



Lanzhou Zhuangyuan Pasture Co., Ltd.*
蘭州莊園牧場股份有限公司

(於中華人民共和國註冊成立之股份有限公司)

(a joint stock limited liability company incorporated in the People's Republic of China)

股份代號: 01533.HK 002910.SZ

Stock Code: 01533.HK 002910.SZ

蘭州莊園牧場股份有限公司 環境、社會及管治報告

Lanzhou Zhuangyuan Pasture Co., Ltd.
2020 Environmental, Social and Governance Report



2020



Environmental, Social and Governance Report

ABOUT THIS REPORT

The Environmental, Social and Governance (“**ESG**”) Report (“**Report**”) of the Group has made reference to the ESG Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**HKEx Appendix 27 ESG Reporting Guide**”), and the Group compiled the report content in accordance with the principles of materiality, quantitative, balance and consistency.

The scope of this report is based on the Group’s major operations, which covers both dairy farming business and dairy product production business, unless specifically stated otherwise. There were no significant changes observed in the Group’s operating locations, the suppliers’ location and supply chain structure in the financial year ended 31 December 2020 (“year” or “reporting period”).

REPORTING PERIOD AND SCOPE

The statistics, figures and information cited in this Report are referenced from the archived questionnaires, records and research of the Group. This Report highlights Group’s sustainability efforts in environmental and social aspects.

Reporting period: 1 January 2020 to 31 December 2020, the financial period of our Annual Report 2020.

Organisations covered: the Group and its subsidiaries.

The reporting boundaries are determined by whether the subsidiaries are contributing to the operating business of the Group. In 2020, all subsidiaries and business entities of the Group are included in the ESG Report.

REFERENCE GUIDELINES

HKEx Appendix 27 ESG Reporting Guide

CONTACT

Should you have any enquiries or feedback on this Report, please feel free to contact us via the following methods:

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CHAIRMAN'S MESSAGE

Due to the outbreak of COVID-19 in 2020, the society has experienced a severe change. It has also created challenges for our production operation. We are highly aware that it is our responsibility to strike a balance between maintaining the business operation and providing a safe working environment for our staffs.

The Group has paid great efforts in identifying ESG issues that are related to our business. In this year, from stakeholders' perspective, we have conducted materiality assessment to identify the issues. This could help us to cultivate better awareness of the key ESG issues that we have to work on in the future. The Board is fully aware of and responsible to oversee all of the material ESG issues of the Group. In order to achieve it, we have established an ESG team which is responsible to oversee, review and evaluate the Group's sustainability performance. The committee conducts meeting with the Board at least two times a year to ensure the Group's ESG management strategy are in-place.

The Group aims at ensuring the business succeeds, and meanwhile allocating more resources into sustainable development. We certainly believe developing our business with ESG as one of the top priorities would bring long term value to us.

I would also like to take this opportunity to express my appreciation to our staff last year for their contributions made to the company in order to achieve outstanding business performance.

Hongfu Ma

Executive Chairman of the Board, General Manager

21 April 2021

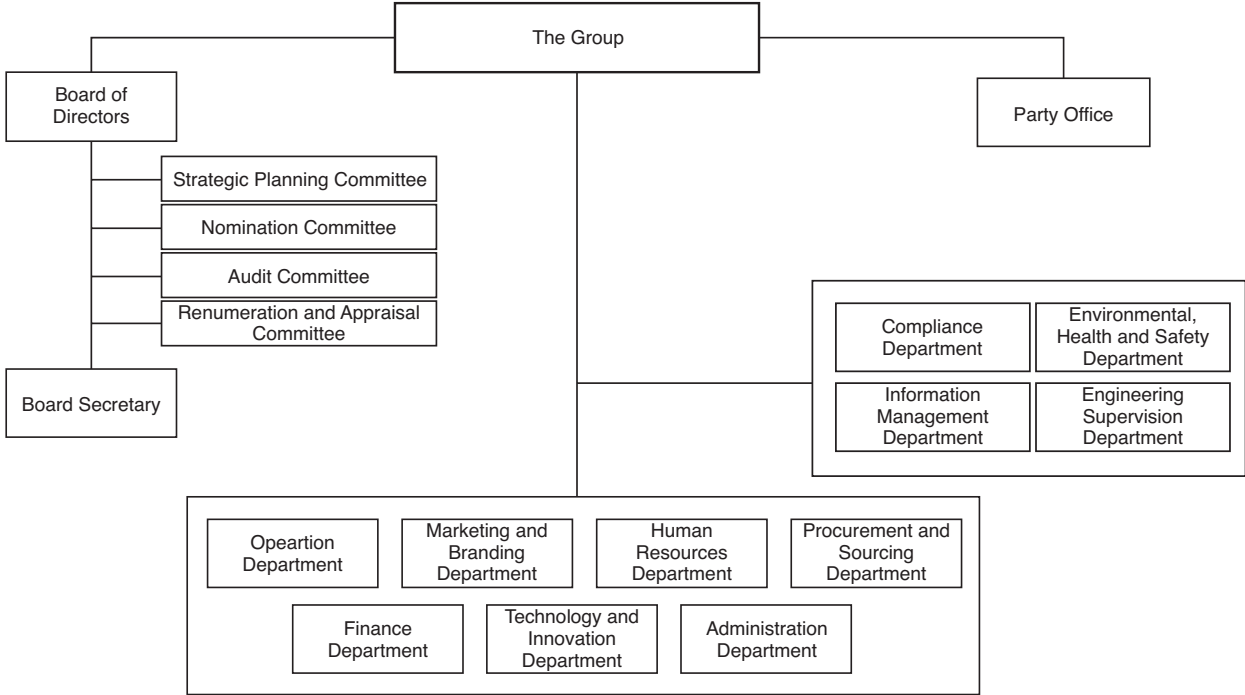


Environmental, Social and Governance Report

CORE VALUES/MANAGEMENT PRINCIPLES

As a dairy products production company, we are obliged to be a socially responsible corporate entity. The Group has established a clear and prioritised ESG approach which is fully aligned to the Group’s overall business strategy. The ESG team is established to oversee the Group’s ESG policy and guideline, and responsible to allocate suitable resources on different ESG activities within the Group.

MANAGEMENT STRUCTURE



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STAKEHOLDER IDENTIFICATION AND COMMUNICATION

To further improve the sustainable development strategy, stakeholders' opinions would be highly valuable. The Group has invited our suppliers, employees, customers and other stakeholders to comment on our approach to various issues, and ways to further improve the internal control system, corporate governance structure and formulate longer-term policies. The following table sets forth the key methods for communicating with internal and external stakeholders of the Group:

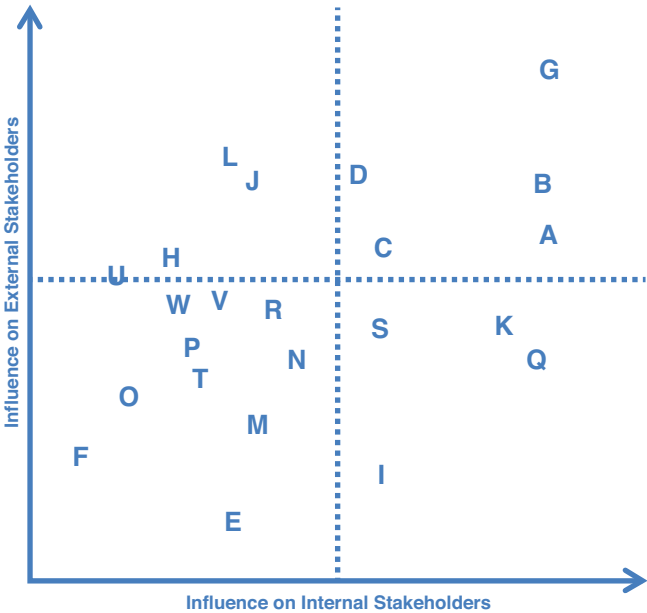
	Types of stakeholders	Key issues	Major communication method
Internal stakeholders	Directors	Risk management	Consultation via phone calls and emails Direct communication Company conferences Suggestion box
	Employees	Vocational training and development Salaries and benefits Health and safety	Consultation via phone calls and emails Direct communication Company conferences Suggestion box
External stakeholders	Shareholders/investors	Stable return on investment Transparency of information disclosure	Annual general meeting Consultation via phone calls and emails
	Suppliers/customers	Performance of contract Standardised supply chain management system and procurement process Establishment of complaint system	Annual report Meetings
	Distributors	Well-established information exchange system Steady and stable supply of products	After-sales opinion box Consultation via phone calls and emails Meetings
	Government	Business operation in compliance with relevant laws and regulations	Annual report Meetings
	Community/academic institutions	Contributions to community development	Annual report Community service



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MATERIALITY ASSESSMENT

To better understand our stakeholders’ concerns on our sustainable development issues and identify the material ESG topics, we have reached out to major stakeholders to provide their opinions of relevant issues. Based on their evaluation of the Group, the impact of the business is assessed externally and internally, and key issues are summarised below. The Group has identified the main concerns of the stakeholders: (i) the Group's product safety and quality assurance management; (ii) compliance with laws and regulations on emissions; (iii) environmental management system; (iv) water consumption and wastewater discharge control; and (v) waste management and recycling method. The Group will continue to keep in touch with various stakeholders to improve and respond to the issues concerned.



A Environmental management system and related policies	I Information on greenhouse gas emission	Q Measures to reduce emissions and achievements
B Compliance with laws and regulations on emissions	J Amount of hazardous waste generated and handling method	R Amount of non-hazardous waste generated and handling method
C Waste management and recycling method	K Energy efficiency and management	S Resource management
D Water consumption and wastewater discharge control	L Occupational health and safety	T Employees' training and development
E Employee's rights and turnover rate	M Employees' welfare and pay system	U Employment practices to avoid child labour and forced labour
F Donation and community investment	N Stakeholder communication	V Supply chain management
G Product safety and quality assurance management	O Customer data protection and privacy policies	W Customer satisfaction survey
H Anti-corruption policies	P Whistle-blowing procedures	

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ENVIRONMENTAL PERFORMANCE

The major business of the Group did not have a material change during the reporting period which is dairy farming business and dairy products production business. The Group has sourced different energy sources to power the business operation. In 2020, coal, natural gas, diesel are the major types of major resources for the direct stationary combustion of the Group. Electricity is also the other major source of energy used during the production process. The Group generated little amount of hazardous waste during the operation which is all medical waste. In spite of this, the Group has established a comprehensive environmental management system to manage all environmental related issues during operation.

The Group strictly complies with the PRC national laws and regulations, and duly implements environmental protection management policies of local governments at all levels, the Group's system management document requirements, and actively fulfils the Group's environmental protection social responsibility. The principal PRC national laws and regulations include but not limited to: *the Environmental Protection Law of the PRC, the Law of the PRC on the Prevention and Control of Atmospheric Pollution, the Law of the PRC on the Prevention and Control of Water Pollution, the Law of the PRC on Prevention and Control of Pollution From Environmental Noise, the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste and Law of the PRC on Environmental Impact Assessment.*

During the reporting period, no material changes have been made to the Group's major business and the Group has complied with the latest environmental regulations.

1. Emissions

The Group strictly complies with all relevant national and local laws and regulations to control all types of emission from its business operation. The Group formulated "Energy Saving And Emission Reduction Work Plan" 《節能減排工作計畫》to ensure all production processes comply with all relevant regulations and industry guidelines. The policy can also help the Group to further reduce the emission of greenhouse gases and pollutants in all phases of our operation.

1.1. Gas Emission

The Group is fully aware of the business operation is emitting various kinds of gaseous pollutant from the boiler for heating, cattle raising, and electricity. The Group strives to increase the operation efficiency and lower its emission continuously.

The Group examines the exhaust gas of the boiler created regularly to ensure the emission is compliance with "GB 13271-2014 Boiler Air Pollutant Emission Standard"《鍋爐大氣污染物排放標準》. In addition, the Group has installed filtration system on the boilers to dedust, denitrify and desulfurize the exhaust gas before emitted to the air and further reduce the level of emission.

In the dairy farming business, the Group installed three biogas digesters to transfer the biogas to fuel gas which is used in the staff canteen, and to turn biogas slurry to non-hazardous fertilizer, which has given to the neighbourhood farmers.



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The Group also ensures the measures stated in the “Energy Saving And Emission Reduction Work Plan” are properly carried out during business operation. The major measures are listed below:

- All departments to manage their power consumption of air-conditioners, and to monitor departmental staff to switch off all electrical equipment and production facilities during breaks and after work;
- Regularly maintain electrical equipment and circuits to reduce energy consumption;
- Promote “paper-free” office and encourage staff to reduce printing demands; and
- Replace all lights to LED light to reduce the use of electricity.

Major Gas Emission Indicators

Gaseous Pollutant Emissions	Unit	Emission in 2020
Nitrogen Oxides (NO _x)	Tonnes	311.6
Sulphur Oxides (SO _x)	Tonnes	26.9
Particulate Matter (PM)	Tonnes	545.7
Total Greenhouse Gas Emissions	Unit	Emission in 2020
Scope 1 emission	t-CO ₂ eq.	18,514.3
Scope 2 emission	t-CO ₂ eq.	16,947.5
Emission Intensity (per tonne of fresh milk produced)	Unit	Emission in 2020
Scope 1 emission	t-CO ₂ eq.	0.34
Scope 2 emission	t-CO ₂ eq.	0.31

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1.2 Waste Management

The Group continues to implement and regularly reviews the established waste management system to ensure the proper handling of different types of hazardous and non-hazardous waste.

Cowpat is identified as the major non-hazardous waste generated during business operation. In order to prevent the accumulation of cowpat and affect the health of the cows, the Group uses electronic scraper to automatically clean the cowpat, with the highest efficiency and minimum water consumption. The Group also uses solid-liquid separator and night soil collector in the Qingdao dairy farm to help cowpat cleansing and treatment. As a result, the cowpat can be recycled and used as fertiliser.

For hazardous wastes, medical waste is the major hazardous waste generated during business operation. The Group is strictly complying with national regulations and guidelines to handle all hazardous waste. All hazardous waste is stored at designated locations with clear hazard labels and warnings. Regular inspection and maintenance are conducted by staffs to prevent potential leakage. A nationally-recognised waste disposal collector is appointed to handle all of the hazardous waste generated by the Group.

Major Waste Generation Indicator

Waste Types	Unit	Emission in 2020
Hazardous Waste	Tonnes	34.0
Non-Hazardous Waste	Tonnes	94,736.0
Waste Intensity (per tonne of fresh milk produced)	Unit	Emission in 2020
Hazardous Waste	Tonnes	0.0006
Non-Hazardous Waste	Tonnes	1.73



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1.3 Water Discharge

The business of the Group is considered to be water-intensive and therefore we have implemented several measures to increase the water consumption efficiency and reduce the discharge of wastewater during business operation.

The Group has completed the technical transformation of the sewage treatment facility in Shaanxi dairy farm in 2019 which could increase the processing capacity and efficiency of sewage treatment. The boiler facilities are also improved to reduce the usage of energy and water during production. The production base in Qinghai also equipped a magnetic loading wastewater treatment system which can process up to 1,000 tonnes of wastewater daily. The system has the ability to use magnetic technology to filter sludge and recycle the sludge for other uses. In the meantime, the Group has assigned technicians to regularly monitor and provide maintenance service to the related facilities to ensure the proper operation of the treatment process.

Major Wastewater Indicator

Water Type	Unit	Emission in 2020
Sewage water	Tonnes	773,011.2
Sewage Water Intensity (per tonne of fresh milk produced)	Unit	Emission in 2020
Sewage water	Tonnes	14.2

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2. Use of Resources

The Group has implemented several policies and standard operating procedures in different stages of production process to avoid unnecessary waste of resources during business operation. All facilities and equipment are regularly being inspected and being maintained in a good condition throughout the production processes. Below is the overview of the measures the Group adopted to effectively control the use of different resources during business operation:

- Standardised washing time and frequency of the facilities, the water is collected and reuse during the sterilization process;
- Assigned staffs to regularly inspect the drainage system within the production base to ensure no blockage and leakage;
- An online monitoring system is installed to real-time monitor the Group’s waste water treatment facilities; and
- Promote the environment awareness of the staffs by providing regular internal training and workshops for them.

Resource Consumption	Unit	Consumption in 2020
Electricity	Thousand Kilowatt Per Hour	21,061.0
Coal	Tonnes	6,380.1
Diesel	Litre	568,741.1
Natural Gas	Thousand cubic meter	2,734.9
Water	Thousand Tonnes	1,261.3
Resource consumption Intensity (per tonne of fresh milk produced)	Unit	Consumption in 2020
Electricity	Kilowatt Per Hour	385.5
Coal	Tonnes	0.12
Diesel	Litre	50.1
Natural Gas	m ³	23.1
Water	Tonnes	14.1



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3. The Environment and Natural Resources

The Group strives to minimize the impact of the business operation to the environment and natural resources. During daily operation, all environmental protection measures are under supervision to ensure proper implementation. The Group also constantly explores any potential emission reduction measures on a day-to-day basis. The "Energy Saving And Emission Reduction Work Plan" and related standard operating procedures are well implemented to manage exhaust gas, noises and other wastes control measures.

We have also been monitoring the effectiveness of the measures and exploring any room for improvement.

4. Climate Change

The Group is fully aware of the potential impact of the climate change may bring to our business operation, such as extreme weather events. The Group will keep monitoring and addressing the issues and challenges posed by climate change and formulate corresponding preventive counter measures to avoid as well as to mitigate such impact in the future.

The Group is well aware of the potential impact of sandstorm on our daily operation. To minimize the threats and effects which may cause to our daily operation, the Group has increased the cover of vegetation in the empty areas of the Group's farms. In the Group's Gansu operation site, where is close to sandstorm zone, 500 acres of windbreak shelterbelt is established to reduce the wind speed that may bring harmful effect to our operation site.

SOCIAL PERFORMANCE

1. Employment

In 2020, the Group has employed 1,268 full-time employees. The Group's systematic and comprehensive recruitment procedures strictly abides by the relevant national laws and regulations. The major PRC national laws and regulations include but not limited to: *the Labour Law of the PRC, the Labour Contract Law of the PRC, the Employment Promotion Law of the PRC, the Labour Dispute Mediation and Arbitration Law of the PRC, the Regulation on the Annual Leave of Employees* and local labour laws and regulations. All of the Group's employment policies and work codes are established under such laws and regulations. The Group has paid extensive resources to ensure all employees are fully protected by our staff management system and mechanism under statutory requirements, as we believe that the employee is an indispensable cornerstone for the Group's sustainable and holistic development. The Group offers reasonable remuneration and benefits in accordance with employees' work performance, established a precise and fair recruitment policy, the Group also provides employees with occupational promotion opportunities, standardised working hours, rational rest periods, leaves and holidays, equal employment opportunity, diversity, anti-discrimination and regular staff training.

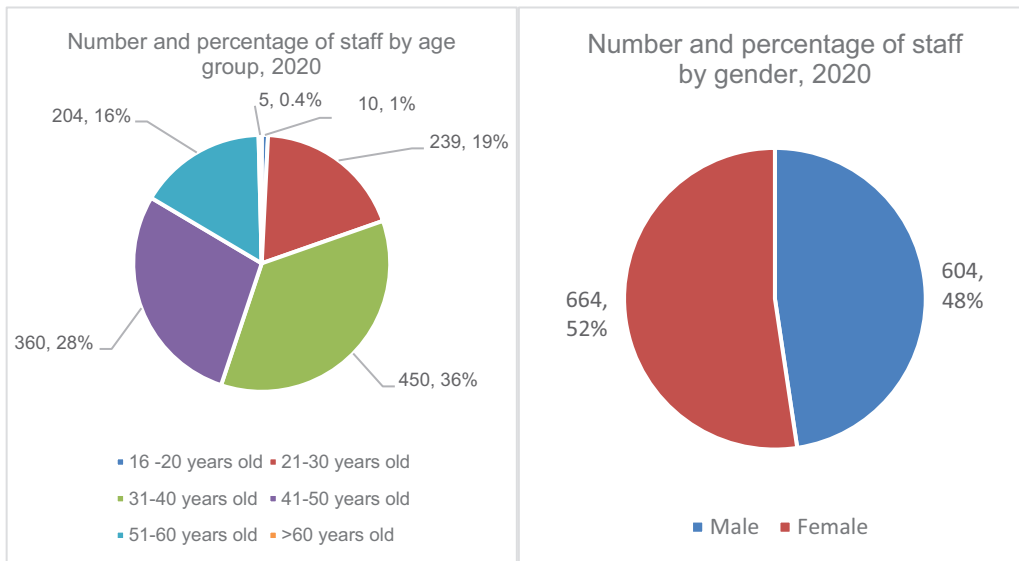


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All details of employment are clearly stated in the Group’s “Staff Handbook” such as adopting an eight-hours working system, and supervisors’ approval is required for overtime work. The Group has also provided benefits for the staffs, such as annual leave, marriage leave and maternity leave, medical insurance, medical reimbursement, maternity subsidies and meal allowances for our employees.

All details of recruitment are also clearly stated in the “Staff Handbook” such as remuneration and benefits, recruitment and promotion, working hours, breaks, anti-discrimination policies, employee training, attendances and performance management measures. The Group strives to provide an equal and fair ground to all employees. During the recruitment process, the HR Department strictly abides by the Group’s recruitment policy system and has zero tolerance in any discrimination, including gender, disability, pregnancy, family status, age, race, sexual orientation, nationality, ethnicity, and religion as stated in local laws and regulations. We do not tolerate any discrimination or harassment behaviour in the workplace, and any findings will be dealt with according to corresponding procedures.

Major indicators for employment



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<i>Employee turnover rate</i>	<i>2020</i>
<i>By gender</i>	
<i>Male</i>	29.5%
<i>Female</i>	25.6%
<i>By age group</i>	
<i>Age 16-20</i>	33.3%
<i>Age 21-30</i>	35.2%
<i>Age 31-40</i>	23.2%
<i>Age 31-40</i>	23.2%
<i>Age 41-50</i>	30.1%
<i>Age 51-60</i>	72.2%
<i>Age 61 or above</i>	33.3%
Overall	27.5%

2. Health and Safety

The Group has the responsibility to provide a safe and comfortable working environment to the staffs and workers and the Group strictly complies with the Labour Law of the PRC, the Prevention and Control of Occupational Diseases of the PRC, Fire Control Law of the PRC, Measures for the Determination of Work-related Injuries and relevant local laws and regulations.

The Group has formulated internal policies and regulation to minimize the occupational health risk for the workers. “Safety Production Management System” layouts all safety working procedures within the production base for the workers. “Occupational Disease Protection Facilities Maintenance System”, “Occupational Hazard Prevention and Control Responsibility System”, “Occupational Disease Monitoring and Evaluation Management System” are a series of occupational health and safety preventive measures and management system to manage the personal safety equipment, work environment management and a review and evaluation procedure to enhance the whole occupational safety system.

The Group also provides relevant training programs to the employees, which are designed by a third-party professional organisation, covering topics, such as potential occupational hazards, a brief introduction to the sequelae and their respective preventive measures. On-the-job and post-employment medical examinations, and regular health checks are also provided for the employees. During the reporting period, the Group conducted inspections and physical examinations on the occupational disease and occupational health of the employees and has obtained qualified results.

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The Group also has a comprehensive procedure to handle any safety accidents. According to the "Emergency Rescue and Management System for Occupational Hazard Accidents", the Group will investigate the situation and condition of the accident if any accident happens. The management system clearly outlines the response plans, responsibilities, and treatment processes under different situations and types of accidents to minimise injuries and casualties. The Group also conducts regular occupational health and safety training to reduce the work-related risks of our employees.

3. Development and Training

To promote a sustainable learning environment, the Group has devised and tailored different types of training program for different workers, newcomers and current employees. For newly recruited staff, the Group will provide induction trainings, such as the Group's corporate culture, product knowledge, and the working processes of different departments of the Group. The Group divides the training in to three levels, namely company level, department level and position level. Such division of trainings could guide newcomers to integrate into the Group's working environment, system and culture. And hence enhancing their capabilities and efficiency.

In 2020, the Group needs to get more prepared to deal with the alarming situation brought on by the outbreak of COVID-19 which has affected the health of communities and increased uncertainty of the economic market, the Group proactively promotes the implementation of training sessions on skills and knowledge regarding to the issues of COVID-19, such as "Knowledge and prevention of COVID-19", "Sales and Marketing in Post Pandemic Time". Other regular training workshops are also provided to the employees according to their capabilities, position requirements and industrial development, such as "Marketing Skills Upgrading Training Camp", and "Food Safety Related Knowledge Training", in order to enhance the level of skillset and safety awareness across the hierarchies of the Group. Other general and foundation courses are also provided, such as strategic planning, management, marketing, finance and human resources management. The abovementioned training sessions and workshops allow employees to master the skills for their required positions. Apart from that, the Group has also invited several renowned animal husbandry experts to provide lectures and discussion forums to our staffs. The Group has also established strategic partnership with animal husbandry and pharmaceutical research institutions which could provide an opportunity of conducting research and development to suitable staffs.



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Major indicators for development and training

Training	Percentage of employees trained (%)	Average training hours (hours/employees)
	2020	2020
By employment category		
Senior Management	8.3%	1.73
Middle Management	27.8%	2.38
General	63.9%	0.25

4. Labour Standards

The Group does not tolerate any child labour and forced labour situation within the business operation and strictly complies with the Labour Law of the PRC, the Labour Contract Law of PRC, Provisions on Prohibition of Using Child Labour, the Law of the PRC on the Protection of Minors and other related labour laws and regulations. All related rules are clearly stated in the “Staff Handbook”, all applicants are required to present their own valid identity documents during recruitment processes. If the applicants are found in providing any false information and statement, the Group reserves the rights to terminate the terms of employment with immediate effect. If any situation of child labour or forced labour has been observed, the incident will be immediately reported to the management and the Group reserves the rights to terminate the employment instantly if the related personnel are found to provide false information.

All employees are encouraged to enhance their work efficiency and finish all their duties within working hour. During the reporting period, the Group did not find any use of forced labour and child labour.

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5. Supply Chain Management on Environmental and Social Risks

The Group has highly prioritized to manage our suppliers as the quality of the raw material will directly affect the Group's performance. The Group has established a list of qualified suppliers and all the raw milk or feeds are all sourced from the suppliers who are in the list. The Group has followed specific procedure to select suppliers, such as conducting on-site inspection, assessing the suppliers' quality management level, safety and environmental management policies, capability of ensuring a stable supply, etc.

The quality and the stability of raw material supply will largely influence the Group's performance. Therefore, the Group is in a close business relationship with the major suppliers. The Group has established a series of management documents such as "Control Procedures on Evaluating and Managing Suppliers", "Procurement Control Procedures", and "Procurement Manual" which enables staff from Sales, the Purchasing Department, the Quality Control Department and the Production Department to establish an evaluation mechanism to evaluate the performance of suppliers. With respect to raw materials and packaging materials we procured from external suppliers, the suppliers are examined based on their relevant licences, permits and certificates to ensure the suppliers are qualified. For major suppliers, we would perform ad-hoc on-site evaluation to ensure their operation are adhere to our quality control protocols.

To further assess the ESG performance of the suppliers, the Group plans to develop a "Environmental, Social and Governance Self-Assessment System" which would require suppliers to provide relevant ESG documentation to show their ESG performance. For existing suppliers, the Group will conduct annual performance review and listed certain suppliers with potential risks in environmental and social aspects in the "List of Related Parties in Special Need of Influence". For new suppliers who are manufacturers, they must fulfil our EHS requirement before they can pass the whole supply chain assessment. The System is planned to implement next year.

If situation allows, the Group prefers to choose suppliers who can provide more environmentally-friendly materials as our suppliers. The suppliers are required to provide related information or certifications in assuring their products reached more environmentally friendly standard.

Major indicators for supply chain management

Region	Number of suppliers
Northeast China	3
Northern China	19
Eastern China	15
Southern China	2
Central China	8
Southwestern China	1
Northwest China	102



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6. Product Responsibility

The Group is clearly aware of the importance of food safety for the customers. A stringent quality control and product safety management system is well-established and implemented in the production process from raw material procurement, dairy farming, to production, packaging, storage and product delivery.

The Group has established the quality control system based on the Good Manufacturing Practices (GMPs), the Hazard Analysis and Critical Control Points (HACCPs) and the Sanitation Standard Operating Procedures (SSOPs). GMPs are implemented in four main areas of our dairy processing, specifying control measures in respect of (i) personnel hygiene; (ii) building and facilities; (iii) equipment and utensils; and (iv) production and process control. The HACCPs allows the Group to identify the critical control points and establish monitoring procedures and utilise the monitoring result to streamline processes on a continuous basis. The production plants in Gansu, Shaanxi and Qinghai have received the HACCP Certification by the China Quality Certification Centre and Beijing Continental Hengtong Certification Co. Ltd., respectively. The SSOPs specifies the step-by-step procedures to provide a hygienic condition during processing. The Group mainly focuses on the safety of water that comes into contact with dairy products, condition and cleanliness of contact surfaces, prevention of cross-contamination from insanitary objects to dairy product, protection of dairy products and packaging materials, labelling, storage, and use of cleaning solutions and pesticides, control of employee health conditions, and exclusion of pests from the production plant.

For the dairy farming business, the Group aims at producing the highest quality of raw milk by providing good farm condition to the dairy cows. The employees and contracted farmers have received specific trainings and operate under standardised practises, including the feeding standards, epidemic prevention, disease treatment, pedigree improvement and automated milking, to ensure the high quality of dairy cows can be healthily bred and raised in our dairy farms.

The Group has a management system to monitor the daily feeding, which could directly affect the nutrient level of the dairy products. Total Mixed Ration feeding method is adopted and the recipe of the feed is varied according to the nutrient requirements of various groups of dairy cows based on their age and development stage. All of the feeds are in compliance with the Feedstuff Sanitation Standard GB13078-2001 issued by the State Feedstuff Supervision and Quality Inspection Centre (國家飼料質量監督檢驗中心). Inspections of the quality of the feeds are performed upon delivery to our dairy farms.

A strict hygiene standard is upheld during the milking process in order to prevent, eliminate or reduce contamination to an acceptable level. All equipment used during the process are well-maintained and disinfected. To ensure the freshness of the raw milk, the milk is required to deliver to the production pants within 24 hour after the milking process. All of the milk tanks are cleaned and disinfected after discharging each load of raw milk.

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To keep the dairy cows relaxed and comfortable, from the barns design to air quality control engineering to keep cows as content as possible, the Group has provided adequate space and suitable facilities with good condition. The workers are required to collect and remove manure several times a day to maintain a good sanitation level of the barns. All cattle passages installed with rubber mat to prevent causing injuries to the dairy cows' hooves limb. In addition, the ventilation system is installed to provide good air circulation inside the barns.

The Group also hires veterinarians to conduct regular health check on the dairy cows to prevent disease spreading and monitor their health conditions. All new herds are required to receive vaccines and quarantine before affirming their healthy condition.

For the dairy products production business, the Group strictly follows the national industrial standard, including the National Food Safety Standard of Raw Milk (GB19301-2010), and the Measures for the Production and Acquisition of Raw Milk and our internal raw milk inspection standards to conduct assessment for the raw milk from our dairy farms and external dairy farms regarding to the quality. The whole batch of raw milk would be returned if the assessment result is found to be not up to standard.

All dairy products the Group produced are required to conduct quality inspection according to national and internal food safety standards. The Group is equipped with cold storage and related facilities for storage and transportation. The Group has appointed qualified third-party logistic companies to provide cold chain logistic service. The logistic service providers are required to have comprehensive cold chain logistic facilities which meet the Group's standard, such as disinfected environment, temperature-controlled trucks. The Group also has an established traceability system to record all information and record to identify the raw material suppliers and quality control personnel. The Group has allocated staffs to conduct product inspection on at retail stores regularly to ensure fresh products are provided to customers. The Group reserves the right to impose fine to the distributors and sales agents if any expired products are being discovered.

The package of the products and website are also clearly listed out all necessary information, such as ingredients, nutritional value, size and expiry dates to the customers, which would allow them to understand the nutritional details of the products. If any products are found to be defected or having quality issues, the Group is welcome any return from the distributors and retail stores. Returned products were disposed of by us regardless of the reason of the return.

The Group owns different registered trademarks and patents which relate to the dairy products. A team of staffs is allocated by the Group to monitor and update the status of the registered trademarks and patents. The "Staff Handbook" clearly requires every employee to observe the Group's policies on intellectual property rights and confidentiality upon joining the Group. All staffs are required to protect the intellectual property and any breaches of the agreement may subject to mediation or litigation, depending on the circumstances.



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Cattle Welfare

The Group deeply believes only the healthy cattle could produce safe and nutritious products to the customers. Therefore, the health and welfare of the cattle is an extremely crucial topic to the Group. To address that, the Group has established various policies, such as "Ranch Hygiene and Epidemic Prevention System", "Ranch Warehouse Management System", "Ranch Veterinary Drug Management System", "Ranch Cattle Epidemic Prevention and Health Plan", "Ranch Cattle Group Management System" to ensure all cattle are under proper care and vaccinated. In the meantime, the Group has introduced "YIMUCloud" 《一牧雲系統》 which could integrate all management data of our business operation into a cloud platform. And as a result, the Group can constantly monitor the operation of all ranches, production units and enhance the overall efficiency.

7. Anti-Corruption

The Group upholds a zero-tolerance attitude towards corruption in any forms of bribery, extortion, fraud, money laundering, etc. The Group promotes honesty, integrity and responsibility as its corporate culture and code of conduct. For example, employees and agents are prohibited from:

- Offering or receiving money, gifts, loans or other benefits that may benefit business decisions or interfere with independent judgment; or
- Offering or receiving kickbacks, remuneration or secret commissions to solicit business for the Group and its subsidiaries; or
- Bribing government officials or facilitating bribing to obtain favorable terms or conditions; or
- Insider dealings, etc.

During the reporting period, the Group has never been accused of violating corruption, extortion, fraud and money laundering, and the Group strictly complies with relevant laws and regulations such as the PRC Criminal Law and its Judicial Interpretation, the Criminal Procedure Law and its Judicial Interpretation, Interpretation of the Supreme People's Court and Supreme People's Procuratorate on Several Issues Concerning the Applicable Laws in the Handling of Criminal Cases of Embezzlement and Bribery, and Anti-Money Laundering Law of the PRC.

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The Group has two channels to report illegal or suspicious behaviours:

- (A) Report on commercial bribery, fraud and other behaviours that violate the employees' "Code of Conduct":

To: the Compliance Department
Email: zyfawushenhe@163.com

If any violations of the Code of Conduct were discovered by the Group, immediate investigation actions will be taken by us. The Group will report to the government authorities in accordance with law. If the violation is confirmed, employees who are involved would be punished according to the severity of the breaches.

Anti-corruption training is provided to all level of staffs, including directors of the Group, which includes the basic concept of anti-corruption, introduction of company's anti-corruption policy and implementation.

8. Community Investment

The Group always values the development of surrounding communities. Apart from the establishment of a harmonious and win-win relationship with community stakeholders, the Group also encourages its employees to participate in different community activities in order to fully understand the needs of community to ensure that the Group fully considers the interests of the community while developing the Group's business.

In 2020, the Group has invested into three major aspects of the community: (i) Industrial Development, (ii) Education, and (iii) Social Community. By estimation, the Group has invested over RMB100 million. The Group purchased more than 5,000 tonnes fodder from neighbouring farmers with RMB400 per tonne higher than the average market price, RMB25.7 million in total. The Group strives to provide financial incentive to the neighbouring farmers, which could encourage them to provide higher quality of feeds, and help them get out of the poverty line in long term.

Below is the list of the major community events that the group has participated in 2020:

1. Signed a logistics distribution agreement with Yuzhong Guangmao Trading (Cooperative), and invested RMB1.91 million for logistics transportation throughout 2020;
2. Purchased 25,627.674 tons of silage corn fodder and paid RMB11.0 million for the purchase, which was related to 6,700 mu of planting area, and more than 100 farming families; and
3. Total of RMB0.2 million was subsidised, through the Gansu Xinghua Education Assistance Foundation, to 100 students in Yuzhong County No. 2 Middle School in 2020.



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	A1.3	Total hazardous waste produced and intensity	8
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	A1.5	Description of measures to mitigate emissions and results achieved	6-9
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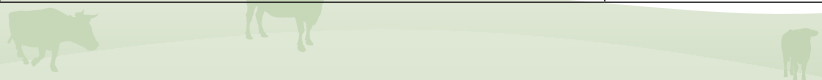


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ESG Reporting Guidelines Aspects		Description	Pages/Remarks
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	B8.2	Resources contributed (e.g. money or time) to the focus area	20