner by focusing on the potential of our businesses and aiming to secure sustainable growth. This approach guides our capital allocation strategy as well as our input and contribution to portfolio businesses 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. The EESG data and information provided have been derived from internal data monitoring and verification to ensure accuracy. The Company’s sustainability reporting process have been subjected to internal review.

With the availability of economic, environment, social and governance data, sustainability reporting has gained greater significance to investors. Far from being just an image building exercise, today, it is widely accepted that good EESG practices contribute to the overall long-term success of the Company and play an important part in the competition for talent and investment.

We are mindful of the Singapore Exchange Securities Trading Limited (“SGX-ST” or “SGX”) enhanced disclosure requirements for all listed entities, and we will work with the Management to ensure full compliance within the stipulated timelines.

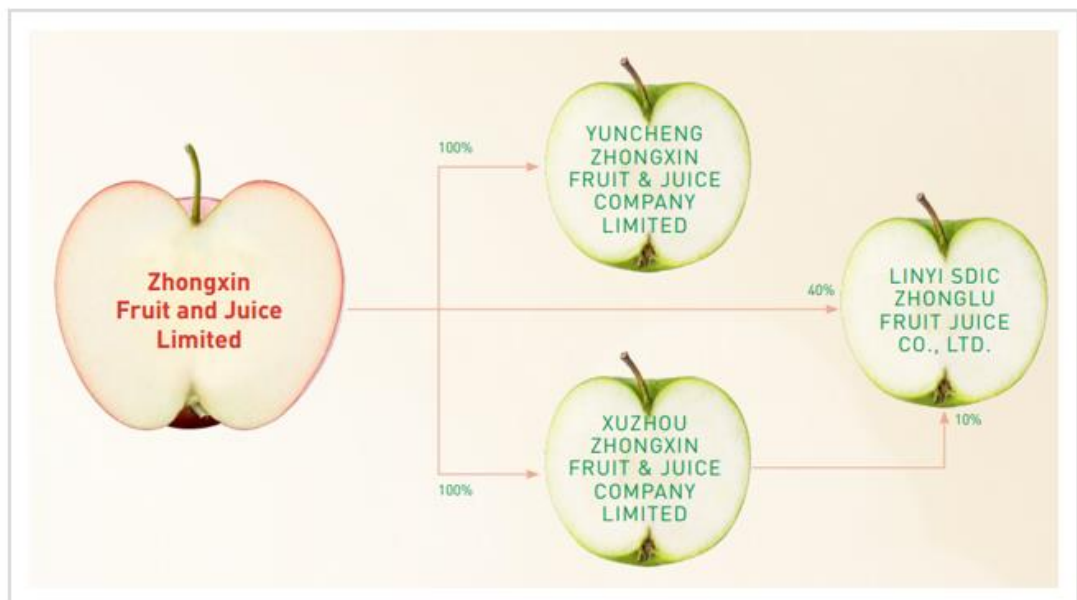
Liu Yu
Chairman and Executive Director



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”).

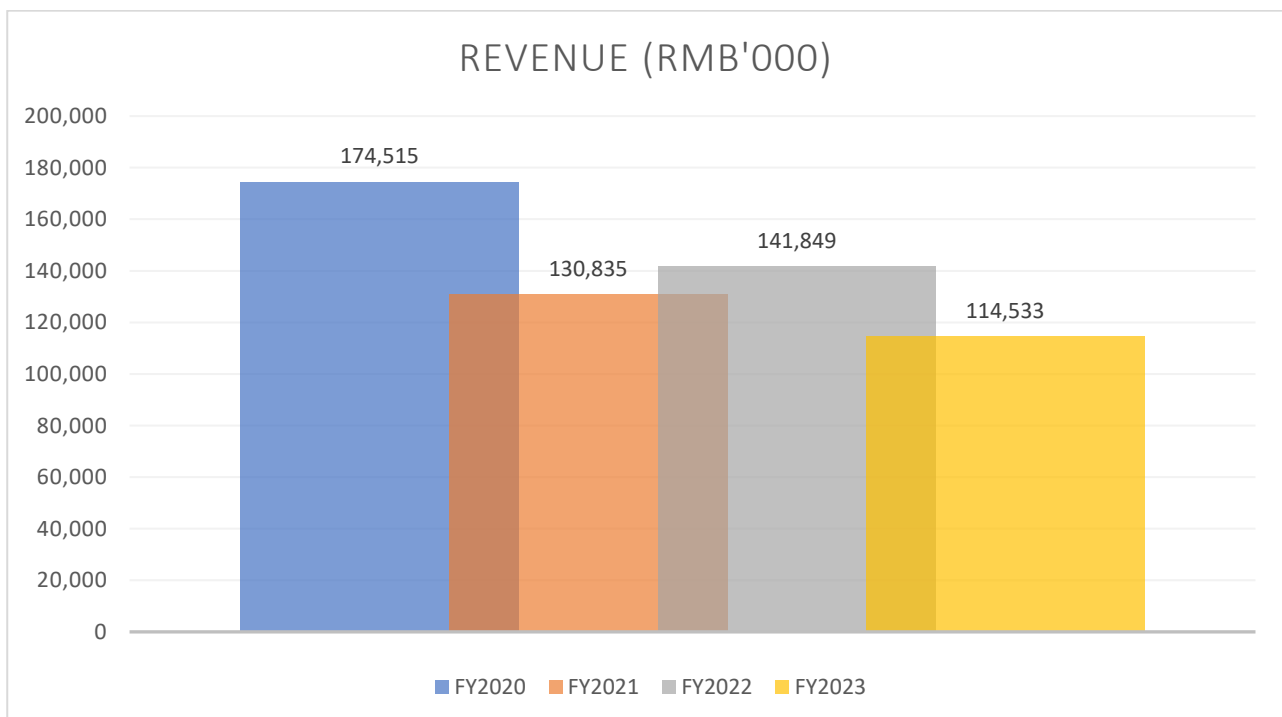
The Company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) with a registered office in Singapore and its main operations are located in the People’s Republic of China (“PRC”).

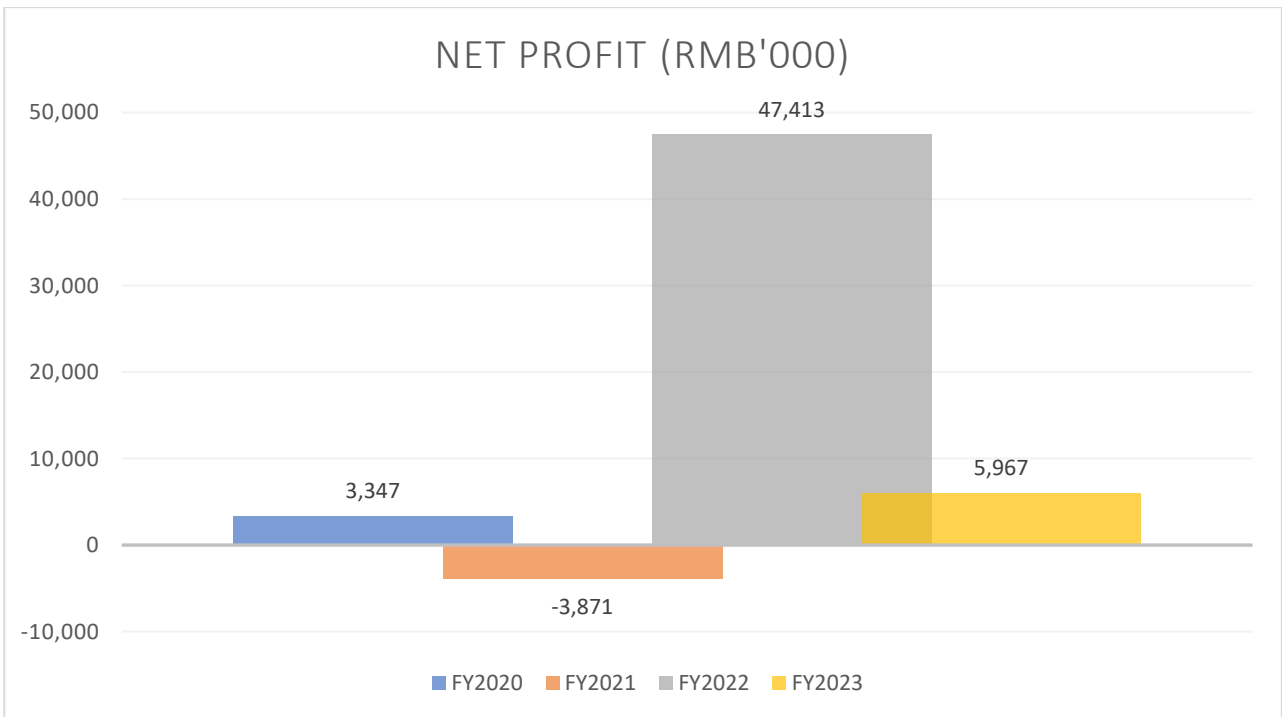
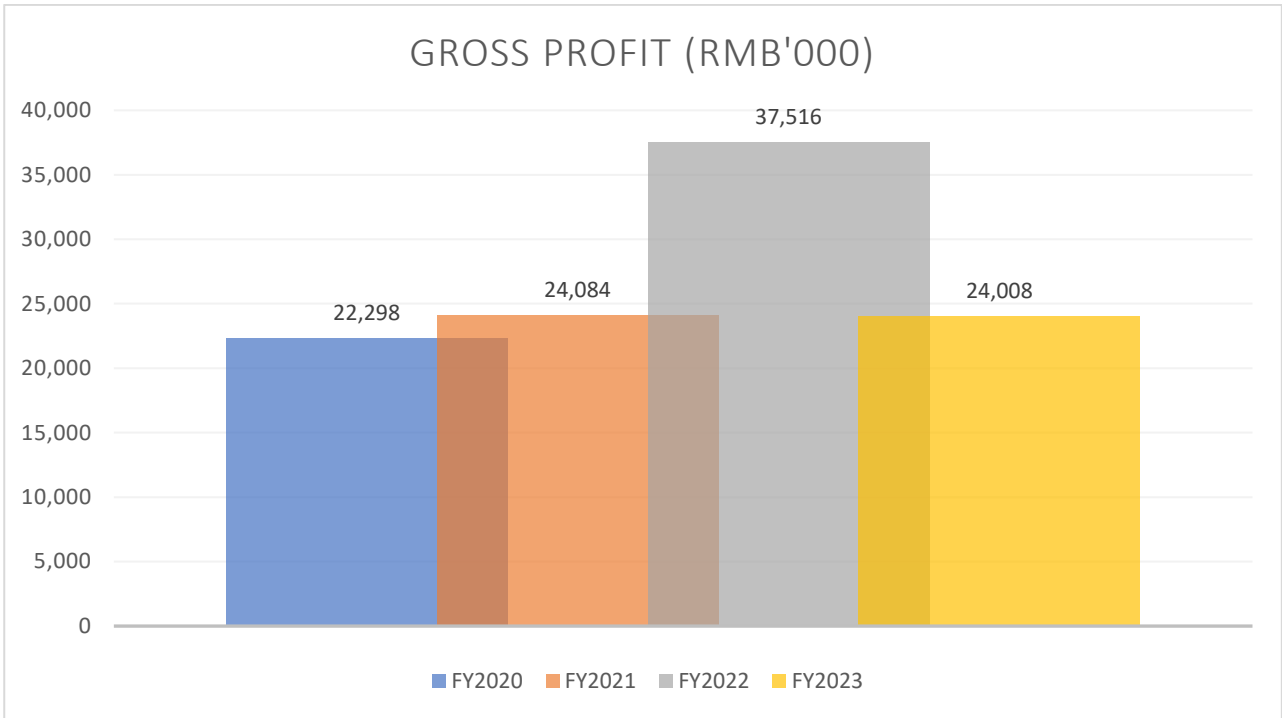
In FY2023, some major apple producing areas in China suffered a heatwave and the harvest of apples was greatly reduced, resulting in a shortage of quality raw materials and higher procurement costs as compared to FY2022. The subsidiary of the Company, Yuncheng Zhongxin, after deliberating on the escalating costs and market situation, took the decision to reduce the level of production in FY2023.

Despite the challenging operating environment and inconsistent global market demand for fruit juices at the outset of the post-COVID-19 pandemic and rising business costs, 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 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 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 Zhongxin Group’s annual report (“Annual Report”) for the financial year ended 30 June 2023 (“FY2023”) and Zhongxin Group’s sustainability report (“Sustainability Report”) for 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 sixth 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 FY2023 which has been prepared with reference to the 2021 Global Reporting Initiative (“GRI”) Sustainability Reporting Standards (“GRI Standards). Zhongxin Group has chosen the GRI Standards as it is a well-known and globally recognised sustainability reporting standard. The GRI Content Index on pages 27 to 28 set out the full list of GRI references and disclosures used in this Report.

We are currently carrying out a preliminary risk assessment of how climate change will affect our operations based on the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”). We will disclose our approach to addressing climate-related risk and opportunities based on TCFD recommendations in FY2024 Sustainability Report. Please refer to the TCFD Index on page 29 for the TCFD recommendations context index.

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 2022 to 30 June 2023 (“FY2023”). It focuses on the business owned by Zhongxin Group, including the subsidiaries. A sustainability report will be published annually thereafter in accordance with our Sustainability Report policy.

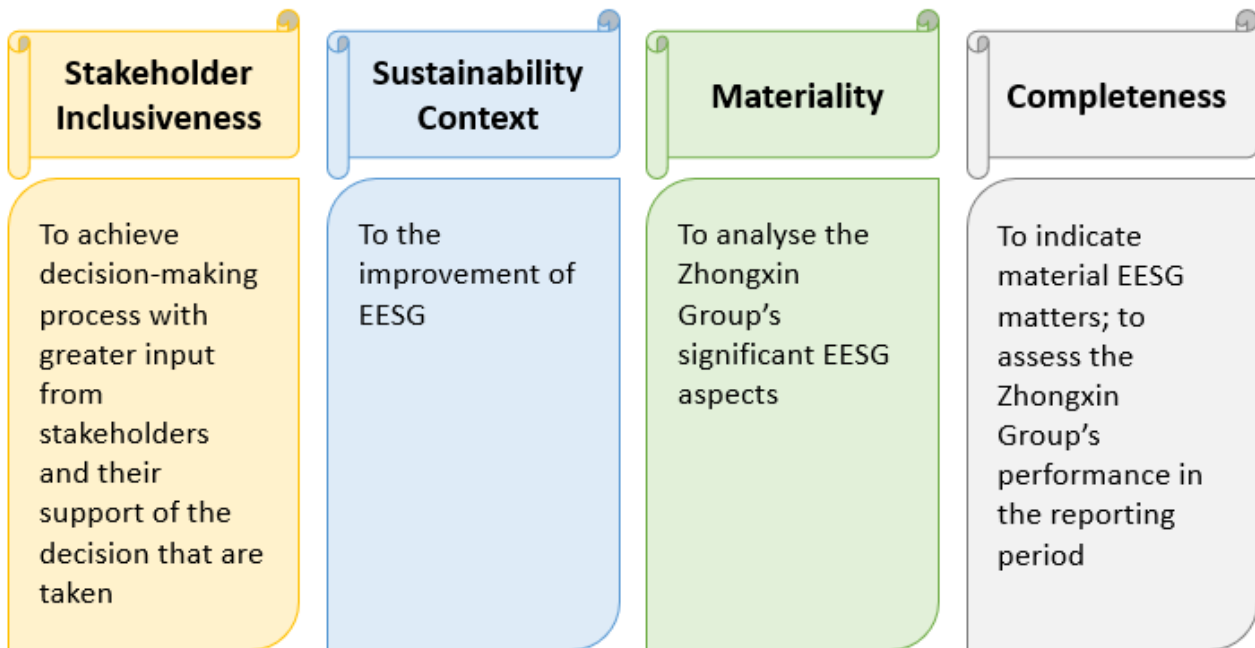
Independent Assurance

We have not obtained any external assurance of the information being reported. The sustainability reporting processes were subjected to internal review. 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 will consider seeking external assurance as our sustainability reporting matures over time if necessary.

Reporting Framework -----

We 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 2023 -----

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@zhongxinfj.com

Phone number: (+65) 6557 2308

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

OPERATION AND FINANCIAL OVERVIEW

Market Overview

The Apple Juice Concentrate market has witnessed steady growth in recent years and is anticipated to maintain this positive progression until 2030. One notable trend within the Apple Juice Concentrate market is the growing preference for sustainable and eco-friendly products. Another significant trend in the Apple Juice Concentrate market is the escalating integration of technology to enhance product quality and efficiency. Cutting-edge technologies like artificial intelligence, machine learning, and blockchain are being leveraged to develop innovative products that outperform traditional alternatives in terms of effectiveness and efficiency.

Overall, the Apple Juice Concentrate market is poised for continued expansion in the coming years due to the increasing demand for sustainable and innovative products, as well as the widespread adoption of technology. By 2030, the global Apple Juice Concentrate market size is projected to reach multimillion figures, displaying an unexpected compound annual growth rate between 2023 and 2030 when compared to the figures observed in 2021.

A significant driver of the apple juice concentrate market is the growing consumer awareness of health and wellness. This heightened consciousness has resulted in a surge in demand for apple juice concentrate products that are perceived as healthier and more natural alternatives. Furthermore, technologies advancements within the apple juice concentrate industry have led to the emergence of more efficient and sustainable production methods, further enhancing market growth.

Furthermore, key players in the industry are making substantial investments, which are anticipated to drive innovation and fuel market expansion. These investments primarily focus on the development of new products and the expansion of distribution networks, which in turn will stimulate future demand.

However, the unpredictable harvesting conditions due to unfavourable weather condition may cause difficulty in sourcing for quality raw materials, resulting in difficulties to meet market demands. Headwinds such as competition, cost pressures brought about by escalating logistic and shipping costs, inflation rising interest rates as well as the evolving geopolitical and trade conflicts will continue to present volatility in the economy and drive operating costs higher.

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 FY2023 are as follow:

No.	Area	Variance Analysis
1.	Revenue	- The Group recorded lower revenue of RMB114.5 million in FY2023, representing a decrease of RMB27.3 million or 19% from the revenue of RMB141.8 million in FY2022. This was mainly due to lower sales volume in FY2023, attributed to the decreased production volume as a result of shortage of raw materials. However, the impact to the Group's revenue arising from lower sales volume was partially offset by an increase in the average selling price. The average selling price of concentrated fruit juices increased by approximately 48% in FY2023 as compared to FY2022 due to higher raw material costs.

No.	Area	Variance Analysis
2.	Gross profit	<ul style="list-style-type: none"> - In tandem with the lower revenue, gross profit decreased from RMB37.5 million in FY2022 to RMB24.0 million in FY2023. The higher costs of sale contributed by higher cost of raw materials outweighed the increase in average selling price of the concentrated fruit juices resulted in the Group recorded a lower gross profit margin of 21% in FY2023 as compared to 26% in FY2022.
3.	Other income	<ul style="list-style-type: none"> - The other income in FY2023 was mainly contributed by interest income. The Group reported lower amount of other income in FY2023 as compared to FY2022 mainly due to the receipt of settlement payment of RMB27.5 million from the ultimate beneficial controlling shareholder of Sanmenxia Tianyu Investment Co., Ltd (“Purchaser”) in relation to a successful indemnity claim as disclosed in the announcement released by the Company on 15 October 2021. Such income was recorded in FY2022.
4.	Expenses	<ul style="list-style-type: none"> - The decrease in distribution expenses was mainly due to the following: <ul style="list-style-type: none"> (a) Lower transportation costs by approximately RMB3.5 million following the decrease in the volume of sales in the financial year; and (b) Lower warehousing costs by approximately RMB0.9 million following the decrease in the level of production in the financial year. - The increase in administrative expenses was mainly due to the legal fees of RMB1.4 million incurred by Xuzhou Zhongxin in FY2023. This was in relation to the professional fees payable to the appointed legal firm for their assistance in the recovery of the settlement payment of RMB27.5 million. - The decrease in finance costs was mainly due to lower interest paid by Xuzhou Zhongxin with respect to the lower level of average loans and advances made by the Group’s immediate holding company, SDICZL in FY2023 to Xuzhou Zhongxin to finance its working capital requirements.
5.	Share of (loss)/profit from equity-accounted joint venture	<ul style="list-style-type: none"> - In FY2023, the Group shared the loss from its equity-accounted joint venture, Linyi SDIC Zhonglu Fruit Juice Co., Ltd (“Linyi SDIC”) of approximately RMB1.6 million as compared to the share of profit of approximately RMB3.4 million in FY2022. This was mainly due to the lower revenue and gross profit recorded due to lower sales volume in FY2023 attributed to the decreased production volume in Linyi SDIC due to the shortage of raw materials as a result of the heatwave suffered in some major apple producing areas in China.
6.	Profit for the financial year	<ul style="list-style-type: none"> - Due to the reasons explained above, the Group recorded lower profit after taxation of RMB6.0 million in FY2023 as compared to RMB47.4 million in FY2022.

The variance analysis on the items in the **statement of financial position** as at 30 June 2023 are as follow:

NON-CURRENT ASSETS

No.	Area	Variance Analysis
1.	Investment in Joint Venture	- Investment in joint venture decreased by approximately RMB1.6 million due to a lower carrying amount of the investment in Linyi SDIC following the share of loss in FY2023.
2.	Property, plant and equipment (“PPE”)	- PPE decreased by approximately RMB3.6 million mainly due to depreciation charges of RMB4.5 million, offset by addition of PPE of RMB0.9 million. - Included in the depreciation charges in FY2023 was an amount of RMB3.4 million (FY2022: RMB3.7 million) that was absorbed into inventories costing while the remaining amount of RMB 1.1 million (FY2022: RMB1.0 million) was charged to distribution and administrative expenses.

CURRENT ASSETS

No.	Area	Variance Analysis
1.	Cash and cash equivalents	- Cash and cash equivalents increased by approximately RMB10.9 million as explained under the statement of cash flows below.
2.	Notes receivables	- The notes receivables of RMB24.8 million as at 30 June 2023 were related to the promissory notes issued by SDICZL in favour of the Group as consideration for trade purchases and the partial settlement of trade receivables owing by SDICZL to the Group. In turn, the Group has endorsed these promissory notes in favour of financial institutions to obtain working capital financing for the Group.
3.	Trade receivables	- Trade receivables decreased by approximately RMB2.5 million due to the decrease in trade amount owing by SDICZL through the issuance of the promissory notes for the partial settlement.
4.	Other receivables	- Other receivables decreased by approximately RMB0.4 million mainly attributable to the decrease in natural gas supply’s security deposit.
5.	Prepayments	- Prepayments increased by approximately RMB0.7 million mainly due to higher prepaid expenses made to suppliers as at 30 June 2023 in preparation for the annual fruit juice production cycle of the Group that commences in June 2023.
6.	Inventories	- Inventories increased by approximately RMB11.0 million due to lower level of sales activities in FY2023, and the Group carried higher level of finished goods as at 30 June 2023 as compared to 30 June 2022.

CURRENT LIABILITIES

No.	Area	Variance Analysis
1.	Trade and other payables	- Trade and other payables increased by approximately RMB3.4 million mainly due to the advances from a customer of RMB3.5 million received by Yuncheng Zhongxin as deposit for the sales of fruit juice.
2.	Payable to immediate holding company	- Payable to immediate holding company increased by approximately RMB5.2 million mainly due to advances received for the funding of the Group's working capital in the financial year.
3.	Borrowings	- The borrowings outstanding as at 30 June 2022 had matured and fully settled in the financial year. - The borrowings of RMB34.4 million as at 30 June 2023 were in relation to the following: (a) Trade financing of approximately RMB24.7 million obtained by Yuncheng Zhongxin, secured by the endorsement of the notes receivables from SDICZL in favour of Yuncheng Zhongxin. The trade financing was obtained from financial institutions to support the Group's working capital requirements. The proceeds were primarily utilised for the purchase of raw materials; and (b) Short-term bank loans of approximately RMB9.7 million obtained by Yuncheng Zhongxin from a financial institution for working capital purpose.

The analysis of the **statement of cash flows** for FY2023 are as follow:

1. Net cash used in operating activities of RMB14.7 million in FY2023 was mainly due to the positive cash flows before working capital changes and the changes in working capital outflow largely from the increase in inventories and notes receivables, offset by the decrease in receivable from immediate holding company and increase in trade and other payables;
2. Net cash used in investing activities of RMB0.8 million in FY2023 was mainly attributable to additions of PPE; and
3. Net cash generated from financing activities of RMB26.5 million in FY2023 was mainly due to drawdown of borrowings.

We target to attain sustainable economic growth annually.



OUR PEOPLE

As a business that is focused 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.

Diversity and Equal Opportunities



A diverse workforce is an asset in today's ever-changing global marketplace. The Zhongxin Group cultivate an inclusive culture where employees with wide-ranging backgrounds and qualities are highly motivated, engaged and connected. The Zhongxin Group continues to remain committed to upholding to fairness and equitable treatment of all candidates in our recruitment and selection process. 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

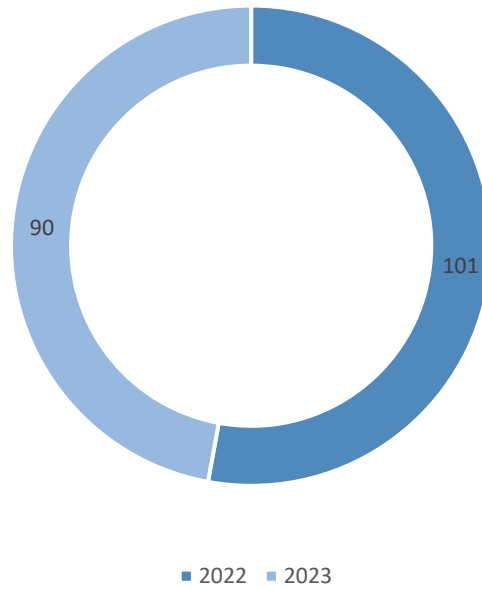
effectively and efficiently fulfil the role. All employment decisions will conform to the principle of equal opportunity by imposing only the valid requirements of the position on the candidate under consideration. There were no records of discrimination based on race, age, gender, religion, ethnicity and nationality in FY2023. We intend to maintain this target for FY2024.

From FY2022 to FY2023, our male employee numbers decreased from 56 to 51 while the number of female employees we engaged decreased from 45 to 39. One of the targets set for FY2023 was to reduce employee turnover. The rise in the turnover was primarily due to retirements and voluntary resignations among employees. Nevertheless, the core workforce within Zhongxin Group remains unchanged.

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

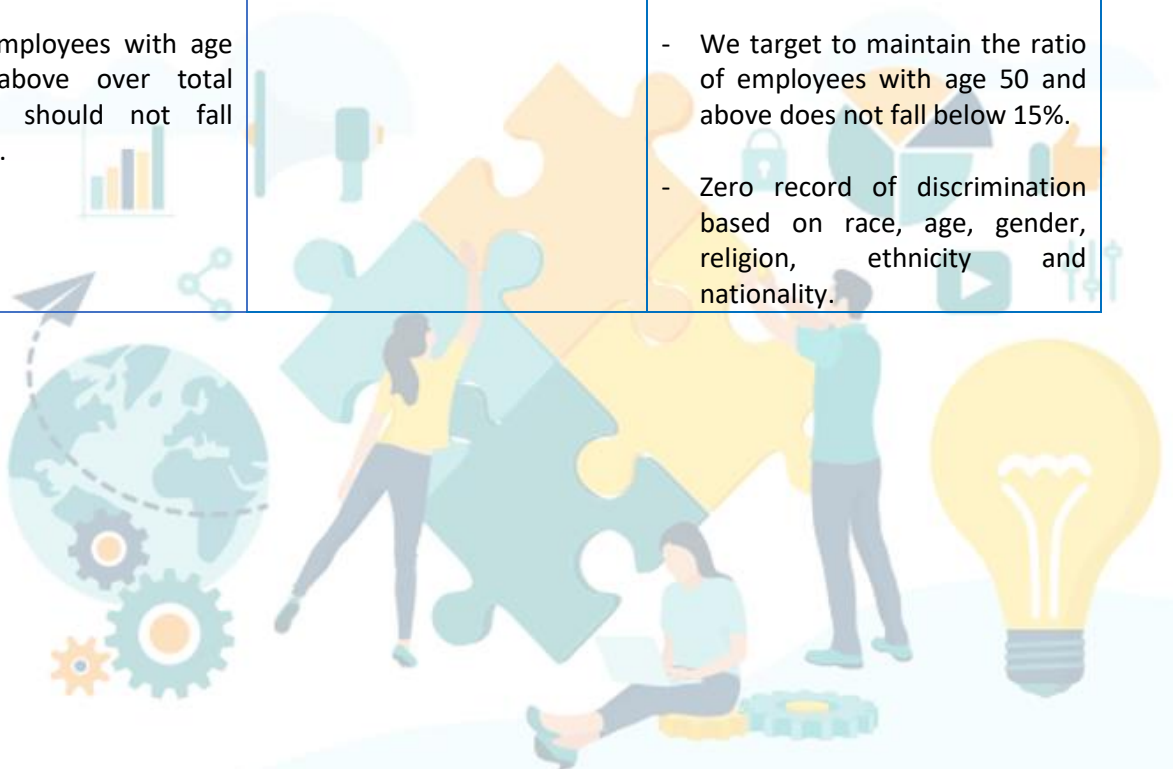
Company's Name	Number of Employees			
	Gender			
	Male		Female	
	2022	2023	2022	2023
Yuncheng Zhongxin	49	46	35	31
Xuzhou Zhongxin	5	5	8	8
The Company	2	-	2	-
Total	56	51	45	39

Total Number of Employees in 2022 and 2023



Age Range	Number of Employees			
	2022		2023	
	Number	Rate	Number	Rate
18 – 30	7	7%	5	6%
31 – 40	37	37%	29	32%
41 – 50	39	39%	40	44%
Over 50	18	18%	16	18%
Total	101	100%	90	100%

Target for FY2023	Performance in FY2023	Target for FY2024
<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%. 	<p>We have achieved this target for FY2023.</p>	<ul style="list-style-type: none"> - We target to maintain the ratio of female employees does not fall below 40%. - We target to maintain the ratio of employees with age 50 and above does not fall below 15%. - Zero record of discrimination based on race, age, gender, religion, ethnicity and nationality.



GOVERNANCE STRUCTURE

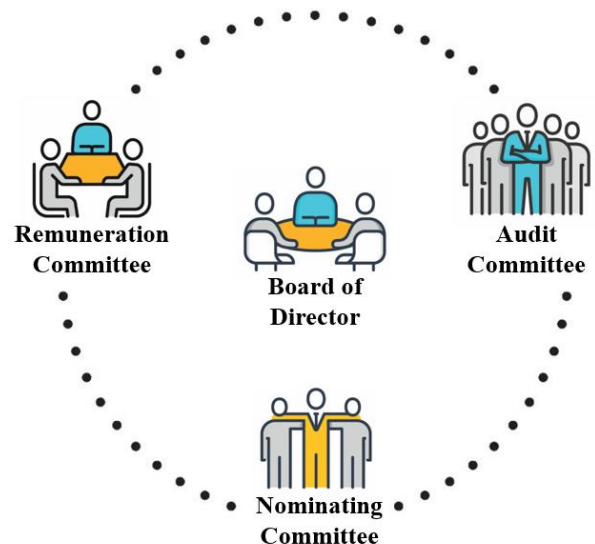
We believe that good corporate governance is the cornerstone of our business. Our governance structure complies with applicable laws and regulations throughout our operations. Our business is conducted with professional and transparent management, supported by committees, governance forums, and a clear 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 identify, prioritise, validate and review key risks (including climate-related risks) and the associated key controls within the Group.

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

The Board of Director 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's principal roles include promoting long-term shareholder value, setting the strategic direction and establishing goals for the management team of the Company and its subsidiaries as well as ensuring proper observance of corporate governance practices, which includes setting of code of conduct and ethics, appropriate tone and desired organisational culture, and ensuring proper accountability within the Zhongxin Group. In this regard, the Board oversees the business affairs of the Group and works with Management to achieve these goals for the Group. The Board also considered sustainability issues in the issuer's business strategy, determined the material sustainability factors and oversee the management and monitoring of the material sustainability factors.

The Board has put in place policies and procedures for dealing with conflicts of interest. Where the Director faces a conflict of interest, he or she would recuse himself or herself from discussions and decisions involving the issues of conflict. All Directors objectively discharge their duties and responsibilities as fiduciaries and take decisions in the best interest of the Group at all times.

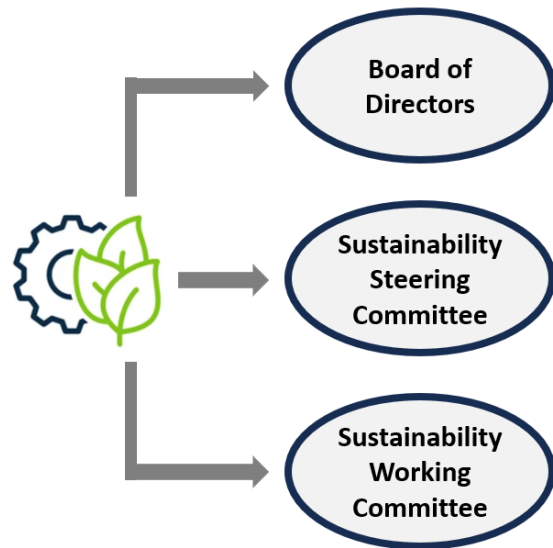


The Board of Directors is well versed in the businesses and is capable of supervising important managerial judgments related to business execution, with the aim of enhancing the sustainable growth and mid to long term corporate value of the Zhongxin Group. Career diversity in field of expertise and business 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

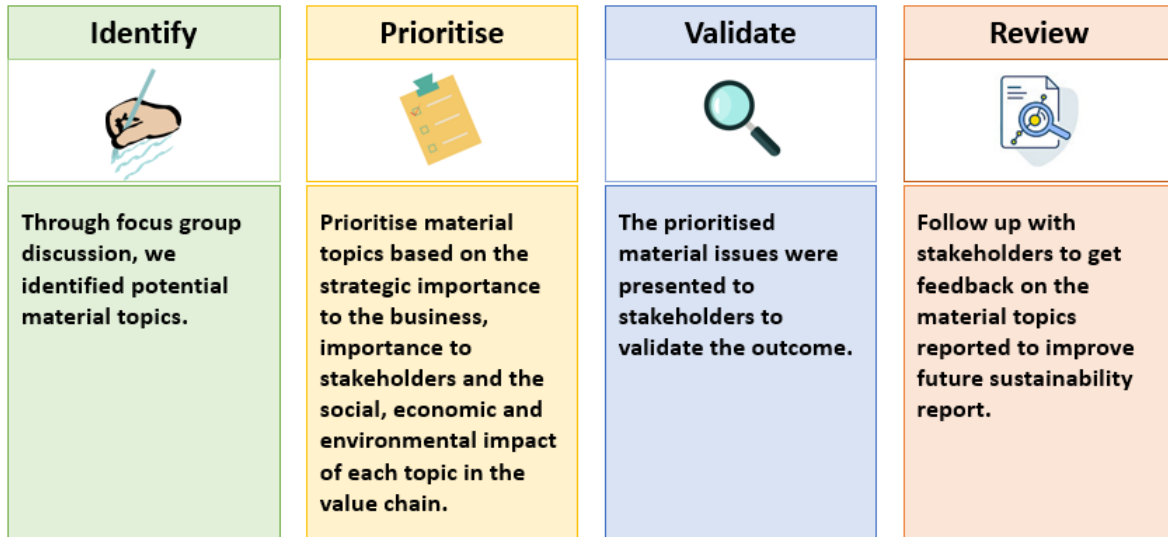
The Zhongxin Group recognises the importance of engaging our stakeholders to encourage open communications and build relationships. Stakeholders include any individual or group who are impacted by or interested in our activities.

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.

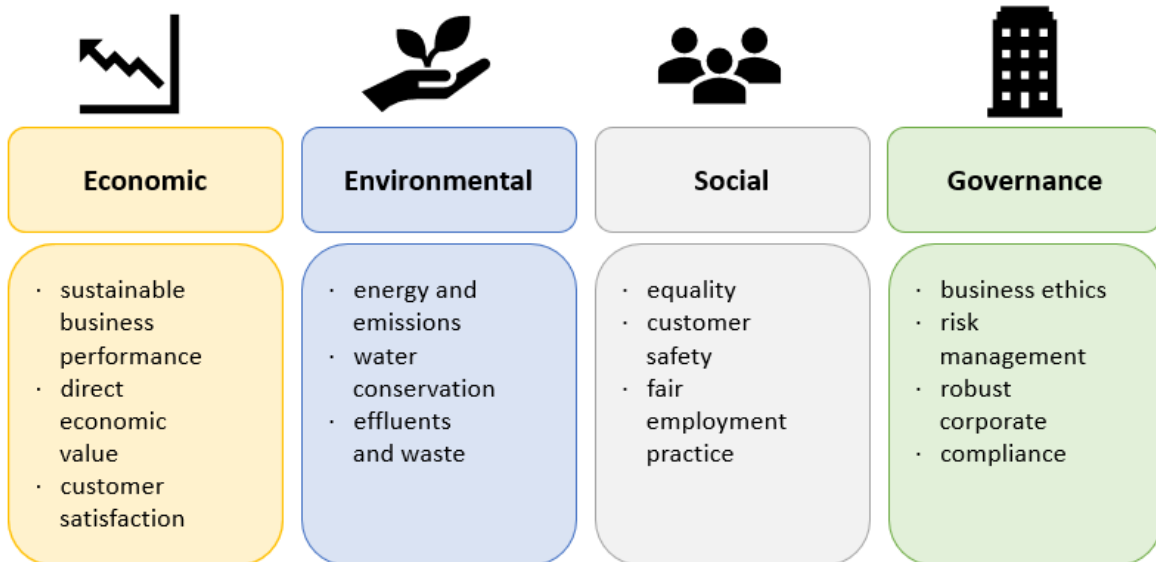
Key Stakeholder Groups		Stakeholders' Expectations/ Concerns	Engagement Platforms
Internal stakeholders	Managers and Employees	<ul style="list-style-type: none"> ● Pleasant and safe working environment ● Competitive remuneration and incentives ● Training and education opportunities ● Career growth 	<ul style="list-style-type: none"> ● Regular internal communications through meetings ● Employee feedback ● Corporate activities ● Employee caring sessions
External stakeholders	Supplier and Farmers	<ul style="list-style-type: none"> ● Local communities ● Anti-corruption ● Occupational health and safety ● Competitive pricing 	<ul style="list-style-type: none"> ● Direct communications ● Reasonable selling prices ● Strong cooperation
	Investors and Shareholders	<ul style="list-style-type: none"> ● Transparency and corporate governance ● Profitability and sustainability ● Market presence ● Better financial returns ● Industry conditions and prospects 	<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"> ● Socioeconomic compliance ● Environmental compliance ● Food safety compliance ● Regulatory compliance 	<ul style="list-style-type: none"> ● Discussions ● Compliance with rules and regulations ● Opportunities for business ● Site visits

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 were still relevant to Zhongxin Group. 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 FY2023. 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.

Significant trends and competitive conditions

While the Zhongxin Group continued to be profitable in FY2023, sustaining the performance of the business remains challenging in the mid to long term. The market demand fluctuates and the harvesting conditions are unpredictable. The unpredictable harvesting conditions due to impact from the unfavourable weather condition 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. Headwinds such as competition, cost pressures brought about by escalating logistic and shipping costs, inflation, rising interest rates as well as the evolving geopolitical and trade conflicts will continue to present volatility in the economy and drive operating costs higher.

The intensifying risks of recession together with all the above 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 optimisation 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 pursue on these initiatives. This includes looking into increasing its investment in environmental treatment facilities and stepping up efforts on environmental governance in accordance with relevant national environment protection policies. These efforts will not only ensure the Zhongxin Group's continued sustainable development but also will be able to enhance the Zhongxin Group's brand reputation and competitiveness, demonstrating a commitment to social responsibility.



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.

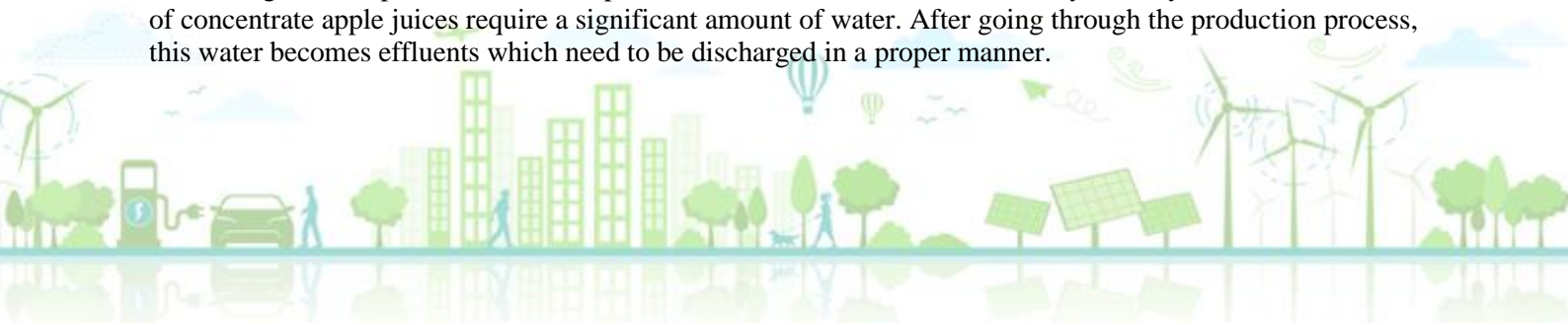
In order to have a systematic process for managing effluent and cost control, the Zhongxin Group has been implementing some measures on wastewater management as follow:

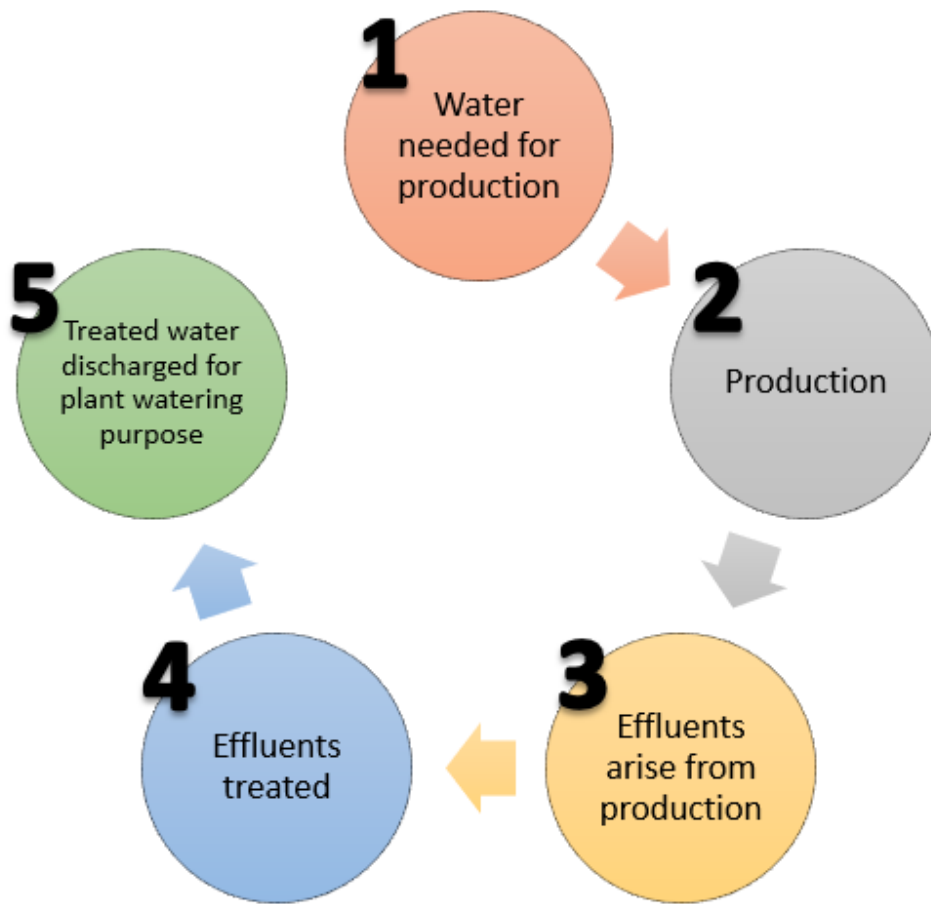
- monitor the maintenance of sewage equipment and cultivation of sludge are function well before the pressing season;
- supervise and inspect the operation of equipment and the addition of auxiliary materials during the pressing season;
- promote sewage heating transformation; and
- promote the accurate 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 Zhongxin Group is committed to operate the business in an environmentally friendly manner. Production of concentrate apple juices require a significant amount of water. After going through the production process, this water becomes effluents which need to be discharged in a proper manner.





The total volume of water used for production, effluents arising from production and effluents treated yearly for FY2022 and FY2023 as table below:

	Water needed for Production		Effluents arising from Production		Effluents Treated	
2022	30,000	cubic meters	54,750	cubic meters	54,750	cubic meters
2023	52,034	cubic meters	101,427	cubic meters	101,427	cubic meters

The effluents collected were approximately 101,427 cubic meters per year during the FY2023 production season.

We are aware of our responsibility towards the environment and addressing climate-related risks given that climate change continues to be one of the most pressing global issues. 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.

The water management procedures remained consistent in FY2023. Zhongxin Group is currently in ongoing discussions regarding potential changes to its water management procedures. No new water management procedures have been implemented thus far, primarily due to lack of expertise in this field.

One of the targets set for FY2023 was to maintain or reduce water consumption, which Zhongxin Group failed to meet. This situation arose primarily due to Zhongxin Group implementing series of measures aimed at enhancing production quality. These measures encompassed the increased utilisation of water for purposes such as rinsing, cleaning and processing the raw materials. The intention behind this heightened water usage was to ensure that the final product adhered to rigorous quality standards.

TRAINING AND EDUCATION FOR EMPLOYEE



Our employees are the lifeline of the Zhongxin Group and it is essential to continue our practice in enhancing the value of our employees who contribute to the success of the businesses.

Every employee in the Zhongxin Group is given the opportunity to upgrade and improve their skills and knowledge through formal and on-the-job training programmes. Training programmes are selected according to the role and responsibilities of the employees. The Zhongxin Group will continue to look into ways to enable our employees to grow with the Group.

The training programmes content for FY2023 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. Food Safety Law (2021 Amendment), HACCP System Upgrade (V1.0), General Principles of Food Hygiene (CXC1-1969) 2020 Edition, Critical Control Points;
4. Food safety system (FSSC22000, HACCP system, combined with the company's system documents) and product quality management requirements training, Halal and Kosher knowledge training, allergens, food fraud and food protection related knowledge;
5. Fire safety training, examinations, firefighting, electric shock first aid and other emergency drills (safety standardized training);
6. Safety Standardized Training; and
7. Internal safety production responsibility system of each department, accurate safety training for each department and position, internal operating procedures and systems of the department, third-level document training and 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. Zhongxin Group will continue to conduct interactive meetings for employees as a platform for feedbacks. In FY2023, the average number of training courses attended per employee is 30 which is 60 minutes per course. In the next financial year ending 30 June 2024 ("FY2024"), our target is to maintain or improve training hours for employees.



QUALITY AND SAFETY ON CONCENTRATED JUICE

Beverage handling is important because unsafe beverage handling can lead to outbreaks of foodborne illnesses. As a possible threat to public health and safety, beverage handling is closely monitored by government agencies across the world. On the other hand, safe beverage handling practices may actively gain the trust of customers.

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.

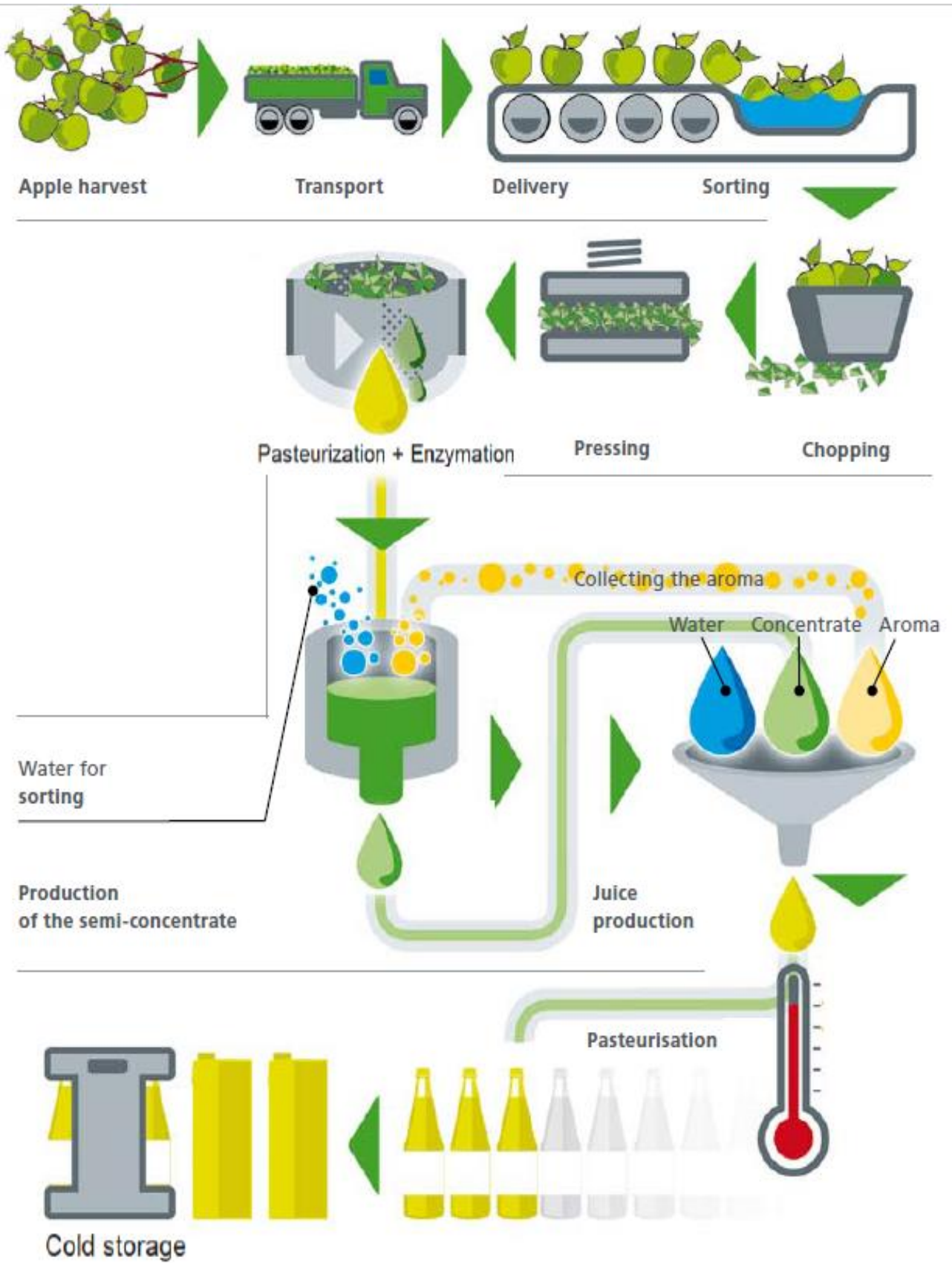
The Zhongxin Group has built the certification programs around FSSC22000 too, which includes an interactive communication strategy between upstream and downstream industry players and a comprehensive system for management. Furthermore, the norm encompasses a model for how to implement a customised HACCP 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 principles of a safe beverage supply chain 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.
5. **Precautionary principle** – to take precautionary measures and will be reviewed on an ongoing basis as scientific data becomes available.
6. **Separation of risk assessment and risk management** – due to possible conflicts of interest, a clear distinction is made between those responsible for scientific risk assessment and those responsible for risk management.

In FY2023, 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. There were no work-related injuries or illness reported in FY2023.

Flow Chart Apple Juice Concentrate



FOCUS AND TARGETS

Focus Area	Targets for FY2024
ECONOMIC	
Economic Performance	Continuously strive for excellence in our performance.
ENVIRONMENTAL	
Environment Compliance	Zero incident of non-compliance and penalties pertaining to environmental-related issues.
Water Management	Improve wastewater treatment process. Maintain or reduce water consumption. Minimise the amount of waste generated in operations.
Energy Efficiency	Reduce energy consumption and to use more renewable source of electricity to reduce carbon footprint.
SOCIAL	
Employment	Maintain the ratio for male and female. Maintain the ratio based on age. Maintain zero record of discrimination based on race, age, gender, religion, ethnicity and nationality.
Training & Education	Maintain or improve training hours for employee.
Occupational Health and Safety	Maintain zero work-related injuries and illness.
Socio-economic Compliance	No incidents of non-compliance with relevant socio-economic laws and regulations.
GOVERNANCE	
Anti-Corruption	Maintain zero incidents of fraud and corruption. Maintain zero incidents of non-compliance with relevant anti-corruption laws and regulations.

In FY2023, all set targets have been successfully met, with the exceptions of water management and employee turnover, as explained earlier.

GRI CONTENT INDEX

GRI Standard	Disclosure		Section	Page Reference
GRI 1: Foundation 2021				
GRI 2: General Disclosures 2021	2-1	Organisational details	About the Zhongxin Group	SR 4 – 6
	2-2	Entities included in the organisation's sustainability reporting	About the Zhongxin Group	SR 4 – 6
	2-3	Reporting period, frequency and contact point	About This Report	SR 7 – 8
	2-4	Restatements of information	None	
	2-5	External assurance	About This Report (This report was subjected to internal review)	SR 7 – 8
	2-6	Activities, value chain and other business relationships	About the Zhongxin Group	SR 4 – 6
	2-7	Employees	Our People	SR 13 – 14
	2-8	Workers who are not employees	None	
	2-9	Governance structure and composition	Governance Structure	SR 15 – 16
	2-10	Nomination and selection of the highest governance body	Governance Structure	SR 15 – 16
	2-11	Chair of the highest governance body	Governance Structure	SR 15 – 16
	2-12	Role of the highest governance body in overseeing the management of impacts	Governance Structure	SR 15 – 16
	2-13	Delegation of responsibility for managing impacts	Governance Structure	SR 15 – 16
	2-14	Role of the highest governance body in sustainability reporting	Governance Structure	SR 15 – 16
	2-15	Conflicts of interest	Governance Structure	SR 15 – 16
	2-16	Communication of critical concerns	Governance Structure	SR 15 – 16
	2-17	Collective knowledge of the highest governance body	Governance Structure	SR 15 – 16
	2-18	Evaluation of the performance of the highest governance body	Governance Structure	SR 15 – 16
	2-19	Remuneration policies	Corporate Governance Report	AR 19 – 21
	2-20	Process to determine remuneration	Corporate Governance Report	AR 19 – 21
	2-21	Annual total compensation ratio	Information is not provided due to confidentiality constraints	
	2-22	Statement on sustainable development strategy	Board Statement	SR 3
	2-23	Policy commitments	Governance Structure	SR 15 – 16
	2-24	Embedding policy commitments	Governance Structure	SR 15 – 16
	2-25	Processes to remediate negative impacts	Governance Structure	SR 15 – 16
	2-26	Mechanisms for seeking advice and raising concerns	About This Report	SR 7 – 8

GRI Standard	Disclosure		Section	Page Reference
	2-27	Compliance with laws and regulations	Governance Structure	SR 15 – 16
	2-28	Membership associations	None	
	2-29	Approach to stakeholder engagement	Stakeholder Engagement	SR 17
	2-30	Collective bargaining agreements	Stakeholder Engagement	SR 17
GRI 3: Material Topics 2021	3-1	Process to determine material topics	Materiality Assessment	SR 18 – 19
	3-2	List of material topics	Materiality Assessment	SR 18 – 19
	3-3	Management of material topics	Materiality Assessment	SR 18 – 19
GRI 306: Effluents and Waste	306-1	Waste generation and significant waste-related impacts	Effluents Management	SR 20 – 22
GRI 404: Training and Education	404-1	Average hours of training per year per employee	Training and Education for employee	SR 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	SR 24 – 25

TCFD INDEX

TCFD Thematic's Areas	Recommended Disclosures	Page Reference and Remarks
Governance Disclose the organization's governance around climate-related risks and opportunities	a) Describe the board's oversight of climate related risks and opportunities	Page 3 & 15
	b) Describe management's role in assessing and managing climate-related risks and opportunities	Page 15
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term	We are carrying out a preliminary risk assessment of how climate change will affect our operations. When more information is available, we will present our strategies and plans in our future reports.
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	
Risk Management Disclose how the organization identifies, assesses, and manages climate-related risks	a) Describe the organization's processes for identifying and assessing climate-related risks.	We are carrying out a preliminary risk assessment of how climate change will affect our operations. When more information is available, we will present our risk management around climate-related risks and opportunities.
	b) Describe the organization's processes for managing climate-related risks	
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	
Metrics and Targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	We are carrying out a preliminary risk assessment of how climate change will affect our operations. When more information is available, we will present our metrics and targets used to assess and manage relevant climate-related risks and opportunities.
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	

