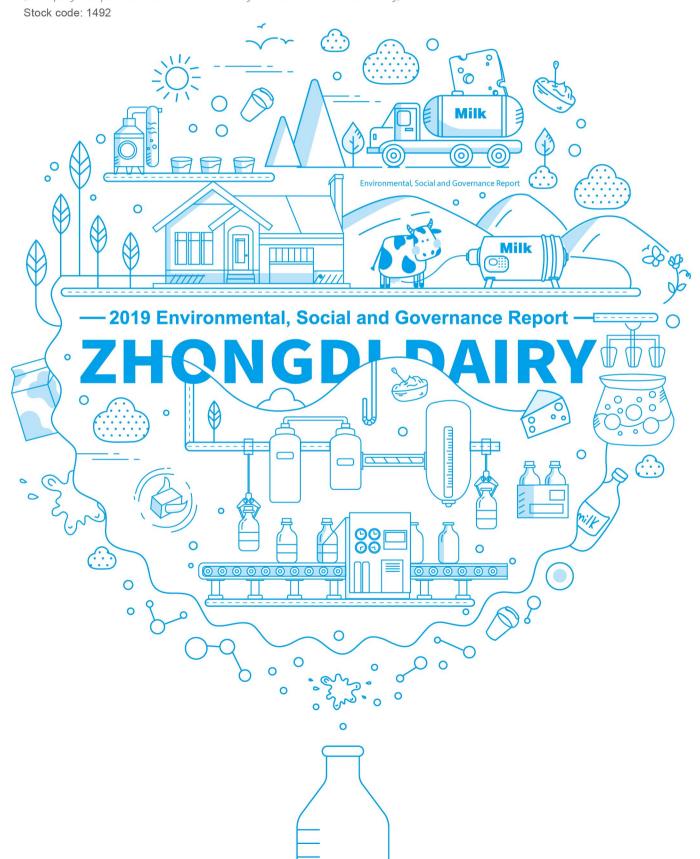


中國中地乳業控股有限公司

China ZhongDi Dairy Holdings Company Limited

(a company incorporated under the laws of the Cayman Islands with limited liability)

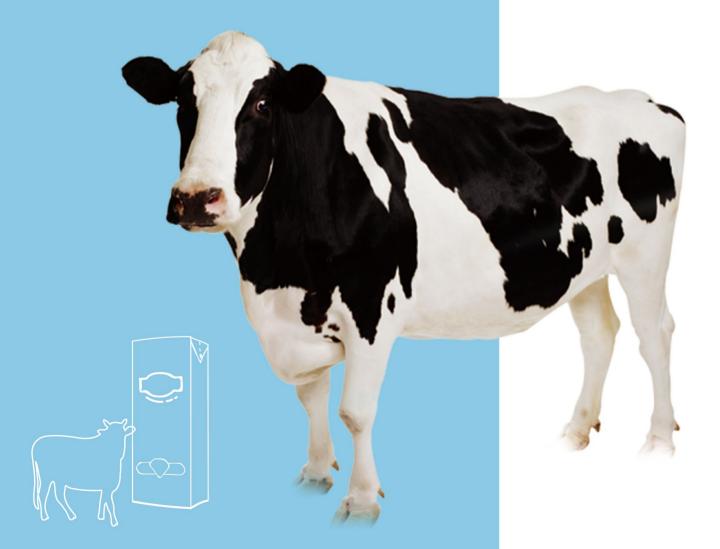


Contents

About the Report

Statement of the Chairman 03

01



6.1 Compliant Operation and Advocating Integrity

6.2 Connecting with Customers by Smooth Communication

6.4 Supporting Communities by Charitable Contributions

6.3 Establishing Supply Chain with Sustainable Management

O2 Sustainable Management		With Utmost CareScientific Management Ensuring High Quality	_
2.1 Sustainable Management System 11		3.1 Creating Herds by Selecting and Breeding	17
2.2 Stakeholders' Communication 13		in A High-quality Way	
2.3 Materiality Assessment 14		3.2 Increasing Nutrition by Precise Feeding	18
		3.3 Guaranteeing Health by Implementing Epidemic Prevention and Maintaining Safety	20
			21
With HeartAchieving Environmental Protection by Ecological Farms		Heart WarmingPromoting Development by Uniting ZhongDi	_
4.1 Management of the Ecological Farms	25	5.1 Caring about Employees and Protecting	39
4.2 Protecting Blue Sky by Emission Management	28	Their Rights and Benefits	
4.3 Making Contributions through Saving Energy	31	5.2 Putting Health and Safety at the First Place	41
and Reducing Consumption		5.3 Promoting Growth by Abundant Training	43
4.4 Protecting the Ecology and Homeland	34	5.4 Forming Vitality via Various Activities	44
4.5 Environmental Key Performance	35		
With SincerityCompliant Operand Developing Together	ration	07 Prospect of 2020	51

50

SEHK's ESG Reporting

Guide Index

53

2019 Environmental, Social and Governance Report 02

About the Report

This Environmental, Social and Governance Report (the "ESG Report") is the fourth ESG report published by China ZhongDi Dairy Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group" or "We"). The ESG Report mainly covers the annual performance of the Group's environmental, social and other aspects in 2019. The ESG Report shall be read with reference to the "Corporate Governance Report" of *China ZhongDi Dairy Holdings Company Limited Annual Report 2019* (the "2019 Annual Report"), in order to have a more comprehensive overview on the environmental, social and governance (the "ESG") performance of the Group.

Reporting Organisational Scope

Unless otherwise stated, the organisational scope of the ESG Report covers the Company and its subsidiaries, which include eight dairy farms: Beijing ZhongDi Farm, Inner Mongolia ZhongDi Farm, Helan ZhongDi Farm, Ningxia ZhongDi Farm, Kuandian ZhongDi Farm, Langfang ZhongDi Farm, Tianzhen ZhongDi Farm and Tianjin ZhongDi Farm. Compared to the 2018 ESG report, the reporting scope of the ESG Report does not have material changes.

All information disclosed in the ESG Report has been sourced from the Group's documents and statistical reports, and the monetary amounts involved are denominated in Renminbi (the "RMB").

Reporting Period

The ESG Report's reporting period is consistent with the 2019 Annual Report of the Group, which is 1 January 2019 to 31 December 2019 (the "**Reporting Period**"). Where necessary, some content goes beyond the aforesaid period so as to enhance the comparability of the ESG Report.

Reporting Guideline

The ESG Report was prepared in accordance with the Appendix 27 Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") to the Rules Governing the Listing of Securities on The Stock

Exchange of Hong Kong Limited (the "Listing Rules") issued by The Stock Exchange of Hong Kong Limited (the "SEHK"). Moreover, the disclosed contents of the ESG Report have been scoped and determined based on the principles of materiality, quantitative, balance and consistency, and are compliant with the "comply or explain" provisions set out in the ESG Reporting Guide issued by SEHK.

During the preparation of the ESG Report, the Group applied the reporting principles as follows:

Materiality: adopting a materiality assessment to identify the Group's material topics during the Reporting Period, and compiling the ESG Report based on these material topics;

Quantitative: disclosing the standards and methods used in the ESG Report to calculate relevant data, and disclosing applicable assumptions;

Consistency: the method adopted for the preparation of the ESG Report is basically the same as last year; and the data involving changes in the scope of disclosure and calculation methods are explained.

Access to the Report

The ESG Report is published in two languages - Traditional Chinese and English. If there is any inconsistency between the two versions, the Traditional Chinese version shall prevail. You are welcome to obtain the Traditional Chinese and the English versions of the ESG Report in a PDF format from the website of the Company, www.zhongdidairy.hk, and the website of SEHK, www.hkexnews.hk.

Comments and Feedbacks

Thank you for reading the ESG Report. Your comments and suggestions are motivations for the Group to keep improving its sustainability works and reporting quality. If you have any comments or feedbacks, you are welcome to contact us by email at ir@zhongdidairy.hk.

2019 Environmental, Social and Governance Report

Statement of the Chairman

Looking back at 2019, there was growing downward pressure on the economy of the People's Republic of China (the "PRC") under a complex internal and external environment. However, thanks to the policies and measures introduced by the PRC government at all levels to promote the development of China's dairy industry, the dairy farming business was generally improving. Therefore, the Group seized the chance and carried out tasks in propagation and breeding, cows feeding, epidemic prevention and safety, quality and safety, ecological protection, employee development, compliant operation and other aspects based on the mission to "build tech-driven ecological dairy farms and create high-quality and healthy dairy products" and the vision to "become a leading provider of nutritious and healthy food". Moreover, the Group has taken sustainable development as its business operation's core value and made great efforts to develop ecological farms and to promote recycling and reusing resources and green development. The Group improved its operational business and, meanwhile, proactively gave back to the society by fulfilling corporate social responsibility.

"With utmost care"--scientific operation and high-quality milk

The Group continuously improves precise management on farm operation and strives to strengthen scientific feeding management by taking dairy cows' efficient breeding and accurate nutrition as starting points. Moreover, in order to increase milk yield and quality, information management system and scientific technology were adopted to precisely monitor cows' growth and health condition. Furthermore, the Group strictly monitors milk quality through a sound quality and safety system and is devoted to providing premium quality and nutritious milk to the society.

"With heart"--achieving environmental protection by ecological farms

The Group proactively responds to the call of "building a beautiful China", and has established scientific and ecological farms by implementing effective environmental management and the operation model of integrating agriculture with animal husbandry. The Group strictly complies with China's environmental protection laws and regulations, carries out dairy farms operation and strives to control pollution emission, to adopt practices for energy saving and consumption reduction, and to implement ecological protection work. In order to further enhance ecological farms' model of integrating agriculture with animal husbandry and integrating plantation with animal farming, the Group continuously optimises operation procedures and introduces equipment renovation to make contributions to the achievement of "vigorously develop eco-friendly agriculture and promote turning wastes into resources for utilisation in the plantation and breeding industry" as advocated in the Outline of the 13th Five-Year Plan for the National Economic and Social Development of the PRC (the "13th Five-Year' Plan").

"Heart warming"--promoting development by uniting ZhongDi

Employees are essential supports to spur the Group's continuous development. The Group strives to create an efficient, united and competitive talent team. We protect employees' rights and benefits by continuously enhancing the human resources system and organising training to broaden employees' knowledge and their development paths. Furthermore, the Group contributes to safety and health in the workplaces by establishing a sound and safe production management system and implementing safe production work. Therefore, employees are able to grow and develop with us in a safe and active workplace.

"With sincerity"--compliant operation and developing together

The Group is devoted to becoming a market leader in the raw milk production industry in China. The Group takes compliant operation as a solid foundation of production and builds a communication channel with customers and suppliers to provide satisfying products and services to customers, and develops hand in hand with suppliers for a sustainable supply chain. Furthermore, the Group proactively fulfils corporate social responsibility and sincerely gives back to the society by providing assistance and supports to adjacent communities.

Chairman

Zhang Jianshe



₱ About Us

The Group is a modern agricultural and animal husbandry enterprise mainly engaged in dairy farming in China. The Group's business models cover multiple stages of the dairy farming industry value chains, including raising dairy cows, breeding dairy cows, premium raw milk production and sale, importing and selling dairy cows of quality breeds and breeding stock, as well as import trading business in alfalfa hay and other animal husbandry-related products. All farms operated by the Group are distributed over the areas suitable for dairy farming as specified in the *Development Plan of Major Dairy Cow Farming Regions (2008-2015)* promulgated by the Ministry of Agriculture and Rural Affairs of the PRC in 2009. Moreover, the Group's farms are close to raw milk processing plants of leading dairy companies in China. The Group continuously provides premium raw milk to customers relying on the ideal geographical locations, climate and environment of its operating farms, the excellent genetic characteristics of herds and excellent breeding technology, the balanced and nutritious feed formulation and modern farming method, the modern milking system and the comprehensive and strict disease control system.

At present, the Group is a National Flagship Enterprise for Industrialization of Agriculture accredited by the Ministry of Agriculture and Rural Affairs of the PRC. The Group intends to continue expanding its operation scale and producing premium and safe raw milk through the scientific operation of modern large-scale farms, maintains and expands our competitive edge in the high-end premium raw milk supply end, and ultimately becomes one of the largest dairy farming companies in China.

The National Rural Industry Integration and Development Alliance and the National Technology and Innovation Alliance of Prevention of Dairy Cow Diseases were established in 2019 in order to promote the industry's development and prosperity and to facilitate the industry's integration and development. The National Rural Industry Integration and Development Alliance is a non-profit organisation that was established under guidance of the Department of Rural Industry Development of the Ministry of Agriculture and Rural Affairs of the PRC, aiming at helping the development of rural areas, agriculture and farmers (the "three issues") in China and making contributions to the modernisation of Chinese agriculture. The Feed Research Institute of Chinese Academy of Agricultural Sciences took a lead to establish the National Technology and Innovation Alliance of Prevention of Dairy Cow Diseases, which aims at thoroughly implementing the strategy of invigoration of China's dairy industry, striving to elevate China's level of prevention of dairy cow diseases, and ensuring the healthy development of the dairy industry. As a member of the industry, the Group proactively participates in industrial cooperation and contributes to the implementation of the strategy of invigoration of the dairy industry. Relying on the advanced management and premium product quality, the Group was appointed as the Vice-chairman Unit of the National Rural Industry Integration and Development Alliance and the Member of the National Technology and Innovation Alliance of Prevention of Dairy Cow Diseases, respectively.



The Group became the Vice-chairman Unit of the National Rural Industry Integration and Development Alliance



The Group was appointed as the Member of the National Technology and Innovation Alliance of Prevention of Dairy Cow Diseases



The Group proactively participated in industrial activities and was invited as a D20 enterprise of China's dairy industry to participate in the 10th Dairy Conference of China & 2019 China Dairy Exhibition with the theme of "saluting to the motherland's 70th anniversary and composing a new chapter in dairy revitalization"









2019 Environmental, Social and Governance Report

Sustainable Management 1.

2.1 Sustainable Management System

Sustainable development has been the core value of the Group's business operation. Good corporate governance standards are essential for the long-term success and sustainable development of the Group's business and are of great importance to enhance corporate value and to formulate its business strategies and policies. The Group is committed to maintaining a high standard of corporate governance. The Group adopted the provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules and has applied the principles in the CG Code and established a sound governance structure and management system throughout the Reporting Period. The Board (the "Board") of Directors of the Company is responsible for the leading and control of the Company, and is responsible for overseeing the Group's businesses, strategic decisions and performance. The Board is at the same time responsible for promoting the Group's sustainable development by directing and supervising its affairs. Meanwhile, the Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs.

The Group has conducted ESG-related works in accordance with the requirements of the ESG Reporting Guide issued by the SEHK. In order to implement the Group's sustainability strategy and to effectively and systematically carry out the ESG management, the Group has built an ESG management system formed by the Company's senior management, functional departments and dairy farms so that multiple levels of participation will be involved with a clear division of responsibilities. Meanwhile, the Group has continuously improved the ESG information management system based on SEHK's related ESG requirements and the Group's actual situation, and invited an external consultant to provide suggestions.

Risk management and internal control are essential parts of corporate governance. The Group has established a sound and effective risk management and internal control system¹ and the Board is fully responsible for assessing and determining its continued effectiveness. The Audit Committee monitors the Company's financial reporting system, risk management and internal control system to ensure that the management fulfils its responsibilities to establish an effective system, while the management executes, maintains and continuously monitors the Company's risk management and internal control system. Furthermore, all departments conduct regular internal control assessments from perspectives of strategy planning, investment audits, financial management, etc., to identify and assess financial and other risks in different areas of the Group, and confirm that they have complied with control policies properly through self-evaluation on an annual basis. Furthermore, the Group arranges senior management to interview major business directors for risk assessment and to identify major risks followed by reporting and inspection. In terms of daily risk control, the Group has adopted a bottom-up method involving all major business units to identify operational risk in daily business.

Moreover, the Group proactively responds to ESG risks and integrates ESG matters into its development strategy. The Board is responsible for the Group's ESG strategy and reporting and, at the same time, is responsible for evaluating and determining ESG risks and ensures that appropriate and effective ESG risk management and internal control systems are in place.

¹ For details of the Group's risk management and internal control system, please refer to the "Corporate Governance Report" section in the 2019 Annual Report.



2019 Environmental, Social and Governance Report

Sustainable Management

2.2 Stakeholders' Communication

Stakeholders are participants and witnesses of the Group's sustainable development process. Maintaining smooth communication with stakeholders is an important task during the Group's operation. The Group proactively maintains regular and multi-channel communication with stakeholders and understands their expectations in a timely manner so as to formulate corresponding work plans and to implement work in a better way in response to stakeholders' expectations. The following table outlines specifics of the Group's communication with major stakeholders during the Reporting Period.

Stakeholders	Expectations	Communications channels	Frequency	Responses in actions
Shareholders and investors	Return on investments Operation level Corporate governance Preventing operational risks Developing the market	General Meetings Publishing annual reports and ESG reports regularly Result announcements Roadshows	Regular/ irregular	Continuously enhancing corporate management and striving to become the market leader in the raw milk production industry in China Maintaining irregular communication and enhancing information disclosure Increasing profitability and capability to cope with risks
Relevant government departments	 Paying tax according to laws Complying with laws and regulations relating to environment, quality, safety, etc. Responding to relevant industrial policies 	Inspection and assessment Company meetings with government Work reports	Regular/ irregular	Paying tax according to laws Implementing work complying with regulations and ensuring that operations comply with environmental protection, quality and safety of dairy products and other requirements Proactively responding to policies of promoting the dairy industry's invigoration and participating in industrial cooperation
Dairy product companies	Products complying with relevant laws and regulations Guaranteeing products' quality Fulfilling companies' procurement requirements	Industrial seminars Irregular visits Comprehensive feedback mechanisms	Regular/ irregular	Continuously enhancing product quality management and providing premium quality raw milk continuously and steadily Fair competition and improving product quality Proactively implementing products' research and development Fulfilling purchasers' procurement requirements
Employees	Salary and benefits Health and safety Promotion and development Reasonable rest hours	Employees' training Online communication platforms Employees' activities Employees' representatives conference	Regular/ irregular	Guaranteeing employees' rights and benefits Providing career development opportunities Enriching employees' activities
Suppliers	Fair and transparent procurement Win-win cooperation	Tendering and bidding Project cooperation On-site visits	Regular/ irregular	Ensuring procurement is fair and transparent Sharing information and resources Developing together and ensuring quality
Surrounding communities	Protection of the community environment Offering supports to local economic development	Community communication Charitable donations Poverty alleviation work	Regular/ irregular	Fulfilling social responsibility Proactively supporting communities Implementing environmental protection measures Carrying out work of poverty alleviation

2.3 Materiality Assessment

The stakeholders of the Group may have different focus on the Group's ESG performance due to their different perspectives. Therefore, the Group conducted a materiality assessment based on its development direction and stakeholders' expectations as well as the materiality principle, so as to report the Group's major ESG performance during the Reporting Period and responses to the stakeholders' expectations in a targeted manner. With reference to SEHK guidelines, the Group identified ESG topics of this year that should be reported by taking full consideration of the Group's business nature and development strategy together with stakeholders' focus points. After ESG topics were identified, they were verified and reviewed to determine the main topics and contents to be covered in the ESG Report.

The ESG topics of this year are listed as follows. The ESG Report shows the ESG performance of the Group during the Reporting Period according to the topics and relevant reporting guidelines.

Aspects	ESG topics	Major contents responding to the topics
	Emissions management	Compliance, environmental management system, air pollutants, greenhouse gas (the "GHG"), wastewater discharge, wastes, emission reduction measures
Environmental	Use of resources	Energy saving management system, use of energy (fossil fuels, electricity, etc.), water resources, measures for energy and water conservation
	Ecological protection	Ecological protection measures
	Employees' rights and benefits	Compliance, human resource management system, employee activities
	Labour standards	Compliance, human resource management system
	Quality and safety of milk	Compliance, management measures of quality and safety of milk, herd management, feed and feeding management, cow disease control systems, raw milk quality standard and major quality indicators
	Occupational health and safety	Compliance, occupational health and safety management system, safe production measures
Social	Employees' development and training	Training policies and plans, training
	Supply chain management	Supplier management system, supplier risk control
	Anti-corruption	Compliance, legal and compliant operation
	Community investment	Community communication, charitable activities



- 3.1 Creating Herds by Selecting and Breeding in A High-quality Way
- 3.2 Increasing Nutrition by Precise Feeding
- 3.3 Guaranteeing Health by Implementing
 Epidemic Prevention and Maintaining Safety
- 3.4 Ensuring Quality by Stringent Inspection

3.1 Creating Herds by Selecting and Breeding in A High-quality Way

Responding to the ESG topic: quality and safety of milk

Premium species of cows and herds come first for the development of the dairy industry. The Group takes pure-bred Holstein pedigrees as the foundation cows of its farms. To ensure the health of imported dairy cows and the compliance with the national quarantine standards in the PRC, the Group's experienced team implements stringent quarantine and epidemic prevention measures. Moreover, the Group's professional feeding teams feed and raise the dairy cows with upmost care during their quarantine to ensure that each of them is safe, comfortable and well-fed.

Establishing sustainable herds and producing raw milk with better quality rely on breeding work based on scientific researches. As one of the Chinese first batch of core breeding farms of dairy cows, the Group cooperates with famous foreign breeding companies and domestic breeding units to establish a dairy cow breeding index for selecting dairy cows and their breeding methods. Meanwhile, the Group adopts the whole genome testing technology to select quality core herds of dairy cows and applies various technology to rapidly improve the breeding of high-yielding and quality dairy cow herds so as to improve the quality and genetic characteristics of dairy cows, and to continuously produce raw milk of better quality.

The Group strives to provide cows with a comfortable living environment and guarantee cows' animal welfare by developing modernised well-bred dairy cow farms, which are moderately scaled and meet relevant technical standards. Moreover, the farms are developed sustainably, equipped with advanced facilities, with intelligent management, and are supported with resource recycling. The Group has applied standardised design, construction and management to each farm, which is tailored according to the local environment. Firstly, the Group has set up ventilated cow stalls to ensure ventilation and applied an in-stall feeding system for dairy cows to move freely to obtain food and water or lay down to rest. Moreover, individual cow stalls are provided to calves, heifers, milking cows, dry cows and cows that require special care. Additionally, waterproof and UV-proof roller shutters have been installed outside stalls; this may either facilitate ventilation or keep stalls warm. In addition, the Group has also installed fans, water spray systems and other equipment for ventilation and cooling in its operating farms to create a cool and comfortable environment during the summer and improve the farms' environment condition. Furthermore, the Group has developed an optimal and suitable lighting system according to the living habits of its dairy cows. Moreover, the breeders of the Group keep cows' bed in a clean and comfortable condition. The excrement from cattle barns in the dairy farms is collected through water washing and machinery cleaning promptly to ensure sanitation of the cows' living environment.

The Group is devoted to continuously improving dairy farms' management and understand the living condition of the dairy cows in a timely and effective manner by information management. All farms of the Group adopt DairyComp 305, a data management system, to implement information management, including dairy cows' profiles, breeding, disease, production and other management. Dairy cows' basic information, production information, and records of feeding, disease and treatment and breeding are collected and analysed effectively by the information data centres of the Group's farms by using the DairyComp 305 system to manage each dairy farm more precisely and provide a comfortable living environment for dairy cows. Moreover, the Group reviews and updates the information management system according to the farms' actual operation status and needs by re-designing the existing functions or adding new functions to satisfy the farms' needs.





The Group's dairy farm

2.3.2 Increasing Nutrition by Precise Feeding

Responding to the ESG topic: quality and safety of milk

Feeding is an essential part of farm management because it relates to health, safety and nutrition of cows and milk quality. Feeding management could be generally divided into four aspects: quality management of raw materials of feeds, feed formulation and nutrition plan, feeding management and feeds storage. The Group has formulated and implemented the *Implementation Measures of Dairy Cow Nutrition in Farms*, the *Storage Management Measures in Farms* and other management measures focusing on the abovementioned four aspects so as to implement the farms' feeding management. Moreover, information technology is adopted to realise precise feeding.



Feeding Management of the Group

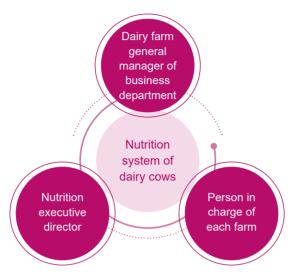
Quality management of raw materials of feeds

To ensure the quality and stable supply of feeds, the Group has built crop farms adjacent to farms or chosen croppers in the vicinity of farms to provide feeds, such as corn, alfalfa, etc. The Group has conducted quality control over feeds and strictly prohibits feeding dairy cows with spoiled forages and feeds. The quality standard of raw material, inspection and sampling standard of raw material and inspection frequency have been formulated and each batch of feeds from all suppliers are required to be sampled and delivered to a third-party testing firm for a nutrition test on a regular basis. This helps the Group scientifically manage the raw material of feeds and ensure the quality and safety of cows' feeds. The Group and Dairy One Laboratory of the United States jointly established a feed's raw material testing and analysis laboratory to share the database of feed's raw material. During the Reporting Period, all crops that the Group planted were strictly subject to the *Agricultural Products Safety Law of the PRC*.



The alfalfa farm

The Group continues to promote dairy cows' precise feeding. The Implementation Measures of Dairy Cow Nutrition in Farms was formulated and it specifies the establishment of nutrition system, formulation management, responsibilities of research and development of technology and other issues, and spells out corresponding responsibilities of the dairy farm general manager of business department, nutrition executive director and person in charge of each farm. Taking "health, high milk yield, highquality and high efficiency" as the target of the nutrition system, the Group has adopted a modern feeding method, the total mixed rations (the "TMR"), to satisfy the nutritional needs of dairy cows more effectively. The Group has established standards for dairy cows' group division according to their production performance and physiological stages to accurately make up feeds matching the distinctively nutritional needs of each group and adjust dairy cows' premix formulation in a timely manner. Furthermore, the Group has conducted inspection, analysis and supervision over feeds on a regular basis to ensure that cows' nutritional needs are satisfied and compliance with the relevant safety requirements. In addition, the Group supervises and assesses feed servings, supplement and refusals. Formulation evaluations are conducted through two aspects, inspection and utilisation effectiveness of the TMR, such as the particle size of the TMR, herd status, manure and other aspects, to ensure that the feeding process is precise. The nutrition executive director supervises and checks the implementation of formulation non-periodically to ensure the accurate usage of formulation. Moreover, the Group would carry out technological research and development work of nutritional methods according to the Group's strategic planning and farms' needs. Technical training related to nutrition and feeding management of dairy cows would be carried out from time to time whenever necessary.



Responsibility division of the Group's nutrition system of dairy cows



Feeding management

The Group has adopted an information management system for its dairy cow's feeding, to ensure that each calf can obtain sufficient nutrition promptly through the use of an automated calf feeding system. The Group's information centre collects and analyses dairy cows' daily feeding data and comprehensively manages dairy cows' nutrition. By doing so, it is able to manage the health of its cows in a digitalised manner and to lav a solid foundation for making scientific feeding plans using the data.



Feeds storage

The Group has formulated the Storage Management Measures in Farms and requirements of receiving and storing of raw materials of feeds in warehouses to ensure stored feeds' safety. Only those feeds passed inspection can be granted access to the warehouses with corresponding records. Moreover, the Group has specified relevant requirements of storage management, such as prevention of overstock, arrangement of feeds by classification, rain and sun protection, etc.

2.3 Guaranteeing Health by Implementing **Epidemic Prevention and Maintaining Safety**

Responding to the ESG topic: quality and safety of milk

The Group strictly complies with relevant laws and regulations applying to the husbandry industry that have significant impacts on us, including but not limited to the Animal Husbandry Law of the PRC (the "Animal Husbandry Law") and the Law on Animal Epidemic Prevention of the PRC. The Group has also formulated farm management measures according to relevant laws and regulations, such as the Management Measures of Quality and Safety of Milk, to ensure the farms management is standardised and efficient, and dairy cows are healthy and safe. To ensure the effectiveness of management measures, during the Reporting Period, the Group reviewed and updated the Management Measures of Quality and Safety of Milk, and newly formulated the Implementation Measures of Diseases Prevention and Control to specify priorities in diseases prevention and control and standardise the working procedure. During the Reporting Period, the Group's farms did not violate the aforementioned laws and regulations relating to husbandry industry that have significant impacts on us, nor did they have any outbreaks of major diseases.

The Group takes "no outbreaks of major diseases" as a target and always implements stringent and comprehensive disease control systems during its operation to protect employees and herds' entire health. The Group further standardised work procedure of disease control. Adhering to the principle of "prevention first and prevention is more important than controlling", the Group has formulated the Implementation Measures of Diseases Prevention and Control, which specifies priorities and requirements of work from six aspects including personnel's safety protection, farms' disinfection, prevention and control of infectious diseases, monitoring and evaluation, prevention of common diseases, and protection of limb and hoof.

In terms of personnel safety protection, the Group requires that all persons entering production areas have to change their clothes, shoes, caps, masks and other labour protection equipment in the disinfection and changing room. Moreover, farm employees are required to have annual medical check-ups to ensure that there are no cross-species infections between humans and animals. Disinfection is one of the important measures to cut off the transmission pathway of pathogens and prevent infectious diseases from expansion or spread. The Group regularly disinfects employees' dormitories, barns, milking halls and veterinary hospitals as well as strictly controls the people and vehicles that enter the dairy farms. Only those people or vehicles with permission can enter the dairy farms after being disinfected.

In terms of disease prevention and control, the Group has employed on-site professional veterinarians to monitor dairy cows, to vaccinate them regularly according to the operating standards of vaccination, and to keep track of dairy cows' health at any time to decrease the risks of getting infectious diseases. Moreover, the Group has further improved the biological safety prevention and monitor system mainly by adopting the following measures: compiling and simplifying the veterinary drug menu and strengthening the control of using veterinary drugs; standardising disease treatment plan; and standardising and optimising the vaccination procedure in dairy farms as well as improving disease inspection and identification. Furthermore, as for the regulation of veterinary drugs usage, the Group has established complete and accurate documentation for treatment, monitoring and herd transfer. The Group has also strictly implemented the operating procedure of "samplingchemical test-notifying transfer of qualified herd-verification of cow's number-herd transfer"

Additionally, the Group has formulated and implemented the Management Measures of Treating Infected Cows in Harmless Manners in Farms and standardised the treatment of afflicted animal carcasses and relevant animal products to effectively prevent and control possible outbreaks of major animal diseases and to protect public sanitation and safety. If any cows are infected by infectious diseases, the Group will promptly deliver them to the isolated area for quarantine and inspection. For cows that cannot be cured, case reports would be filed to the relevant health and quarantine departments and the cows in question would be put down in a harmless manner through a qualified entity, entrusted by the aforementioned departments.

3.4 Ensuring Quality by Stringent Inspection

Responding to the ESG topic: quality and safety of milk

The dairy industry is an iconic representative to food safety. In order to further promote the dairy industry's competitiveness, the General Office of the State Council of the PRC (the "State Council") published the Opinions of the General Office of the State Council on Promoting the Invigoration of the Dairy Industry and Ensuring the Quality and Safety of Dairy Products in June 2018, which puts forwards that it is necessary to enhance supervision over dairy products' quality and safety, to improve regulations, standards and systems, and to strengthen monitoring the whole production procedure of dairy products. As a responsible enterprise, the Group advocates and implements relevant laws and regulations in a timely manner and acquires updates of regulatory requirements as well as fulfils corporate's prior responsibility for quality and safety. Furthermore, taking "no outbreaks of major disease and no occurrence of major accidents of milk quality and safety" as a target and based on the mission to "build tech-driven ecological dairy farms and create high-quality, healthy dairy products" and the vision to "become a leading provider of nutritious and healthy food", the Group continuously improves milk quality and safety management measures and enhances raw milk quality.

The Group strictly abides by the laws and regulations relating to health and safety, products labelling and redress methods that have significant impacts on us, including but not limited to the Food Safety Law of the PRC, the Law on Animal Epidemic Prevention of the PRC, the Regulations on Supervision and Administration of Quality Safety of Dairy Products, the Regulation on the Management of Feeds and Feed Additives and the Regulation on Veterinary Drug Administration. In order to thoroughly implement relevant laws and regulations and enhance each farm's milk quality and safety management, the Group has formulated and implemented the Management Measures of Quality and Safety of Milk with reference to the aforesaid laws and regulations, which stipulates the major milk quality standards and requirements. The Group has standardised feed management, herd management, management of the use of medicine, milking parlours management, milk indicator tests management and milk transport vehicles management to ensure that milk quality meets relevant laws and regulations' requirements and standards for qualifications of raw milk set by dairy products factories. During the Reporting Period, the Group's raw milk was not involved in any food safety incidents, nor did it violate the aforementioned laws and regulations that have significant impacts on us.



The Group has established comprehensive quality control systems covering each aspect of the farm operation. Standard operating procedures (the "SOP") have been set for each aspect of production to guide employees' operation and to standardise and professionalize production. The quality control systems are monitored and enforced by the Group's professional quality control team to ensure that the Group complies with the *Food Safety Law of the PRC*, the *Agricultural Product Quality Safety Law of the PRC* and other laws and regulations relating to product quality and safety and the Group complies with the applicable national milk safety standards of raw milk products.

Apart from the management of herd, feeds and cows' disease (for details, please refer to the aforementioned contents), the Group attaches great importance to the sanitation and safety of milking, which is an essential part in production. The Group complies with all applicable laws and regulations relating to our production processes and raw milk produced, such as the Agricultural Product Quality Safety Law of the PRC, the Regulation on the Supervision and Administration of the Quality and Safety of Dairy Products and the Administrative Measures for the Production and Purchase of Fresh Milk. The Group has formulated and implemented standardised operating procedures in milking parlours and standardised milking procedures to keep the process clean and safe, including requirements of preparation, milking procedure, equipment cleaning procedure, consumable management, equipment maintenance and other aspects. In terms of milking procedure, the Group requires that all dairy farms should adopt the standardised milking procedure including the following steps:

udder check, pre-milking sterilisation, observation of the first three squeezes, drying, milking, post-milking sterilization, cooling and collection. The Group strives to carry out the extraction of raw milk in a highly automated and sanitary environment by directly piping the raw milk from dairy cows into milk tanks. The raw milk is completely insulated from any contact with the external environment, minimising to the utmost extent the risks of tampering or contamination. Moreover, the Group continuously improves milking parlours management and appoints directors of milking parlours or chief operators on duty to check milking equipment's operation status timely through the milking management software, to analyse relevant data and to supervise the operation compliance. In addition, the Group strengthens the management of equipment in milking parlours of its cleaning, repair and maintenance.



The Group uses modern milking machines imported from the US

A scientific and accurate measurement could help the Group master raw milk quality more accurately. The Group has established professional testing laboratories for forages and feeds, milk quality, and dairy cow disease monitoring, to conduct various scientific tests so as to ensure the quality and safety of fresh milk. The Group has formulated the *Management Measures of Chemical Test Laboratory in Farms* to standardise the safety management in chemical test laboratories, including personnel, sites, equipment, and reagent to ensure chemical test laboratories' smooth operation. In terms of milk quality, the Group ensures that the delivered raw milk complies with relevant quality standards by performing quality inspections and testing over all raw milk, including total bacterial count testing, veterinary drug residue testing, microbe testing, protein and fat content testing and keeps all testing reports for records. For products failing the initial tests, the Group would conduct re-inspections and dispose those in a harmless manner if the results are still considered unsatisfactory

As of 31 December 2019, the protein content of the raw milk the Group produced reached 3.33%.

The raw milk quality standard and major quality indicators

Standards	Protein content (Unit: %)	Fat content (Unit: %)	Aerobic plate count (Unit: /millilitre)	Somatic cell count (Unit: /millilitre)
The Group ²	3.33	3.97	21,800	169,100
EU Standard ³	Not applicable	Not applicable	< 100,000	< 400,000
US Standard ⁴	≥3.2	≥3.5	< 100,000	< 750,000
PRC Standard ⁵	≥2.8	≥3.1	< 2,000,000	Not applicable

Moreover, to ensure the freshness of raw milk and its timely delivery to customers' processing facilities, the Group mainly sells raw milk to customers adjacent to dairy farms. The Group requires milk transport vehicles to be safe and sanitary, meet requirements of the Fresh Milk Transport Truck QC/T23-1992, and have all the certificates needed. The milk transport vehicles are also required to use sealing labels in accordance with the requirements of dairy product factories. The Group appoints relevant employees to check milk transport vehicles' joint before milk pipping and monitor milk's temperature during milk pipping. Furthermore, all the qualified third-party vehicles that the Group has hired can maintain an optimal storage environment for the safety and quality of raw milk in transportation.

² Calculated according to the statistical quality data of the Group's raw milk in 2019.

³ Please refer to the Council Directive 92/46/EEC adopted by the EU.

⁴ Please refer to the Grade "A" Pasteurized Milk Ordinance promulgated by the US Public Health Service.

⁵ Please refer to the National Food Safety Standard (GB19301-2010) of the PRC.



- 4.1 Management of the Ecological Farms
- 4.2 Protecting Blue Sky by Emission Management
- 4.3 Making Contributions through Saving Energy and Reducing Consumption
- 4.4 Protecting the Ecology and Homeland
- 4.5 Environmental Key Performance



3 4.1 Management of the Ecological Farms

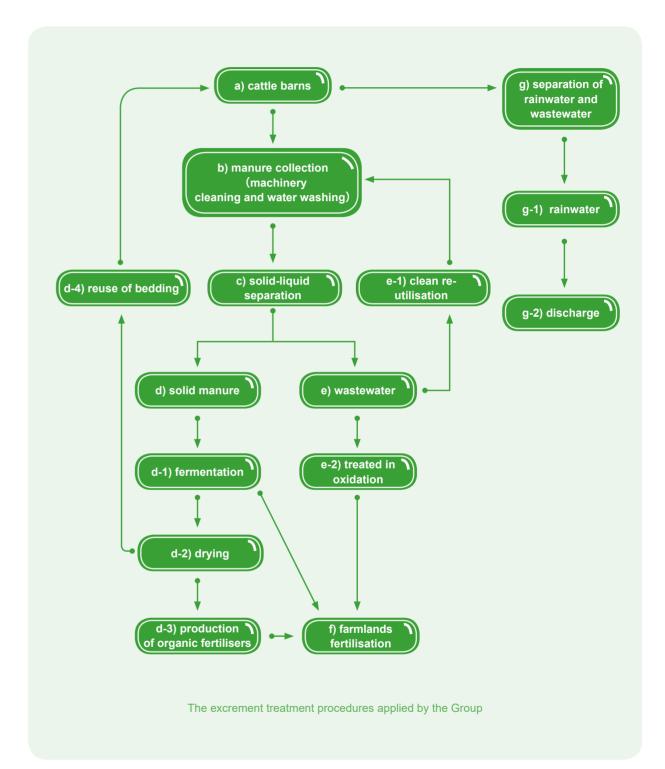
Responding to the ESG topics: emission management, use of resources and ecological protection

The "13th Five-Year" Plan period is a decisive stage in building a moderately prosperous society of China in all aspects. The "13th Five-Year" Plan points out that it should promote the agriculture industry's sustainable development, vigorously develop eco-friendly agriculture, and promote turning wastes into resources for utilisation and harmless treatment in the plantation and breeding industry. Moreover, it should carry out comprehensive prevention and control of pollution sources in the agriculture industry and take a path of agricultural modernisation, which is eco-friendly, with high efficiency, product safety, resource conservation. Hence, the Group proactively responds to national policies. Aiming to "establish sustainable and ecological dairy farms", the Group persists in taking "clean production", "pollution prevention", and "total generation control for pollutants" and "beneficial cycle between agriculture and animal husbandry" as the general rules for environmental protection. The Group strives to develop environmentally friendly and ecological dairy farms that make waste profitable and maximise resource utilisation.

The Group has formulated and implemented the Environmental Protection Management System of Dairy Farms and the Environmental Protection Management Measures of Dairy Farms, which sets specific control targets for environmental protection, comprehensively covering aspects including air emissions, wastewater, manure handling, carcasses of afflicted cows, noises at boundary, etc., and stipulates requirements that the total emissions of pollutants should be in accordance with the local control target of pollutant emissions. During the Reporting Period, the Group comprehensively advanced the improvement of the environmental management system and increased the resource utilisation efficiency and reduced emissions of waste gas, wastes, GHG, etc., through process optimisation, technical renovation and other methods.

The Farm Operation Management Department is an environmental protection management department of the Group's farms and is responsible for supervising and checking each farm's environmental protection work. In order to implement environmental protection during daily operations, each farm of the Group identifies and screens environmental risks on a regular basis, including risk identification in production facilities and equipment, raw materials, etc., involved in the production process. In addition, each farm checks and makes records of the operation of environmental protection facilities, and issues comments of rectification to existing problems of environmental protection and requires self-rectification to be done within a limit of time. Furthermore, the Group has proactively applied corresponding prevention measures with reference to identified risky matters in the environmental assessment report, such as implementing wastewater seepage prevention measures and fire prevention measures. Additionally, the Group has proactively applied prevention measures of environmental risks and formulated contingency plans for accidents and risks, such as adopting three-levels - source, process and terminal - of prevention and risk control of water resources to ensure that treated wastewater reaches applicable requirements.

Effective environmental management is of great significance to the success of the Group's business and realisation of long-term targets of sustainable development. The Group proactively encourages operations integrating agriculture with animal husbandry and develops an ecological and recycling mode of operation with the sustainable development of agriculture, animal husbandry and the environment. The Group has designed and constructed dairy farms in accordance with various requirements of dairy farming, management, disease prevention, environment protection, etc. Sticking to the notions of dividing functional zones clearly and separating rainwater and excrement, the Group ensures that its farms are not only reasonably zoned and comprehensively arranged, but that they also meet the requirements of "field layout" mentioned in the Construction Criterion for Standardised Dairy Cattle Farm (NY/T1567-2007). The Group ensures that all emissions of its farms, such as sewage, wastes and carcasses of afflicted animals are all treated in line with respective standards.



e-1)

e-2) to f)

d) to d-4

d) to f)

The major wastes generated during the operation of the Group's dairy farms are cow manure and wastewater, which are important fertilisers for farm crops after effective treatments. As such, the Group has used high-efficiency excrement treatment technologies for excrement treatment integrating with the concept of ecologically recycling operation model.

Since large volume of water will be needed to wash the ground of cattle barns during dairy farms' operation, most of the wastewater separated from excrements is used to wash the ground. By continuously reusing treated wastewater from excrements instead of washing cattle barns with tap water, we are able to conserve a considerable amount of water.

The remaining wastewater that is separated from excrements is transported to oxidation ponds for further treatment and is provided to surrounding farms as fertilisers after reaching the standard requirements of the *Technology Code for Land Application Rates of Livestock and Poultry Manure* (GB/T 25246-2010). By doing so, the Group is able to operate without discharging wastewater, and instead, can treat large volumes of wastewater from dairy farms in an efficient, reasonable and environmentally friendly way whilst cooperating with farms closely and satisfying their daily operating requirements for water and fertilisers.

A large quantity of solid substances is separated from excrement after solid-liquid separation. After fermentation and drying, a proportion of this is used as bedding materials in cattle barns.

Another proportion of solid substances becomes raw materials for organic fertilisers, which are used by farmers to grow crops. The crops thrive by using organic and nutrient fertiliser, and then are provided to the dairy farms as dairy cow feeds after reaching maturity. Therefore, the Group is able to realise the integration of agricultural operations with animal husbandry and create green, recycling and ecological farms that made wastes profitable.





Dry manure from the Group's solid-liquid separation process is reused as bedding material for cows



The Group places manure into a solid-liquid separation facility



34.2 Protecting Blue Sky by Emission Management

Responding to the ESG topic: emission management

Ecological environment is an essential social issue related to people's livelihood. China continuously improves regulatory requirements of environmental protection. The Opinions of the Central Committee of the Communist Party of China and the State Council on Strengthening the Ecological and Environmental Protection in All Aspects and Firmly Winning the Battle of Preventing and Controlling Environmental Pollution, the Three-year Action Plan for Winning the Battle for A Blue Sky and other documents were formulated as implementation requirements for all parts of the country to implement ecologically environmental protection work, to control pollutant emissions and improve environment and air quality. These documents of environmental protection requirements include control of pollutant emissions in the agriculture industry and stipulate that it should promote turning livestock and poultry's excrement into resources for utilisation and increase the comprehensive utilisation rate of livestock and poultry's excrement. Moreover, for purposes of implementing in depth the spirit of the National Environmental Protection Conference and the relevant requirements of the Three-year Action Plan for Winning the Battle for A Blue Sky, the Ministry of Ecology and Environment of the PRC formulated and issued the Key Points of the National Air Pollution Prevention Work in 2019 in February 2019. The Group carefully studied relevant regulatory requirement of environmental protection in a timely manner and implemented environmental protection work according to these requirements and the Group's actual operation status specifically, so as to make contributions to establish a beautiful China.

The Group strictly abides by relevant laws, regulations, policies and administrative measures, including but not limited to the Environmental Protection Law of the PRC, the Water Pollution Prevention and Control Law of the PRC, the Water and Soil Conservation Law of the PRC, the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, the Environmental Protection Tax Law of the PRC, the Animal Husbandry Law, the Animal Epidemic Prevention Law of the PRC, the Regulation on the Prevention and Control of Pollution from Large-scale Breeding of Livestock and Poultry, the Methods for Administration of Prevention and Control of Pollution Caused by Livestock and Poultry Breeding that have significant impacts on us related to waste gas and GHG emissions, discharges into water and ground, waste generation and disposal and those related to minimising significant impacts on the environment and natural resources. Moreover, the Group has formulated and implemented the Environmental Protection Management System and the Environmental Protection Management Measures for farms in alignment with relevant laws and regulations to implement environmental protection during production and operation. During the Reporting Period, the Group did not violate the aforementioned laws and regulations of environmental protection that have significant impacts on us.

4.2.1 Air Emissions

The air emissions from the Group's operations mainly include emissions from machine operations and foul odour from farms. In order to effectively control and reduce air emissions, the Group has identified emission sources and subsequently taken records of operations of machines and their fuel consumption, so as to calculate their emission data to acquire and analyse each farm's emission performance.

In order to reduce exhaust gas emissions from the machines used, the Group gives preference to machines that produce fewer emissions and are more energy-efficient. Regular maintenance is conducted to ensure machines' normal function and prevent the exhaust gas emission from increasing due to equipment malfunction. Furthermore, we use diesel with low sulphur content to reduce the emissions of sulphur oxides.

Foul odour, such as those from manure, are mainly fugitive emissions generated during the operation of the Group's dairy farms. In order to mitigate the negative impact on the environment, the Group has reduced foul odour generation from the source by optimising and appropriating feeding; on the other hand, the Group has attached great importance to the removal of manure and cleanness of premises and mitigated odour nuisance by applying nebulized treatment solutions in the process of cleaning up the manure. By doing so, the Group is able to ensure that the concentrations of foul odour and gas emissions, such as ammonia, hydrogen sulphide, etc., met the requirements of the *Environmental Quality Standard for the Livestock and Poultry Farm* (NY/T 388-1999) and the *Emission Standards for Odour Pollutants* (G14554-93).

4.2.2 GHG

Climate change poses threat to the existence and development of human beings. Making active response to climate change and accelerating green and low-carbon development is an internal requirement of realising sustainable development and promoting ecological civilisation construction, as well as the fulfillment of China's international obligation as being a responsible country. Hence, China proactively implemented the national strategy of tackling climate change and issued the *Work Plan for the Control of GHG Emissions during the "13th Five-year" Period* to meet the targets of controlling GHG emissions. The husbandry industry mostly contributes to the effects of climate change through the generation of GHG emissions, such as those from enteric fermentation and manure. In terms of controlling GHG emissions for the husbandry industry, China encourages and supports the establishment of excrement collection, storage, treatment and utilisation facilities.

Therefore, the Group has proactively responded to national environmental policies, such as the *Work Plan for the Control of GHG Emissions during the "13th Five-year" Period*, and the *United Nations Framework Convention on Climate Change*. The Group strives to continuously improve the excrement treatment efficiency by maintaining and optimising the established excrement collection and utilisation facilities. In addition, since the constitution of feeds can cause certain effects on methane emissions generated from the enteric fermentation of cows, the target of reducing GHG emissions can be achieved by conducting scientific feeding management of herds. The Group has continuously improved the feeding formula and feeding management to enhance the conversion rate so as to reduce methane emissions from the enteric fermentation of cows.

Furthermore, GHG also comes from the consumption of fossil fuel and electricity during the Group's daily operation. Hence, the Group reduces GHG emissions through proactively applying various energy saving and emission reduction measures so as to make more contributions in order to tackle global climate change. For more details, please refer to section 4.3.2 of this ESG Report.

4.2.3 Wastes

How to treat wastes generated during farms' operation in an effective and proper way is a problem that every farm encounters. In particular, a lot of cow manures are generated during farms' operation. They could be turned into useful resources after proper treatment, or they would be a factor of environmental risk if handled improperly. The Group strictly complies with the relevant national laws and regulations, such as the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste and the Discharge Standards of Pollutants for Livestock and Poultry Breeding, and treats wastes following the principle of "reducing, harmless and resource utilising".

Manure of dairy cows is the major waste generated from the Group's operation. The Group thoroughly implements the ecological and recycling operation mode and adopts the excrement treatment system for excrement collection, treatment and utilisation. By doing so, excrement can be turned into resources, and integration of agriculture and animal husbandry can be realised. During the Reporting Period, the manure generated from the Group's dairy cows amounted to a total of 234,708.50 tons; this was all treated, recycled and reused as solid fertilisers, which accounted for approximately 105.240.00 tons, or as bedding material of cow, which accounted for approximately 129,468.50 tons. The Group continuously improves the excrement treatment system and conducts maintenance to the excrement treatment facilities to reduce the generation of waste as much as possible. The Group also reduces disposal of bedding material of cow by continuously improving the management of cow bedding through measures such as adding a drying process of bedding materials and formulating usage plans. During the Reporting Period, the Group conducted improvement and renovation to the excrement treatment procedures to reduce disposal of bedding material by adding turners, increasing dry matters in manures, and increasing the utilisation rate of bedding materials.



from dairy cows amounted to a total of 234.708.50



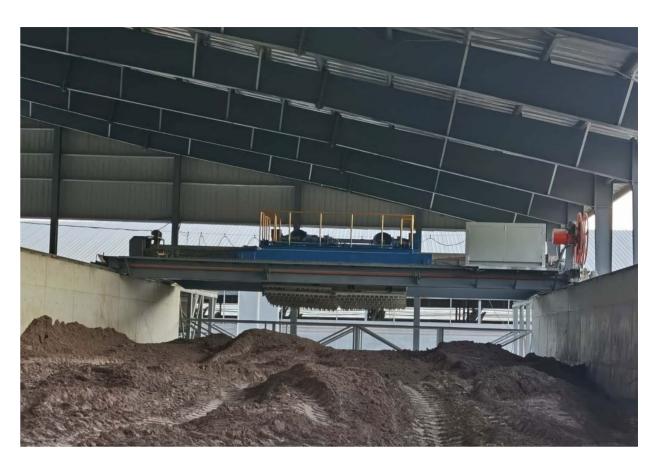
Solid fertilisers after solidliquid separation accounted for approximately

105,240.00 [†]



Bedding material of cows after solid-liquid separation accounted for approximately

129,468.50 °



The Group's turner

Apart from cow manure, the wastes from the Group's dairy farms also include carcasses of afflicted cows, liquid waste from the washing of milking machines, domestic waste and food waste. The Group has enhanced waste treatment efficiency by segregating waste into hazardous waste (including carcasses of afflicted cows and liquid waste from the washing of milking machines) and non-hazardous waste (including domestic waste and food waste). For the carcasses of afflicted cows, the Group either buries them properly or delivers them to qualified entities for proper treatment in accordance with the Technical Standard of Preventing Pollution for Livestock and Poultry Breeding (HJ/T 81-2001) and the Group's formulated technical specifications for harmless processing treatment of carcasses of afflicted cows. In addition, the Group has formulated the Management Measures of Treating Infected Cows in Harmless Manners in Farms to standardise treatment of afflicted cows with reference to the Opinions of Establishing Management Measures for Treating Livestock and Poultry in Harmless Manners and the Technical Regulations for Treating Afflicted and Infected Animals in Harmless Manners. The areas for the treatment of afflicted cows' carcasses are distantly located from water sources and other public places to mitigate environmental pollution. Apart from this, the Group does not sell or feed calves with milk from sick dairy cows; instead, they are disposed of and discarded properly. Comprehensive disinfection measures are conducted regularly in farms and epidemic prevention measures are taken to prevent cross-infection between herds. During the Reporting Period. there was no death of cows due to infectious diseases in the Group. Liquid wastes from the washing of milking machines were properly treated, while non-hazardous wastes were centralised, collected and transferred to the local environment and health department for treatment. In order to further improve farms' risk management, the Group has also entered into outsourcing agreements with professional companies for harmless processing treatment of carcasses of afflicted cows, medical, domestic or food wastes to reduce the potential risk and prevent farms' operation from being adversely affected.

The Group devotes itself to doing its utmost to reduce waste generation from operation by recording the amount of waste it generates and the disposal methods used, and establishing reduction plans according to the principles of reducing, reusing and recycling. In terms of washing milking machines, the farms of the Group have adopted computer-controlled equipment for automatic washing and using washing liquid accurately with fixed amount, therefore, reducing the generation of liquid wastes from the washing of milking machines. Moreover, to reduce both the usage and disposal of packaging materials, the Group has not just reused packaging materials and given preference to the bulk transportation of feeds.

2019 Environmental, Social and Governa 4.2.4 Wastewater In order to ensure the safety of water resources, the Group has adopted updated environmental protection technology, procedure and equipment to handle farms' excrement. The Group complies with the Water Pollution Prevention and Control Law of the PRC and other relevant laws and regulations and has set up wastewater treatment facilities for treating and storing the wastewater for farmland irrigation to achieve the resource utilization in the controllable areas and the zero discharge of wastewater. The wastewater pipeline, oxidation pond, ground of the workshop for separation of dry and wet matter and other areas in the Group's farms have adopted seepage prevention measures to prevent underground water from contamination. In addition. separate drainage and sewerage system have been established by the Group to prevent contamination. Moreover, all sheds for dry manure storage in the Group's farms and wastewater treatment facilities are equipped with seepage prevention measures and rainproof shelters by the Group.

★4.3 Making Contributions through Saving Energy and Reducing Consumption

Responding to the ESG topic: use of resources

The "13th Five-Year" Plan points out that it should establish a view of conserving, intensive using and recycling resources, bring about a fundamental change in the way resources are utilised, strengthen conservation management through the entire process, and drastically increase the comprehensive resources utilisation rate. During the process of operation, the major resources the Group uses are water and energy (such as electricity, diesel, etc.). The Group proactively promotes resource conservation and utilisation and continuously strengthens resources utilisation management to respond to the national call of energy and water saving action. The Group also regularly holds activities of knowledge sharing relating to environmental protection, energy saving and emission reduction, aiming to continuously enhance the environmental awareness and skills of the Group's employees.

4.3.1 Water Resources

Water is an indispensable resource in the Group's farm operation. The Group attaches great importance to efficient utilisation of water resources. Hence, the Group has proactively adopted various measures listed as follows during daily operation to increase the utilisation of water resource and save with efficiency:

implementing water usage plans by recording water consumption from each dairy farm, for example, conducting water consumption analysis for processes such as the milking equipment washing and the farm premises cleaning;





the Group proactively uses the excrement treatment procedure to separate wastewater to be used for dairy farm's ground washing so as to reduce a large amount of wastewater discharge and save a lot of freshwater. For more details, please refer to section 4.1 of the ESG Report;

equipping the sinks of cattle barns with water-saving valves and using water-saving washing guns; and





strictly conserving water resources and protecting the environment by proactively adjusting and upgrading equipment, such as making adjustment to the water consumption amount for equipment cleaning, and purchasing the high-pressure cleaning equipment to improve cleaning efficiency and reduce water usage, and installing inductive switches to water taps in dormitories.

During the Reporting Period, all milking parlours of Kuandian ZhongDi Farm used high-pressure squirt gun to clean the ground and equipment, which could reduce approximately 10% of water consumption compared with water pipes. Tianjing ZhongDi Farm adopted a series of measures to reduce water consumption, including renovating spraying devices in cattle barns, installing sensor-activated detectors to cleaners of milking clusters. In addition, the Group has posted water saving labels in certain areas to remind employees how valuable the water is and to raise awareness about water saving.

In terms of water sourcing, water used by the Group mainly comes from municipal freshwater supplies and wells. Since the Group had taken full consideration of water sourcing and gained well understanding of regional water stress during the design of projects, proper geographical locations were selected to build dairy farms and water drawing permits were duly applied in line with government's requirements. The Group did not have difficulties relating to water sourcing during the Reporting Period.



The Group's sensor-activated taps for domestic water usage

4.3.2 Energy

The major energy used during the Group's operations is electricity, diesel and coal gas. The Group complies with the *Energy Conservation Law of the PRC* and other laws and regulations related to resources usage and proactively responds to the national energy conservation call by implementing energy saving and consumption reduction practices. The Group formulates energy usage plan and makes annual budget, and then monitors the implementation progress by recording and analysing energy usage data of each farm. Furthermore, the equipment energy consumption management is enhanced and technology upgrade is strengthened.

In order to effectively implement energy saving and reduce its consumption, the Group analyses the energy usage during the Group's operation to fully understand how energy can be used and saved. In terms of heat generated during milking process, heat recovery devices were equipped with milking machines to recover heat efficiently during the milk cooling process. The recovered heat could then be used for water heating so as to achieve energy saving. During the Reporting Period, the Group saved approximately 185,275.66 kilowatt-hours ("kWh") of electricity by using this system, which was calculated based on the energy saving efficiency provided by the supplier of the heat recovery devices. In terms of energy usage in daily life, the Group has installed solar devices on the roofs of employee dormitories or changing rooms which satisfy the needs of employees for hot showers. During the Reporting Period, the Group saved approximately 390,191.11 kWh of electricity by using solar heating technology and reduced the emissions of carbon dioxide ("CO₂") at the same time. In addition, the Group has installed light-emitting diodes (LED) and voice-activated lights in cattle barns, which realizes the intelligent and unmanned control of lighting devices, to reduce electricity consumption.

Additionally, the Group upholds the spirit of diligence and economisation to formulate management measures for business travel and advocates employees to take public transportation according to their actual needs. Electricity-saving labels have been posted near switches at offices and areas in the farms as reminders to our employees.





The Group's heat recovery equipment in milking parlours

34.4 Protecting the Ecology and Homeland

Responding to the ESG topic: ecological protection

The Group has formulated the *Environmental Protection Management Measures of Dairy Farms* and stipulated environmental protection management requirements in the phases of project initiation, location selection, construction and operation. Environmental impact analyses and assessments have been conducted to new construction projects or dairy farms and to alterations in accordance with relevant laws and regulations, such as the *Environmental Protection Law of the PRC*, the *Law of the PRC on Evaluation of Environmental Effects*, etc. In terms of new, changed and expanded farms, the Group strictly performs the "three simultaneities" required by the *Environmental Protection Law of the PRC*, which stands for environmental protection facilities shall be designed, constructed and put into use simultaneously with main construction structures. Furthermore, the Group continuously promotes environmental protection work and strengthens environmental protection facility management. The Group's Farm Operation Management Department is responsible for environmental protection and safety inspections to ensure environmental protection work is conducted orderly.

The Group's impacts on the ecological environment according to the environmental impact assessment are mainly related to the alteration of local plantations and water and soil loss due to dairy farm constructions. Therefore, the Group applies itself to reduce damages to the original vegetation cover during project construction, and formulates and implements thorough and reliable soil and water conservation measures during daily operations through trees planting and greening

maintenance. It's the Group's belief that our greening work help to prevent soil erosion, purify air and absorb CO_2 . During the Reporting Period, the Group planted a total of 7,040 trees, which could absorb 161.92 tons of CO_2 .

Additionally, there are certain noises that come from the Group's dairy farms during construction and operation. The Group has mitigated these impacts on the surrounding environment and controlled noises from the source by giving preference to low-noise equipment. Damping devices, soundproof covers or acoustic filters have been installed to the existing equipment. Moreover, sound isolation materials have been used to build soundproof walls in equipment room to reduce noise.

To better promote the Group's green life ideas, the Group cultivates and introduces professionals specializing in environmental protection in a planned way. It also regularly holds workshops relating to environmental protection, energy saving and emission reduction, aiming to continuously enhance the environmental awareness and skills of its employees.



3 3 4.5 Environmental Key Performance

2019 Environmental, Social and Governance Report

During the Reporting Period, the Group's performance of major emissions was as follows:

Indicators	Units	2019	2018	2017
Annual milk yield	Tons	381,539.43	364,316.45	296,656.49
Air pollutants ⁶				
Sulphur oxides emissions	Tons	0.06	0.05	0.04
Nitrogen oxides emissions	Tons	62.94	49.40	44.49
GHG				
Scope 1: direct emissions				
Dairy cow enteric fermentation ⁷	Ten thousand tons CO ₂ equivalent	13.05	12.95	11.50
Machine used in operation ⁸	Ten thousand tons CO ₂ equivalent	0.81	0.73	0.67
GHG emission reduction due to planted trees ⁹	Tons CO₂ equivalent	161.92	160.38	34.94
Scope 1 total emissions	Ten thousand tons CO ₂ equivalent	13.84	13.67	12.16
Scope 2: indirect emissions				
Scope 2 total emissions (electricity consumption) ¹⁰	Ten thousand tons CO ₂ equivalent	4.08	3.73	3.08
Total emissions of scope 1 and 2	Ten thousand tons CO ₂ equivalent	17.93	17.40	15.25
Emission intensity of scope 1 and 2	Ten thousand tons CO ₂ equivalent/ tons milk yield	4.70 x 10⁻⁵	4.78 x 10 ⁻⁵	5.14 x 10 ⁻⁵

⁶ The air pollutants were mainly sourced from the Group's machines and its calculation was set out based on the *Non-Road Vehicles Air Pollutant Emission Inventory Preparation Technical Guide (Trial)*. The data used in the calculation in air pollutant emissions was sourced from the recorded data of the Group and best conservative estimates were made based upon historical performance data or benchmarking with similar facilities.

During the Reporting Period, the Group's performance of use of resources was as follows:

Indicators	Units	2019	2018	2017
Water consumption	Tons	2,697,731.06	2,692,433.45	1,488,119.36
Intensity of water consumption	Tons/tons milk yield	7.07	7.39	5.02
Electricity consumption	kWh	51,020,857.00	46,347,444.78	38,190,344.25
Intensity of electricity consumption	kWh/tons milk yield	133.72	127.22	128.74
Coal gas consumption	Tons	21.33	20.79	16.52
Intensity of coal gas consumption	Tons/tons milk yield	5.59 x 10 ⁻⁵	5.71 x 10 ⁻⁵	5.57 x 10 ⁻⁵
Diesel	Litres	3,508,388.36	2,793,530.00	2,566,972.50
Intensity of diesel consumption	Litres/tons milk yield	9.20	7.67	8.65
Packaging materials used for feeds	Tons	398.64	442.01	-
Heat recovery from milking systems	kWh	185,275.66	178,098.31	161,357.40
Saved energy from solar water heater	kWh	390,191.11	244,191.11	244,191.11

During the Reporting Period, the Group's performance of wastes was as follows:

Indicators	Units	2019	2018	2017
Hazardous wastes				
Liquid wastes from the washing of milking machines	Tons	156.99	101.61	92.96
Total amount of generated hazardous wastes	Tons	160.69	102.11	92.96
Intensity of generated hazardous wastes	Tons/tons milk yield	4.21 x 10 ⁻⁴	2.80 x 10 ⁻⁴	3.13 x 10 ⁻⁴
Non-hazardous wastes				
Domestic wastes	Tons	123.55	111.15	65.00
Food wastes	Tons	138.60	164.95	172.90
Discarded bedding material of cows	Tons	0	0	0
Total amount of generated non- hazardous wastes	Tons	262.15	276.10	237.90
Intensity of generated non- hazardous wastes	Tons/tons milk yield	6.87 x 10 ⁻⁴	7.58 x 10 ⁻⁴	8.02 x 10 ⁻⁴
Solid fertilisers after solid-liquid separation	Tons	105,240.00	87,072.37	110,340.90
Bedding material of cows after solid-liquid separation	Tons	129,468.50	99,990.31	99,346.73

⁷ The calculation of GHG emissions from dairy cow enteric fermentation was set out based on the *Guidance for Compiling Provincial GHG Emission Inventory (Trial)* and adopted its provided methane emission factor of animal enteric fermentation.

⁸ The calculation of GHG emission from machine used was set out based on the *Guideline of the GHG Emissions Accounting* and Reporting for the Land Transportation Enterprise (Trial) and the GHG Inventory Guidance—Direct Emissions from Mobile Combustion Sources.

⁹ The calculation of GHG reduction by planted trees was set out based on the *Guidelines to Account for and Report on GHG Emissions and Removals for Building (Commercial, Residential or Institutional Purposes) in Hong Kong published by Electrical and Mechanical Services Department and Hong Kong Environmental Protection Department.*

¹⁰ The calculation of GHG emission from electricity consumption was set out based on the *Guidance for Compiling Provincial GHG Emission Inventory (Trial)* and the *2011 and 2012 Chinese Regional Grid Average Carbon Dioxide Emission Factor* published by National Development and Reform Commission of the PRC.



- 5.1 Caring about Employees and Protecting Their Rights and Benefits
- 5.2 Putting Health and Safety at the First Place
- 5.3 Promoting Growth by Abundant Training
- 5.4 Forming Vitality via Various Activities

5.1 Caring about Employees and Protecting Their Rights and Benefits

Responding to the ESG topic: employees' rights and benefits

The Group strictly complies with relevant laws and regulations (including but not limited to the Labour Law of the PRC, the Labour Contract Law of the PRC, the Trade Union Law of the PRC) that have significant impacts on us relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, other benefits and welfare and prevention of child labour and forced labour. Meanwhile, the Group has formulated the Human Resources Management Systems to protect the legal rights of the Group and employees. In terms of the prevention of child labour, the Group strictly complies with the Law of the PRC on the Protection of Minors and other applicable laws and regulations and no minors under 16 years old is ever employed. The Human Resources Department of the Group's headquarters is responsible for reviewing employee records and ensuring compliance with all laws and regulations relating to employment. During the Reporting Period, the Group did not violate the aforesaid laws and regulations that have significant impacts on us.

The Group has established comprehensive human resources management systems and has elaborated various employee issues relating to salary, position, benefit, training, dismissal reasons and other matters by formulating the Recruitment and Employment Management Measures, the Labour Contract Management Measures, the Salary Management Measures, the Performance Evaluation Measures, the Employee Resignation Management Measures, etc. In addition, the Group has established employment policies that advocate equality and diversity, and provided a diversified employment environment. There is no discrimination against employees because of race, nationality, colour, gender, etc.

The Group follows the principle of fairness and impartiality. Recruitment is conducted according to the Recruitment and Employment Management Measures. Furthermore, applicants' information is strictly verified during recruitment to prevent hiring child labour. The Group has formulated the Labour Contract Management Measures to standardise the employment contract signing, performance, rescind, termination. Moreover, the Group enters into labour contracts with employees in accordance with laws to clarify matters such as employee remuneration, benefits, reasons for dismissal. As of 31 December 2019, the signing rate of labour contracts reached 100%. As for resignation and dismissal, the Group has formulated the Employee Resignation and Dismissal Management Measures to standardise the management procedure and to protect the legal rights and benefits of both employers and employees.

In order to establish the Group's scientific and reasonable salary policy, the Group has formulated the Salary Management Measures and implemented salary management which is strategy-oriented, performance-oriented and based on principle of balancing fairness and competitiveness. Additionally, the Group keeps adjusting and improving its existing salary policies and aims to attract, maintain and motivate outstanding employees by providing competitive compensation, benefits and promotion opportunities. Selection for promotion is conducted according to the Promotion Management Measures, adhering to the principle of "giving priority to integrity with due consideration to ability". The Group puts emphasis on performance evaluation and has adjusted the salary policies and employees' remuneration and benefit regularly based on their respective duties, performance, work experience, and the market and industry standards. The Group dedicates to build a high quality, efficient and young team to improve its management standards and efficiency through various talent introduction channels such as recruitment and internal promotion.

The Group has formulated the Attendance and Holidays Management Measures to stipulate employees' working hours and statutory leaves. The Group has instituted the standard working hours system to prohibit forced labour, and the Group ensures that its employees can enjoy paid leave, marriage leave, bereavement leave, maternity leave, paternity leave and public holidays in line with the regulations. Additionally, the Group provides appropriate allowance to those who work beyond ordinary working hours and protects employees' physical health and legal rights and benefits by formulating the Management Measures for Approval of Working Overtime, so as to prevent forced labour. The Group has provided (including but not limited to) social security funds set out by the government (including basic medical insurance, pension insurance, on-job injuries insurance, unemployment insurance and childbirth insurance) for all employees, as well as housing provident funds and other statutory benefits, and commercial insurance for accidental injuries.

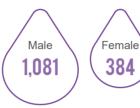


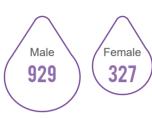
A group photo of the Group's team

As of 31 December 2019, the Group had 1,465 formal employees in mainland China and Hong Kong in total. The following table sets forth a breakdown of employees by different types:

Total employees by gender

2019 2018





Total number of employees in 2019

Total number of employees in 2018

1.256

Indicators	2019	2018
Total employees by business types		
Full time	1,426	1,226
Part-time	0	0
Internship	39	30
Total employees by age group		
20 years old or below	25	9
21-30 years old	390	333
31-40 years old	412	363
41-50 years old	506	431
51-60 years old	128	117
61-70 years old	4	3
Total employees by geographical regi	ion ¹¹	
North China	702	1
South China	1	1
East China	9	1
Central China	13	I
Southwest China	3	I
Northwest China	502	1
Northeast China	235	1

¹¹ This indicator is a new disclosure in 2019.

5.2 Putting Health and Safety at the First Place

Responding to the ESG topic: occupational health and safety

The Group always puts safe production and employees' health and safety at the first place. The Group strictly abides by the national and local laws and regulations that have significant impacts on us relating to the provision of a safe working environment and the protection of employees from occupational hazards, including but not limited to the *Work Safety Law of the PRC*, the *Fire Control Law of the PRC*, the *Law of the PRC on the Prevention and Control of Occupational Diseases* and the *Provisions on the Supervision and Administration of Occupational Health at Work Sites*. Furthermore, the Group has formulated

the Safe Production Management Measures, the Management Measures for Work Injury and the Management Measures for Employee Medical Checkups with reference to relevant laws and regulations and taken "no outbreaks of major disease, no serious fire and no occurrence of major safety accidents" as an annual target. During the Reporting Period, the Group did not violate the aforementioned national laws and regulations and realised its annual target, and there was no occupational fatality.

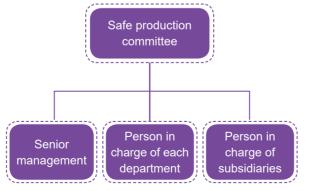
The Group has formulated the Safe Production Management Measures and stipulated the organisational structure of safe production, equipment and facility safety, employees' safety protection, safety training and inspection, emergency response management and other matters to strengthen safe production management, to prevent and reduce the occurrence of safety accident during production, and to ensure workplace safety and protection of employees from occupational hazards.



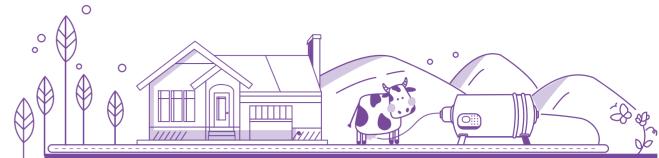
Key points of the Group's safe production management measures

The Group has established a sound work safety and responsibility system and formed a safe production committee composed of senior management, person in charge of each department and person in charge of subsidiaries. The safe production committee is responsible for taking the lead in the safe production work, studying and determining major issues in safe production. In addition, each operation management department is required by the Group to establish a safe production leading

group, which is composed of the operation management department, person in charge of subsidiaries and each professional management personnel. These safe production leading groups are responsible for formulating and carrying out the implementation measures of safe production management, reporting the status of safe production or any other related issues to the safe production committee on a regular basis. Every post in each farm has its pledge for responsibility in securing safety in production, stipulating the safety requirement and the safety personnel that are held responsible. Employees are required to implement safe production practices during daily work with reference to requirements of pledge for responsibility in securing safety in production and continuously enhance their business capability and safety skills adhering to the idea of "safety first and prevention crucial". In addition, the Group has established a sound regular meeting system for safety production. The Group holds safe production meetings regularly, analysing and summarising the situation of safe production as well as proposing countermeasures and implementations for material safe production issues.



The organisational structure of the Group's safe production committee



The Group strictly implements relevant regulations and provides labour conditions and workplace to employees that meet requirements. Labour protection equipment that is consistent with the national standards is provided, together with the supervision on correct wearing and usage. Furthermore, the Group raises the safety awareness of its employees by posting safety warning signs in farms. The Group also requires all employees have to receive relevant safety trainings, including pre-job trainings for new employees, safety knowledge trainings, etc., to ensure that they obtain necessary knowledge of safe production and awareness in occupational health, and acquire the capability in safety management. Additionally, inspections on equipment, facility and employees' safety protection equipment are conducted regularly by the Group to ensure the safety and normal operation of equipment and facility. The inspection includes but is not limited to general maintenance and regular inspection on production equipment and its safety facility, for example, whether the operation site and supply stacking comply with fire and safety regulation, whether personal protection equipment is sufficient and whether employees comply with operation regulations of safe production. Furthermore, the Group has formulated the *Management Measures for Employee Medical Check-ups*. The Group also arranges regular body check-ups and establishes occupational health archives for its employees.

The Regulations on Emergency Response to Production Safety Incidents formulated by the State Council came into force on 1 April 2019. This regulation strengthens the main position of emergency preparedness in emergency management and clarifies the responsibilities of relevant parties in emergency production safety incidents. In response, the Group continues to promote emergency management in its production and operation, and continuously improves the management measures of emergency response to production safety incidents. The contingency plan for production safety incidents has been formulated, evaluated, trained and rehearsed. The Group has established rescue teams for emergency response and stocked up emergency supplies. Through all these endeavors, the Group is able to increase its emergency management capability for each kind of production safety incidents. The Group would conduct regular fire drills to strengthen the training for its firefighting commanders and employees and enhance emergency response capacities.



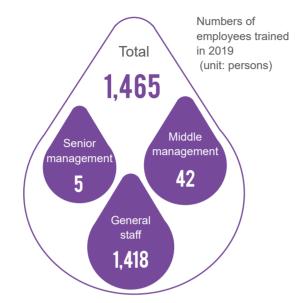


5.3 Promoting Growth by Abundant Training

Responding to the ESG topic: employees' development and training

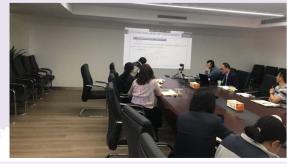
Continuously increasing employees' knowledge, skills and overall capability is one of the essential factors to maintain the Group's vitality in sustainable development. The Group has formulated the Training Management Measures and the Management Measures for Targeted Training to provide guidance to training, including establishment of training system, improvement of training procedure, formulation of training plan, delivery of training notification, deployment and implementation of training, follow-up, etc. The Group set up employees' training plans and working plans every year in line with the Group's development strategy, operation plan and status of human resource management. Focusing on key aspects such as safe production, business skills and corporate culture, the Group continues to carry out education and training programs for talents at all levels comprehensively. Through the safety education training and employee exchange programs, employees' professional and technical skills and comprehensive competencies are enhanced.

The number of employees trained by employee category of the Group





Langfang ZhongDi Farm's orientation training for new employees



The Group carried out a training on environmental protection laws and regulations



The Group carried out a training on environmental protection laws and regulations

5.4 Forming Vitality via Various Activities

Responding to the ESG topic: employees' rights and benefits

The Group promotes employees' physical and mental health not only by broadening their development paths through various training activities but also by creating an energetic workplace through plenty of activities. In order to better protect legal rights and benefits of employees, each farm established trade unions to provide a favourable workplace to employees by providing sufficient supports. In addition, the Group strives to create a smooth communication environment for its employees. The Group holds employees' representative conference and sets up the employee opinion box, so as to understand employees' needs promptly. Additionally, the Group proactively organises various employee activities, such as outward-bound activities, to enrich employees' lives and increase cohesion of the team.



The Group's 2019 Chinese New Year dinner



The Second Meeting of the First Employee's Representative Conference of Helan ZhongDi Farm



The 2019 Annual Meeting and Commendation Conference of the Group



The outward-bound activity of the Group in 2019



The outward-bound activity of the Group in 2019



- 6.1 Compliant Operation and Advocating Integrity
- 6.2 Connecting with Customers by Smooth Communication
- 6.3 Establishing Supply Chain with Sustainable Management
- 6.4 Supporting Communities by Charitable Contributions

€ 6.1 Compliant Operation and Advocating Integrity

Responding to the ESG topic: anti-corruption

The Group strictly abides by the relevant laws and regulations that have significant impacts on us relating to the prevention of bribery, extortion, fraud and money laundering, including but not limited to the Criminal Law of the PRC. the Anti-money Laundering Law of the PRC, the Company Law of the PRC, the Bidding Law of the PRC, the Listing Rules, the industrial regulations and rules. In order to enhance the corporate governance and internal control, ensure a sustainable, steady and healthy development and monitor any corruption, bribery or other misbehaviors the employees might have, the Group has formulated the Measures for the Internal Auditing of China ZhongDi Dairy Holdings Company Limited and the Measures for the Administration of Anti-fraud and Reports. During the Reporting Period, the Group did not violate any aforementioned laws and regulations that have significant impacts on us.

A permanent anti-fraud establishment as well as anti-fraud assessment and control procedures and mechanism have all been set up by the Group. The Group's permanent anti-fraud establishment is responsible for anti-fraud related works, including organising and conducting fraud risk assessments, dealing with misbehavior reports in relation to bribery, extortion, fraud or money laundering, investigating the reported cases and providing resolution suggestions. Whistleblowing procedures are established by the Group, which facilitates employees to report, in confidence, any signs of wrongdoings or criminal activities. Apart from this, the Group's senior managers set themselves as examples of honesty and righteousness, and advocating the spirit of integrity in the Group through various channels (such as the employee handbook and company website). The Group advocates honesty and integrity as company culture and spares no efforts to proactively create such an environment. In addition, the Group upholds the principle of "energy saving and cost reducing" in procurement activities. Any behaviour of extravagance and waste, improprieties in materials and equipment procurement would be dealt with seriously. Procurement should be conducted based on open, fair and just principle. The Group's procurement staff are required to be self-disciplined, fair and just and should not pursue personal interests.

The Group attaches great value on information security, and strictly abides by relevant laws, regulations, privacy policies, and relevant protection and confidentiality arrangements, including but not limited to the Law of the PRC on Protection of Consumer Rights and Interests, when dealing with information of customers, employees and partners. The Group strives to keep the information safe and prevent it from being read, handled, deleted or used without authorisation. In addition, the Group's employees are also required to enter into non-disclosure agreements to safeguard personal private information and the confidential information of products and customers. Moreover, based on the principle of equality, voluntary, fairness and honesty, our business partners enter into non-disclosure agreements in accordance with the principles of equality, impartiality, integrity and voluntary compliance to maintain the confidentiality of all sensitive information related to the Group's operation, technologies or business plans. Any breaches to the relevant privacy statements and confidentiality provisions will be investigated for legal responsibilities by the Group in accordance with non-disclosure agreements.







6.2 Connecting with Customers by Smooth Communication

The Group not only strives to provide high-quality raw milk, but also spares no effort to create a smooth communication channel and provide complete services to customers. The Group maintains effective communication with customers through work meetings, supplier assessments and other means to understand customers' requirements towards suppliers and proactively responds to their requirements of the supplier management system and other requirements related to supplier management. The Group has gained customers' recognition due to its raw milk with premium and stable quality, and active fulfillment of corporate social responsibility, and has worked with customers to develop together.

In addition, the Group has established product complaint and handling measures to follow up the product complaints in a timely manner. Upon receipt of complaints from customers, the Group would immediately conduct specific investigations, and collect and preserve relevant samples for testing and analysis in time. Reports would be sent to the Group's senior managers at the same time. If the product is found to be unqualified, the Group would instantly carry out handling procedures, including convening a special meeting for complaint analysis and adopting remedial measures accordingly. Furthermore, the Group would actively communicate with complainants to ensure the effectiveness of remedial measures.



6.3 Establishing Supply Chain with Sustainable Management

Responding to the ESG topic: supply chain management

The Group has formulated and implemented the Supplier Management Practices, the Procurement Management Measures, the Management Measures for Import Trading Business and other supplier management measures to ensure suppliers' long term and stable provision of materials, equipment and consultancy services meets relevant procurement regulations and the Group's requirements. The Supplier Management Practices has been formulated to standardise the methodology and operation procedure of supplier assessment to ensure that suppliers selection follows the principles of rationality and effectiveness, openness and fairness, objectiveness and truthfulness, and principles relating to comprehensive assessments, supervision and restriction. The Procurement Management Measures is to ensure procurement quality and supply effectiveness. Moreover, the Management Measures for Import Trading Business has been formulated to strengthen the management of import trading business and prevent risk in the import trading.

The Group has set up a procurement department responsible for supplier selection. Site visits, investigations and assessments will be conducted on factories in the shortlist after preliminarily screening. As for raw materials such as feeds, the Group conducts site visits and collects samples for testing as the procurement reference from feeds suppliers. With regard to the Group's import trading businesses, the Group imports cows and alfalfa hay from overseas suppliers who are specialised in the industry. The Group has formulated management measures for import trading business in accordance with the Law of the PRC on the Entry and Exit Animal and Plant Quarantine to standardise the development and maintenance of overseas suppliers and ensure the quality of imported goods.

When selecting suppliers. the Group comprehensively considered their operational qualification and quality and evaluated their environmental. social and other performance to reduce the potential environmental and social risks in the supply chain. The criteria of supplier selection include but is not limited to:

- whether they have qualified business licenses and export licenses;
- after-sale service and the capability of handling unforeseen events;
- the quality of the products that suppliers provide, such as whether the cows supplied meet the contractual requirements;
- whether they comply with environmental protection laws, regulations and policies and meet environmental protection requirements: and
- the concept of quality management;
- whether they prohibit child labour at all times, etc.

In order to ensure the quality of purchased materials, the Group has implemented various courses of acceptance procedures, including document verification, preliminary inspection and inspection on indicators, and tracking mechanisms for raw materials. In addition, the Group has established evaluation and assessment standards and a qualified supplier list. Suppliers are evaluated and assessed by the Group according to their order status, delivery time, service, quality and other aspects.



Procurement Department of the Group conducts site visits,investigations and assessments on the preliminarily chosen suppliers

Obtain quotes from at least three qualified suppliers and make decisions for procurement

Conduct testing and inspection materials





Prepare an assessment form for suppliers according to their performance

Verify the qualifications of materials

The supplier selection and evaluation process of the Group

Districts that suppliers locate at	Number of suppliers (unit: suppliers)	Districts that suppliers locate at	Number of suppliers (unit: suppliers)
Beijing	66	Shanxi	25
Gansu	2	Shaanxi	2
Guangdong	1	Shanghai	9
Hebei	29	Shenzhen	2
Henan	2	Tianjin	24
Heilongjiang	4	Zhejiang	1
Hubei	1	Australia	10
Jiangsu	5	France	1
Liaoning	25	America	10
Inner Mongolia	41	New Zealand	2
Ningxia	34	Total	300
Shandong	4	•••••	

Number of the Group's suppliers by regions

6.4 Supporting Communities by Charitable **Contributions**

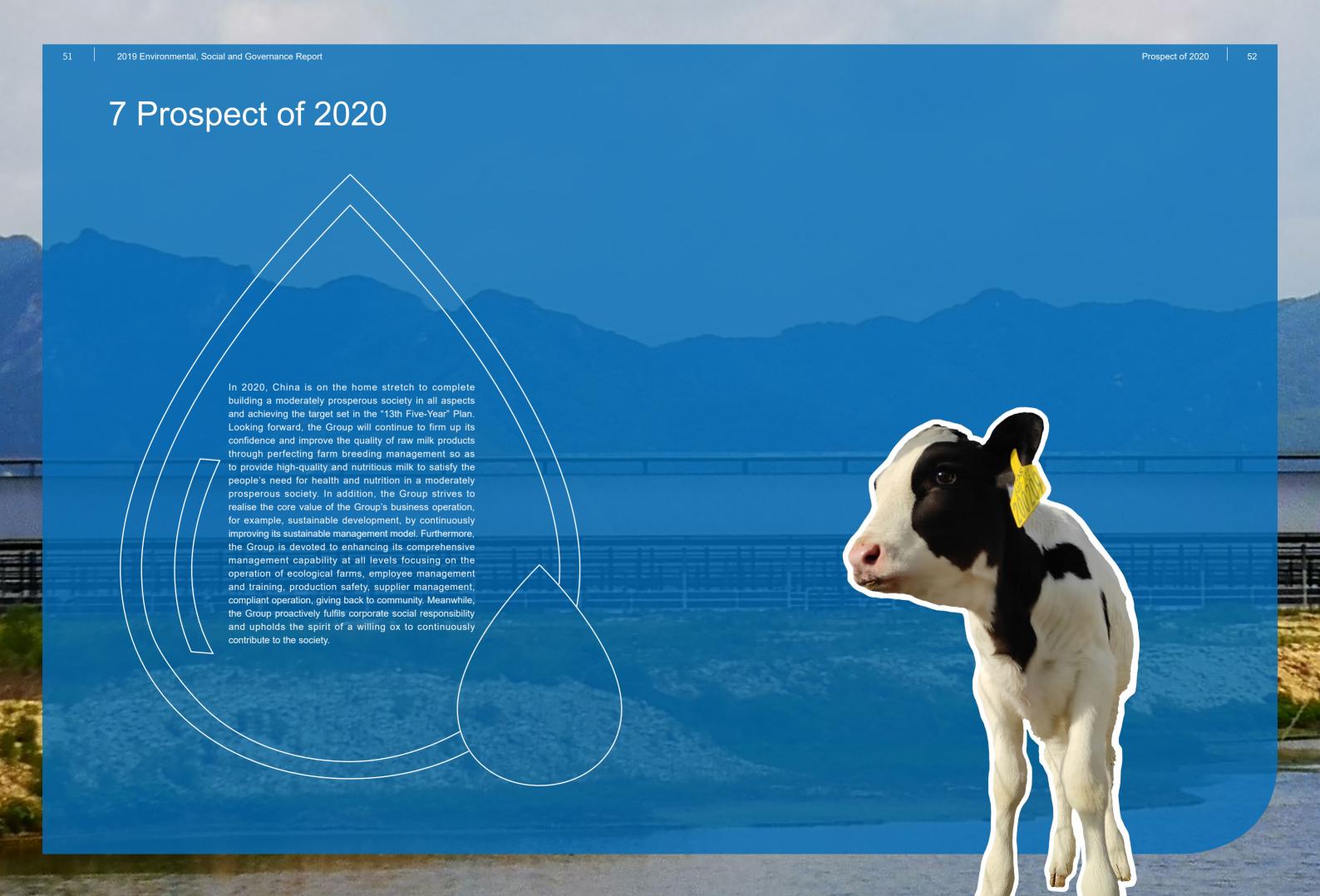
Responding to the ESG topic: community investment

What warms people up is not only the nutritious and tasty milk, but also the Group's enthusiasm and efforts to proactively fulfil corporate social responsibility. The Group continuously strengthens awareness of social responsibility and cares the society. The Group proactively participates in poverty alleviation activities to help and support the surrounding communities, such as reducing poverty through procurement and consumption. In addition, the Group proactively promotes the development of local agriculture, persists in operations which integrate agriculture and animal husbandry, and develops circular economy to help increase farmers' income. Local farmers' income is increased due to land circulation and increased employment opportunities in the neighbourhood of the Group's farms. The Group also reinforces cooperation with local farmers and devotes itself to creating ecological farms that integrate agriculture and animal husbandry. During the Reporting Period, the Group made charitable and other donations amounting to RMB290,404.

The Group made charitable and other donations amounting to







SEHK's *ESG Reporting Guide* Index

General Disclosures and KPIs	Description	Relevant Chapter(s) in the ESG Report or other Explanation				
Environmental						
Aspect A1: Emissi	Aspect A1: Emissions					
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	4.1, 4.2 and 4.4				
KPI A1.1	The types of emissions and respective emissions data	4.5				
KPI A1.2	GHG emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	4.5				
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	4.5				
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	4.5				
KPI A1.5	Description of measures to mitigate emissions and results achieved	4.1,4.2.1, 4.2.2 and 4.3.2				
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	4.2.3				
Aspect A2: Use of	Resources					
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	4.3				
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	4.5				
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	4.5				
KPI A2.3	Description of energy use efficiency initiatives and results achieved	4.3.2				
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	4.3.1				
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	4.5				
Aspect A3: Environment and Natural Resources						
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	4				
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	4				

Social		
Aspect B1:	Employment	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare	5.1 and 5.4
Aspect B2:	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	5.2
Aspect B3:	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	5.3
Aspect B4:	Labour Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	5.1
Aspect B5:	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain	6.3
Aspect B6:	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	3 and 6.2 Remark: information on advertising is not applicable ¹²
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	6.1
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	6.1
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	6.4

¹² As for advertising and labeling, the Group has not put advertisements during our operations and we, as a raw milk supplier, have not launched the produced raw milk into the market. As such, our products and services provided do not have direct relations with the issues of advertising.

