

ZALL 卓尔智联

Zall Smart Commerce Group Ltd.

卓爾智聯集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2098

金融、物业、物流、跨境供应链管理等服务

5,645,165.22m
1,053,300

2,197,147万元
5,649

消费品

农产品

有色金属

化工

钢铁

塑料

海鲜

Environmental, Social
and Governance Report

2019

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ABOUT THE REPORT

This Report is the Environmental, Social and Governance Report (the “Report”) of Zall Smart Commerce Group Ltd. (the “Company”) and its subsidiaries (collectively, “Zall Smart Commerce Group”, “we” or the “Group”) for the period from 1 January 2019 to 31 December 2019 (the “Reporting Period” or the “Year” or “FY2019”) to demonstrate the Group’s policies, measures and performance on environmental, social and governance during the period.

REPORTING STANDARDS

This Report is prepared in accordance with the requirements presented in the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The new amendments to the ESG Guide will come into effect for financial years on or after 1 July 2020. In response to the newly added disclosure requirements, we have enhanced the environmental, social and governance (ESG) disclosures in this Report to smoothen the transition of extended disclosure for the coming year.

BUSINESS PROFILE AND SCOPE OF THE REPORT

In recent years, Zall Smart Commerce Group has fully launched the Internet-based upgrade from offline trade business to the Internet industry. Driven by the two-pronged strategy of “commerce + technology”, the Group focuses on building a new generation of smart B2B trading platforms underpinned by blockchain technology and based on IoT, AI and big data infrastructure while developing the global supply chains, in an effort to build a smart trade ecosystem. The Group builds on its traditional trade business to promote the integrated development of online and offline business. Since the transformation and upgrade, it has built up trading platforms for agricultural products, chemicals, plastics, ferrous and non-ferrous metals, energy, etc. It also provides services such as finance, property, logistics, cross-border transportation and supply chain management for these platforms.

The Group continued to deepen its Internet-based supply chain management and trade business, and achieved great results. From the acquisition of LightInTheBox Holdings Co., Ltd., a cross-border e-commerce firm, Shenzhen Sinoagri E-commerce Co., Ltd. (“Shenzhen Sinoagri”) and HSH International Inc. (“HSH”) to the establishment of Shanghai Zall Steel E-commerce Co., Ltd. (“Zall Steel”) and Commodities Intelligence Centre Pte Ltd. (“CIC”), the Group has quickly grown into one of the leading industrial Internet companies in China. By facilitating safer and more reliable, convenient and efficient commercial transactions and improving market openness, the Group aim to realise trade globalisation and better meet customer needs, with a view of bringing productivity, innovation and new opportunities to the society.

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As the Group is mainly engaged in supply chain management and trade business, and the revenues of Shenzhen Sinoagri, HSH and Zall Steel together accounted for nearly 88% of the total revenue of the Group for 2019, we will focus on disclosing the ESG information on Shenzhen Sinoagri, HSH and Zall Steel which can directly reflect the Group's operating scale and ESG risks. The revenue breakdown of the subsidiaries of the Group is set out as follows:

Subsidiaries of Zall Smart Commerce Group	Business	Percentage
		contribution to total Group revenue
Shenzhen Sinoagri	Agricultural products	47%
HSH	Chemicals/plastics	12%
Zall Steel	Black metals	29%
Others		12%
Total		100%

REPORTING PRINCIPLES

We prepare the Report in strict accordance with the following four reporting principles set out in the ESG Guide:

Materiality:	We continuously collect opinions from stakeholders and determine the ESG issues to be covered and key points to be reported in the Report based on the results of materiality assessment, so as to provide important and meaningful information for stakeholders.
Quantitative:	We seek to present ESG information in a quantitative way and provide explanations on the calculation of data to help readers evaluate and verify the information.
Balance:	The Report truthfully discloses the ESG information of the Group to provide an unbiased picture of our ESG performance during the Year.
Consistency:	We use the same disclosure methodologies as for previous years to help compare business and ESG performance and ensure the reliability of information.

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONCEPTS AND VISION

Connecting global business intelligently and creating value for clients

Zall Smart Commerce Group strives to build a trading platform that is more convenient, intelligent and efficient and to provide comprehensive integrated trade-supporting services to help enterprises and SMEs in China and around the world to reduce transaction costs and arrive at the best solutions to their procurement, distribution, payment, and logistical needs.

Under its sustainable development strategy, the Group hopes to effectively improve resource allocation in the market and change trading habits with the online trading by upgrading to online trading platforms, thereby reducing its environmental impact and increasing the efficiency of resources utilisation and maximising its value to the society and other stakeholders.

The Group hopes to lead the merchandise trading industry towards sustainable development and operation, making transactions smooth and simple through our global intelligent trading platforms (i.e. "Connecting global business intelligently and creating value for clients").

SUSTAINABLE DEVELOPMENT POLICY

Zall Smart Commerce Group proactively performs its corporate social responsibility and is committed to operating in a sustainable manner. We aim to achieve sustainable social and environmental development in all our businesses, striving to meet the demands of stakeholders and share our success with the community while pursuing business goals.

The Group's sustainable development philosophy is reflected in its supply chain management and trading business. We empower commercial and trading activities with technologies and build a B2B trading service platform matrix to improve trading efficiency, reduce logistics and procurement costs, and provide a specialised, effective, safe and fast trading platform for upstream suppliers and downstream customers. By unifying and simplifying trading procedures, we help reduce emissions generated by global logistical activities and assist farmers who lack bargaining powers to attain a more reasonable income with an aim of alleviating poverty through finance.

In terms of corporate governance, the Group always maintains high-standard corporate governance principles and operates in a clean and honest manner to ensure compliance and legality. The Group also strictly follows national policies and initiatives on sustainability, formulates its green development strategy, seeks energy conservation, pollution reduction and energy efficiency improvement in day-to-day operations, and incorporates environmental protection into its values and corporate culture. In terms of business operations, we care for our employees and strive to create a safe, equal and inclusive workplace for employees to give full play to their strengths, while maintaining good relations with business partners. In addition, we actively participate in community and public welfare activities to give back to the society with substantial contributions and do our best for social welfare and the healthy development of society. Looking ahead, the Group will continue to improve its industrial chain ecosystem, in a drive to create greater value for the environment, society and stakeholders.

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE MANAGEMENT STRUCTURE

RESPONSIBILITY OF THE BOARD

Sustainable development is an important part of the vision, mission and core values of Zall Smart Commerce Group, and is given high priority by the Group's Board. The Board is fully responsible for the Group's sustainable operations. Its responsibilities include formulating the Group's overall sustainable development strategies, leading and monitoring the Group's sustainable development performance and providing guidance to the management on relevant strategies, and assuming responsibility for the Group's environmental, social and governance matters.

The Board formulates the overall environmental, social and governance management framework and delegates the governance and execution powers to the senior management of the Group and various departments. The management then implements these environmental, social and governance concepts into daily operations based on the Group's environmental, social and governance concepts. The management is also required to identify and assess risks and opportunities concerning environmental, social and governance issues relating to the operation of its functions and report the same to the Board.

To manage the Group's internal risks (including ESG-related risks) in a more systematic manner, we have established the risk management committee comprising certain board members, the risk management and monitoring team as well as the legal affairs department to provide guidance on identifying, evaluating and managing major risks. Through this mechanism, we ensure that our operations' environmental, social and governance risks are minimised and properly handled. The audit committee under the Board assesses overall risks for the Group at its annual meeting and ensures that an appropriate and effective internal control system is in place to manage them. For details, please refer to the Corporate Governance Report of the Group. The Board also reviews and approves the disclosures in the Group's ESG Report to ensure that an accurate, timely and comprehensive view of its environmental, social and governance performance is provided.

RISK MANAGEMENT COMMITTEE

The Group's risk management committee is responsible for coordinating and handling all risk-related works, including environmental, social and governance risk management matters. The main functions and responsibilities of the risk management committee are:

- Overseeing the cultivation of a corporate risk management culture;
- Formulating risk management strategies;
- Reviewing and approving the plan to establish a risk management organisation plan and its responsibilities;
- Reviewing and approving the Group's risk management system and risk control process;
- Supervising senior management's implementation of comprehensive risk management;
- Reviewing and approving the comprehensive risk management report;
- Reviewing and approving the disclosure of comprehensive and significant risks;
- Reviewing and approving risk assessment reports for major decision-making and major events, as well as the operational mechanism and criteria for determination of key business processes;
- Other responsibilities relating to risk management that should be undertaken by the Group's risk management committee.

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The risk management committee holds regular meetings to discuss and evaluate performance on and latest developments of environmental, social and governance risks, as well as how to review and optimise current environmental, social and governance management policies. It also convenes unscheduled meetings as necessary to ensure the timely and effective management and correction of environmental, social and governance issues and risks.

During the Year, the Group continued to deepen the construction of risk management system for each business platform, including strengthening risk management culture and unifying, reviewing and improving risk management rules and regulations for the business platforms, assigning dedicated personnel for risk management and clarifying their job responsibilities, and strengthening the Group's mechanism for collection and reporting of risk management information to enhance the Group's ability to predict and address risks.

GROUP LEGAL AFFAIRS DEPARTMENT

The Group takes corporate compliance very seriously, and has set up a legal risk prevention mechanism. For business compliance, we have developed a legal risk accountability system which is led by the management and implemented by the legal affairs department, to seek professional advice from legal counsels, and engages all employees. The Group's secondary legal affairs department under the risk control department comprises employees with a legal background to monitor the Group's compliance function and status. Its major responsibilities include:

- Drafting, reviewing and revising contract templates and legal documents (including but not limited to contracts, agreements, official letters, etc.);
- Providing legal advice and guidance as necessary to the Group's management, functional departments, subsidiaries and investees;
- Participating in the legal due diligence of the Group's external investment and M&A activities; and
- Liaising with and managing external lawyers and assisting external lawyers in legal proceedings.

In addition, the daily compliance management process of business departments mainly includes:







- All business contracts and agreements of business departments are required to be reviewed and approved by the relevant legal compliance department to reduce the contract performance risks;
- The Legal Affairs Department organises training on laws and regulations to enhance the compliance awareness of business departments;
- The legal affairs staff provides legal consultation and guidance on business, contacts with external legal professional institutions, and supports business development; and
- The Group's risk control department conducts compliance checks on all departments, while the internal audit centre regularly audits the Group's subsidiaries and proposes specific improvement suggestions, and subsequently supervises the improvement performance.

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STAKEHOLDER ENGAGEMENT

Stakeholder participation is vital to the Group's achievement of sustainable development. As such, the Group has established a variety of channels to maintain continuous communication with its various departments and external stakeholders, and to gain a full understanding of its business operations' impact on stakeholders and the community's expectations in regard to environmental, social and governance matters.

Through regular communications, surveys, community activities and other means, the Group is apprised of business risks, opportunities and scope for improvement, which helps it to meet the needs of stakeholders. The Group categorises key stakeholders into six groups, for which communication methods with the Group are described below:

Stakeholder	Communications channel	Stakeholder	Communications channel
Employees 	Internal emails and publications Website and social media Meetings Work performance appraisals Staff participation activities Daily interactions	Suppliers and business partners 	Annual and interim reports Business meetings Audit and evaluation Field trips
Customers 	Group website Customer service hotline Customer surveys Interviews and meetings	Government and regulatory authorities 	Government regulations and websites Government public consultation Email communication with regulatory authorities
Investors and shareholders 	Annual general meetings Annual and interim reports Press releases and announcements Investor relations website	Community organisations, media and public 	Websites and social media Press releases Corporate social responsibility activities

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In addition to the above communication channels, during the Year, we continued to commission a third-party consultant to carry out a comprehensive stakeholder engagement activity and collected the opinions and suggestions of internal and external stakeholders through questionnaires, interviews and group discussions. The environmental, social and governance topics that stakeholders were concerned with during the Year were similar to that of last year, concentrating on human resources management, supply chain management, service quality, and green office, as detailed below:

Human resources management

Opinions of stakeholders: Employee compensation and benefits, occupational safety, training and development serve as the foundation of the Group's long-term development, and are conducive to cultivating employees' sense of identity and sense of belonging to the Group and improving the Group's operating efficiency and creativity. In addition, introducing more professionals through recruitment activities will help the Group develop diverse trading platforms.

Response of Zall Smart Commerce Group: The Group places great emphasis on human resources management to attract and retain talents, so that each employee can give full play to his or her strengths in a safe workplace. The Group provides above-average employee compensation, and organises various training activities to develop employees' potential and enhance their professional know-how. We also constantly expand recruitment methods, and will consider introducing a selection mechanism to identify competent personnel internally for promotion to important positions.

Supply chain management

Opinions of stakeholders: The commodity trading industry involves great supply chain risks. Comprehensive assessment of supply chain risks, including supplier performance, quality of goods and stability of supply, can help the Group to better manage upstream and downstream resources of the industry chain and maintain high-quality services.

Response of Zall Smart Commerce Group: The Group continuously improves supply chain management, including standardising management elements, conducting risk assessment, establishing a mechanism for evaluation and acceptance of suppliers, and supervising warehousing, logistics and other processes of product lines. We will continue to ensure that products on our trading platforms meet national quality and environmental standards, and extend supply chains in a sustainable manner.

Service quality

Opinions of stakeholders: Superior product and service quality is an important factor to maintain the Group's core competitiveness. To expand globally, the Group must understand customer needs, maintain effective price and brand positioning, and establish a good service attitude.

Response of Zall Smart Commerce Group: Our stringent product quality inspection mechanism helps ensure product quality. We monitor market prices and trading volumes and keep close communication with customers at all times, which helps us understand customer needs. The Group also develops business-related staff training courses to ensure that the employees of each subsidiary get the hang of the latest industry information, technology and knowledge necessary for them to improve services.

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Green office

Opinions of stakeholders: Green office is a megatrend in the future. The Group must cautiously reduce electricity and water consumption and waste generation in the course of operations, so as to protect resources and save expenses.

Response of Zall Smart Commerce Group: The Group has incorporated green and environmental considerations into its offices, including developing environmental policies, monitoring energy and resource consumption, and promoting green travel, green office and green lifestyles to employees. In the future, we will continue to increase environmental measures to achieve better environmental performance.

MATERIALITY ASSESSMENT

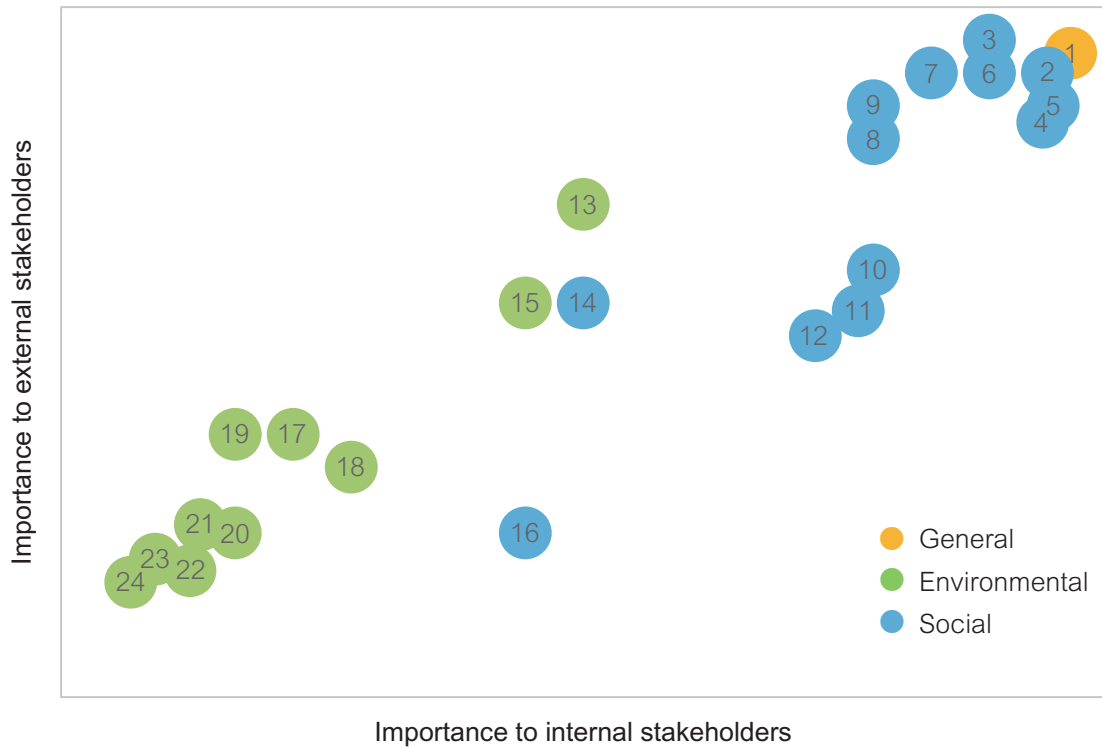
The Group has adopted the following four steps to identify the significant environmental, social and governance topics involved in its operations, determine their priorities and relevancy, and gauge their materiality from multiple perspectives.

- **Identify potential environmental, social and governance topics:** List out potential environmental, social and governance topics with reference to the ESG Guide and through analysis of industry peers.
- **Stakeholder engagement:** A questionnaire survey is conducted to assess the importance and relevance of each environmental, social and governance issue to the internal and external stakeholders who are important to and/or substantially rely on the operation of the Group, so as to identify the overall material environmental, social and governance issues.
- **Ranking of materiality:** Establish a materiality ranking of environmental, social and governance topics based on stakeholders' evaluation and analysis results.
- **Management confirmation:** The Group's management confirms and submits the material environmental, social and governance topics to the Board for review and links the topics to the Listing Rules and the key performance indicators of the Group.

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Zall Smart Commerce Group's Materiality Matrix for 2019

Based on analysis of the characteristics and external social responsibility environment of Zall Smart Commerce Group, we determined its core social responsibility topics and ranked them through internal discussions, external questionnaires and interviews. This enabled us to create the following two-dimensional matrix as an important guide to the Group's performance of social responsibility.



1	Compliance	9	Customer health and safety	17	Hazardous waste emissions
2	Supply chain risk management	10	Diversity, equality and non-discrimination	18	Water consumption management
3	Product and service responsibility	11	Prevention of child labour and forced labour	19	Energy consumption management
4	Anti-corruption	12	Intellectual property	20	Environment and natural resources
5	Employee health and safety	13	Green office	21	Waste gas and sewage emissions management
6	Development and training	14	Community investment	22	Greenhouse gas emissions
7	Data privacy protection	15	Green procurement	23	Non-hazardous waste emissions
8	Employment, compensation and benefits	16	Advertising and labelling	24	Climate change management

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AWARDS AND HONOURS

Awarded entity	Awards and recognitions	Issuing institution or authority	Nature
Shenzhen Sinoagri E-commerce Co., Ltd.	Top 500 Chinese Enterprises in 2019	China Enterprise Confederation	Honour
	Top 500 Chinese Service Enterprises in 2019	China Enterprise Confederation	Honour
	Top 100 Industry Leaders	Shenzhen Industry Leader Corporate Development Promotion Association	Honour
	Leading Agricultural Enterprise in Shenzhen	Shenzhen Municipal People's Government	Honour
	Contract-abiding and Trustworthy Enterprise	Shenzhen Administration for Market Regulation	Honour
	Intellectual Property Management System Certification	Zhonggui (Beijing) Certification Co., Ltd.	Certification
HSH International Inc.	2019 Ecosystem Partner	Alliance of Leading Providers of Digital Enterprise Services	Certification
Shanghai Zall Steel E-commerce Co., Ltd.	Enterprise Credit Evaluation AAA Credit Enterprise	China Metal Material Circulation Association	Honour
	2018 Demonstration Enterprise in China's Steel Supply Chain Construction	China Metal Material Circulation Association	Honour
	2018 Demonstration Enterprise of Credit Construction in China's Steel Supply Chain	China Metal Material Circulation Association	Honour
	2018 Internet Leader in China's Steel Industry	Iron and Steel E-commerce Branch of China Metal Material Circulation Association	Honour
	Top 50 Talents in China's E-commerce Supply Chain	China Communications and Transportation Association	Honour
	B2B Model Innovation Enterprise in China's E-commerce Supply Chain	China Communications and Transportation Association	Honour
	Advanced Unit of China Steel Price Index in 2018	China Iron and Steel Association	Honour
	Shanghai Private Enterprise Headquarters	Shanghai Municipal Commission of Commerce	Honour
	2019 Silver Award for Comprehensive Strength in Modern Service Industry in Jiading District	Shanghai Jiading District People's Government	Honour

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GIVING BACK TO SOCIETY



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PULL TOGETHER TO FIGHT AGAINST THE COVID-19 PANDEMIC

Since the end of 2019, COVID-19 outbreaks have erupted all over the world, resulting in the suspension of regional social and economic activities and posing significant health, economic and social risks to people. Zall Smart Commerce Group was concerned with the crisis and closely cooperated with the government to implement epidemic prevention and control measures. We stood together with the people and worked at the forefront of the fight against the severe pandemic.

The Group was well aware of the urgency of anti-epidemic measures. On 24 January 2020, after receiving an urgent message that Wuhan was running out of medical supplies, the Group immediately gathered resources and completed the international purchase and delivery of needed supplies to Wuhan within 48 hours. In the early morning of 26 January 2020, our plane to Wuhan became the world's first charter cargo flight to support Wuhan's coronavirus fight, bringing 3.2 million medical masks and 210,000 protective gowns to address the critical needs of medical workers. Afterwards, we continued to give full play to our strength in comprehensive and professional cross-border logistics. Our affiliated platforms, including CIC, Shenzhen Sinoagri and Zall Steel, operated efficiently in procurement, warehousing and customs clearance, air transportation and distribution to purchase much-needed medical supplies through our vast and extensive global supply chains and deliver them to Wuhan by air. Such supplies, including surgical masks, N95 masks, goggles, protective gowns, medicines and medical equipment (6 million pieces in total), alleviated the severe shortage of medical supplies in Wuhan. It fully demonstrated the Group's ability to efficiently access international supply chains and related logistics services developed by building global trading platforms in the past three or four years.

In addition, our North Hankou International Trade Centre (漢口北國際商品交易中心) ("North Hankou") helped coordinate delivery of supplies in Wuhan, including providing free consultation and support services for international and domestic freight logistics, customs declaration and clearance. From January to March, we helped various charitable organisations and individuals to deliver 232 batches of supplies to Wuhan. The cold chain vehicles of Xiaoxue Cold Chain (Wuhan) Logistics Co., Ltd. (小雪冷鏈(武漢)物流有限公司) ("Xiaoxue Cold Chain") were put on 24-hour standby to provide safe and efficient express food delivery services for more than 160 shops and supermarkets in Wuhan. A total of more than 300,000 items of frozen food were so delivered. Leveraging on its ability of sourcing goods in the offline market, gathering resources and integrating supply chain, North Hankou motivated offline merchants to pool and supply all kinds of emergency supplies, including daily necessities such as bed frames, bedding, toothpaste and toothbrushes as well as drinking water, instant noodles and microwave ovens, thus supporting the construction and operation of three mobile cabin hospitals (Jiangnan (Zall Wuzhan), Wuhan Salon and North Hankou) and creating better accommodation conditions for patients. During the pandemic, employees of the Group volunteered to assist in the combat to COVID-19 in epidemic-stricken areas, including the installation of anti-epidemic equipment, transportation of supplies, and delivery of health kits to vulnerable groups in the community.

All the relief efforts stated above embodied the determination of Zall Smart Commerce Group to do its utmost to fight against the pandemic. The Group will continue to take strict measures for epidemic prevention and control, monitor the development of the pandemic, and deliver supplies to overseas regions in need when the coronavirus is under control in China. Meanwhile, we will continue to assess the impact of the pandemic on the Group's business development, employee safety and business operations, and take all appropriate epidemic prevention measures to ensure the safety of employees, customers and suppliers in Wuhan and other regions, while ensuring that business activities be carried out normally in a flexible manner. The Group has sufficient financial and operating resources to cope with this crisis, and may invest such resources when needed. In view of the future social and economic changes at home and abroad caused by the pandemic, the management, after full consideration of the resulting challenges and opportunities, continue to promote online trade business and build global supply networks, so as to play a constructive role at critical moments.

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The first batch of emergency medical supplies arrived in Wuhan



Zall Steel purchased medical protective gowns from Russia



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Shenzhen Sinoagri donated medical supplies to Futian District, Shenzhen



Cold chain vehicles of Xiaoxue Cold Chain and Ningbo Haishangxian delivered supplies



Daily necessities and food delivered to mobile cabin hospitals



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BUSINESS PRACTICES

Sustainable Supply Chain Management

The success of Zall Smart Commerce Group relies on our sound supply chain management system, which enables us to quickly source all kinds of quality, reasonably-priced and sufficient goods for supply to hundreds of thousands of customers. We are committed to ensuring that the goods on our commodity trading platforms are good value for money and maintaining the reputation and quality standard of Zall's brand. As such, we pay great attention to sustainable supply chain management, with a view to improving the efficiency and value of such processes as sourcing, packaging, logistics and delivery. The stability and sustainability of a supply chain also depend on suppliers' business quality, supply performance and environmental and social management measures. The Group assesses supply chain risks on a yearly basis, and has developed a series of control measures to reduce such risks.



Supply Chain Quality and Risk Management

As the Group's subsidiaries have different operating models and product categories, each subsidiary has its own supply chain management system. Overall, we will review potential suppliers to select those with outstanding products and business performance, formulate clear contract provisions to protect the rights and interests of the Group, regularly inspect the quality of incoming goods through spot checks, continuously monitor the performance of suppliers, update risk assessment results and take appropriate risk mitigation measures in a timely manner.

Each subsidiary has a risk management department to review the results of due diligence on suppliers, gather complete supplier information based on the results of queries to third-party databases, and enter the supplier information into the subsidiary's credit evaluation model to calculate each supplier's credit score and feasible transaction limit. In the end, the head of the risk management department will determine the actual transaction limit for each supplier.

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At Shenzhen Sinoagri, the supplier evaluation team effectively ensures the quality and safety of agricultural products, and all suppliers must obtain a Statutory Food Circulation Permit before obtaining online trading qualification. Following basic qualification review, the Company carries out sampling inspection on white sugar purchased in accordance with the national standard GB/T317-2018 "White Sugar" and prepares a report, so as to ensure that the quality of sugar meets national standards. The Company will perform a series of approval procedures to ensure that each supplier complies with the Group's supplier management policy. In addition, the Company regularly evaluates and reviews the qualifications of suppliers, and terminates partnership with unqualified suppliers.

For the supplier management of Zall Steel, the Company has a well-established supplier and customer evaluation system to strictly control supplier and product quality risks. Well-performed suppliers and customers will be included in the white list, and the Company will regularly review the safety of the white-listed companies. In addition, the Company specifies the ways of handling quality issues and the time limit for raising quality issues in goods purchase and sale contracts, so as to provide customers with high-quality products and services.

At HSH, the Company screens raw material suppliers and selects companies which have high market awareness, large size and stable product quality, or middle-and large-sized traders for procurement cooperation. As all products procured are standard chemical plastics manufactured by large plants, their quality is secured to a certain degree. Where a customer disputes product quality, the Company will fully coordinate the handling of relevant quality issues. The Company will also rate suppliers on a regular basis, and then terminate the contract with any supplier which is rated unqualified.

Given the COVID-19 outbreak, the Group's supply chains were affected to a certain extent by the state's anti-epidemic measures of economic shutdowns and limited transportation services. We have assessed the long, medium and short-term impacts of the pandemic on the national economy, relevant industries and the Company itself, and worked out coping strategies and measures. During the pandemic, we closely monitored market price changes and margin ratios to ensure that upstream and downstream players perform their contracts on schedule. For customers with good trading track records and stable performance, the Group will offer them a grace period as appropriate after assessing their risk tolerance, in order to support suppliers in resuming production and tide over the difficulties with them. Meanwhile, we flexibly managed supply chains and communicated with our business partners by phone and WeChat, so to minimise the impact of the pandemic by increasing the flexibility of conducting business activities.

During the Year, we further expanded our supply chains and refined the criteria for acceptance of suppliers. Below is a breakdown of suppliers of the Group during the Reporting Period:

Region	Number of suppliers in 2019	Number of suppliers in 2018
North China	1,264	742
Northeast China	140	85
East China	11,440	9,965
Central China	312	256
Northwest China	89	45
Southern China	1,128	1,579
Others	226	1

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Green Procurement

The Group fully supports the national sustainability policies and concepts, and integrates environmental elements into supply chain management. We ensure that products on our platforms pass the quality inspection of the market and meet or exceed national standards. We highly welcome and promote suppliers with environmental, quality and related qualifications. In the process of transportation, we will consign goods to professional and qualified logistics companies to reduce emissions during transportation and promote green supply chain services from the source.

We also support green procurement in daily operations, and promote the Group's environmental principles among employees. Administrative staff will give priority to products that are environmental-friendly and energy-efficient. When selecting items to be purchased, we will consider whether the items are easy to recycle, durable, made of recycled materials, low in pollution and emission, non-toxic and easy to decompose, and try to avoid buying unnecessary items.

Product Responsibility

Product Health and Safety Management

Agricultural products business

The quality management system established by Shenzhen Sinoagri has obtained ISO9001 certification, and its software design and development and agricultural products information services have passed relevant international standard certifications. Agricultural products traded online (mainly white sugar) involve food safety risks, so we are particularly concerned with product health and safety issues, and undertake to assume responsibility for the safety of such products.

Although the white sugar provided by upstream suppliers has reached national standards, the Group conducts at least two tests on the sugar before the goods are delivered to customers to further improve food safety. The Company will conduct quality inspection in its own laboratory to ensure that the white sugar meets national standards and contains no harmful impurities. Moreover, the Group's central organisation in Shenzhen conducts random spot checks every month. So far, no major quality problems have been found.

Steel products business

The steel itself comes with a warranty, and each coil of rolled plate has a coil number which can be traced to the manufacturer from the upstream supplier. Although Zall Steel does not directly participate in product quality inspections, it will entrust a third-party warehouse to examine the number of pieces, weight, material, model and quality of the products and put them into storage if no inconsistency is identified. The warranty or coil number and professional examination at the warehouse form two lines of defence for the quality of steel. If concerns about the quality of the steel being sold are raised, Zall Steel will compensate the customer for loss following the appraisal of a third-party institution, and then claim compensation from the supplier. The Company tracks market price movements and market trends on a daily basis to ensure that the steel price and quantity on the platform are reasonable and meet market demands.

Chemical plastic products business

Chemical plastic materials and finished products are found in all walks of life. As such, the Company is concerned about product quality and transportation safety issues. The Company has rigorous restrictions on suppliers and sourcing channels, and requires strict performance of contracts in respect of product performance, standards and designations to ensure product quality from all aspects. Upstream suppliers of HSH must be large manufacturers which maintain long-term partnerships with professional logistics companies, and their products must meet national and market standards. As of now, no major quality or transportation safety issues have been identified by HSH. Product quality verification is completed by customers. Where there is any quality issue raised, the Company will report it to the upstream supplier, and the supplier will re-examine the product concerned, issue an investigation report and recall the defective products if necessary.

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Service Complaints

Where customers encounter any problems during transactions, the Group has a 24-hour customer service centre to provide online consulting services. In each region, there is a regional account manager to respond to the opinions and questions raised by customers and provide face-to-face assistance and problem-solving services for customers. In case of customer complaints, the operation department will collect and record them, assist in investigating the causes of complaints, inform each complainant of the investigation process, and follow up the handling methods and results, so as to ensure customer satisfaction and a fair and open complaint handling process. We also regularly review customers' opinions, and develop and implement improvement measures when necessary.

During the Reporting Period, the Group had no violation of laws and regulations related to product health and safety and service complaints.

Anti-corruption

Corporate Principles of Honesty and Integrity

The Group strictly abides by the anti-corruption and anti-bribery principles and disciplinary supervision measures set forth in the Zall Standards (《卓爾標準》). On this basis, the Group focuses on reviewing its purchases of assets, bidding, engineering construction, personnel management, investment attraction, reimbursement, and receipt of gifts and gift money, and supervises personnel in key positions, while strengthening the development of anti-corruption and anti-fraud policies to promote integrity. The Group's disciplinary supervision is carried out by means of regular and special inspections on project quality and safety management, bidding management, procurement management, asset management, archives management, attendance management, contract management, etc.

Each employee is required to sign the Employee Integrity Agreement before joining the Group, so that employees can understand and comply with the integrity requirements of the Group. This move is to prevent professional ethics risks and protect the legitimate rights and interests of the Group and its employees. The Group provides anti-corruption training for directors and employees. The training materials are uploaded to the Intranet, so that employees can consult and learn the materials at any time to enhance their awareness of integrity and anti-corruption. All employees must declare their personal interests before joining the Company or participating in procurement and other key business processes, so as to avoid conflicts of interest.

In addition, the Group has set up a whistleblowing hotline and email, so that employees of the Group and its subsidiaries can directly report illegal and rule-breaking incidents to the CEO of the Group by name or anonymously. The Group's risk management department has set up an internal audit centre to conduct internal audits on the business operations of its subsidiaries. The Group has zero tolerance for any violation of laws and regulations by personnel, and will take disciplinary action against those convicted after investigation and hand them over to the law enforcement agency for handling. The Group's risk management department has issued whistleblowing reward schemes for its subsidiaries, such as the Measures for Rewarding Reporting Staff of Sinoagri Group (《中農網集團員工舉報獎勵辦法》) for Shenzhen Sinoagri, which offers material rewards for employees who report illegal acts and recover major losses for the company and protects whistleblowers from unfair treatment.

Through its Code of Conduct for Employees (《員工行為準則》), the Group sets out employee behaviours and disciplinary standards in project management, personnel management, administrative management and financial management to demonstrate the Group's operational principles for practising honesty and integrity. The Group fully complies with national laws and regulations including the Regulations of the People's Republic of China for Suppression of Corruption (《中華人民共和國懲治貪污條例》), the General Rules of the Civil Law of the People's Republic of China (《中華人民共和國民法總則》), the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and the Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), and incorporates anti-corruption and integrity policies into its future development planning. During the Reporting Period, the Group had not identified any violation of any applicable law or regulation relating to bribery, extortion, fraud and money laundering.

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“Six Prohibitions” of HSH for Integrity

- It is prohibited to give gifts to superiors as efforts should be focused on customer service.
- It is prohibited to take advantage of one's position to receive gifts and money from customers and damage the Company's reputation and interests.
- It is prohibited to conduct transactions with the Company through parents, spouses or other associates.
- It is prohibited to trade with customers without permission.
- It is prohibited to disclose the Company's trade secrets or spread false information and rumours about the Company.
- Management personnel are prohibited to hide any violation of laws and regulations of the team and must report such violation (if necessary).

Employees who violate the above rules shall be subject to suspension or demotion, and serious violators will be dismissed.

Marketing Ethics

Advertising and labelling

To maintain mutual trust and sincere business relations with customers, the Group strictly follows up on the marketing, advertising and sales activities of its subsidiaries to ensure that its products and services are described in a legal, fair and honest manner. All formal advertising and publicity activities must be approved by the Group's public relations department or the public relations managers of its subsidiaries. We strictly prohibit the use of any false, misleading or deceptive means. The Group understands and emphasises the importance of business reputation, and will uphold the highest marketing ethical standards. Through the above marketing ethics measures, the Group is in strict compliance with the requirements of laws and regulations including the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Administrative Measures for Online Trading (《網絡交易管理辦法》) and the Service Norms for Third-party E-commerce Transaction Platforms (《第三方電子商務交易平台服務規範》).

The Group has always complied laws and regulations and strives to provide a responsible model for industry which makes a positive contribution to society. During the Reporting Period, the Group had not identified any violation of any laws and regulations relating to product advertising and labelling.

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Data Privacy Protection

The Group lays great emphasis on the protection of personal information, including the personal and corporate data of employees, customers and suppliers, and understands that effective data privacy protection measures can guarantee its honest operation and the healthy development of customer relations. Given the necessity to collect and use personal data of customers or consumers when conducting business, the Group attaches great importance to the management and maintenance of personal data. We will not transfer or disclose customer information without consent, except for signing confidentiality agreements with customers. The Group has developed a sound data privacy protection system featuring hierarchical management over the access, viewing and modification of data in the data system with clear administration privileges among relevant employees, and built up an information database with multiple passwords and firewall protection to ensure the security of private information. The personal data of all employees, customers and related parties are protected by the General Principles of the Civil Law of the People's Republic of China, the Personal Information Protection Law and other laws and regulations that protect the right to use and privacy of personal data. During the Reporting Period, the Group found no violation of laws and regulations related to data privacy in respect of the products it provided.

Intellectual Property

The Group respects and protects intellectual property rights to support fair competition and enhance economic and social benefits. The Group has established the Measures for Patent Application Management to protect its unique R&D achievements. Once we find any infringement of the Group's patents, we will ask the infringer to make compensation or pay royalties for the use of our intellectual property. If the case is serious, we will hold the infringer accountable by legal means to protect the legitimate rights and interests of the Company. In addition, we require all employees to protect tangible and intangible assets. For the use of others' R&D achievements, authorisation must be obtained, otherwise the employees involved will be punished.

HUMAN RESOURCES

Health and Safety

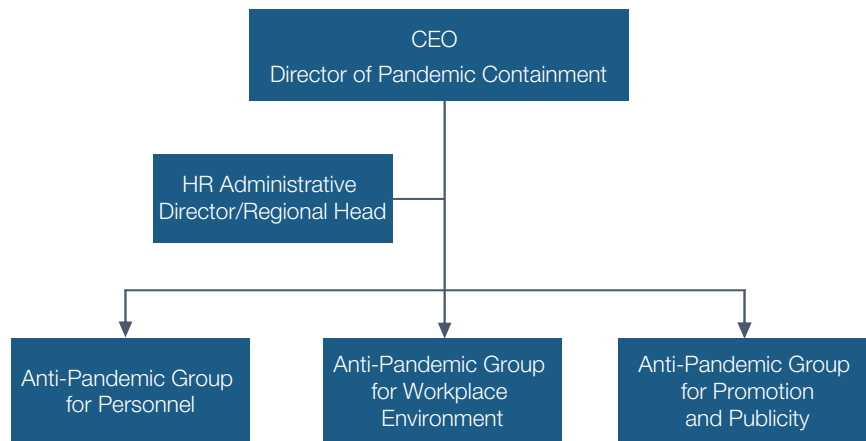
For the Group, it is our top priority to protect the health and safety of every employee. To create a healthy and safe work environment, the Group has developed a comprehensive health and safety policy and set up posters and instructions on occupational safety, and regularly inspects workplaces and conduct emergency fire drills. Zall Steel, a platform of the Group, provides annual physical examination benefit for employees. In addition, the Group holds occupational safety meetings on a regular basis, sets the goal of "no major safety incidents and diminishing general safety accidents", and determines the person in charge of occupational safety, so as to continuously improve the occupational safety performance of the Group.

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COVID-19 Special Case

To cope with the COVID-19 outbreak, HSH, a subsidiary of the Group, has set up a three-level epidemic prevention and control mechanism, including the leading group, working group, and implementation group at the regional level, to assist the Group in formulating and implementing various anti-epidemic measures for employees. Their respective duties are as follows:

Leading group	Mainly to access and track the developments of the pandemic, plan anti-epidemic measures and coordinate resource scheduling.
Working group	To take charge of daily and emergency management of anti-epidemic work and provide guidance and support, gather the information about the pandemic and receive relevant reports, put forward handling suggestions to the leading group, and release information on the pandemic.
Implementation group	Set up by region to implement epidemic prevention and control measures, including manpower deployment, allocation of supplies, staff training, rehearsal, on-site management and supervision.



Our anti-epidemic measures for employees include:

- Formulate and distribute the Knowledge Handbook on Prevention and Control of COVID-19 Infection to provide anti-epidemic guidelines for employees;
- Hand out masks, medical alcohol, disinfectant and hand sanitiser to various departments based on their respective number of employees;
- Wipe and spray disinfectant in offices and public areas;
- Take the temperature of employees who are coming to work every day. Anyone whose temperature is higher than 37.3°C shall be denied entry, and such abnormality shall be reported immediately;
- Flexibly adjust commuting and lunch hour to avoid employees travelling during rush hours;
- Strictly keep employees' travel records;
- Unwell employees are required to work from home until they return to health;
- Push epidemic prevention and control news to employees;
- Review the implementation and effectiveness of the above anti-epidemic measures each day, and adjust them when necessary.

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Handbook of Prevention and Control of Pneumonia Caused by the Novel Coronavirus published by the personnel and administration department of the Group, covering:

- I. Prevention information at workplace
Special notes on commuting and working
- II. Personal prevention information
Guidelines on personal hygiene and use of masks
- III. Home prevention information
Diet, disinfection, and home isolation
- IV. Information on novel coronavirus pneumonia
Mode of transmission and symptoms of the virus
- V. Procedures for receiving medical treatment
Special notes on receiving medical treatment



In terms of daily occupational health and safety affairs, the Group's principal business – supply chain management does not involve high-risk jobs, and employees mostly work in the Group's offices and certain off-site locations. As such, the Group has established the Fire Safety Management Measures (《消防安全管理制度》) to strengthen the fire safety awareness of office employees and standardise fire safety management of the Group. We have established a sound fire safety inspection process for all workplaces and office areas. Before leaving work, the administrative and human resources department shall check whether the sockets, computers, water dispensers, doors and windows in each department have been switched off or closed. If it is found that any electrical appliance, door or window is yet to be turned off or closed, the relevant person in charge shall be issued a warning and be required to rectify the situation. Those who violate the rules twice will be punished.

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Since the Group's wholesale market business involves high-risk construction works, we strictly follow the Construction Practice Manual (《工程項目實操手冊》) of the Group, which contains a quantitative evaluation form on project safety and occupational health management, and guidelines for behaviour management, standardised on-site management, accident emergency management, construction site safety management, and management and use of personal safety protection articles. The Group also inspects the safety work of construction projects, such as whether smoke detectors are installed according to the requirements of building fire protection, and regular maintenance of firefighting equipment and emergency lighting equipment. Regulations of the Group on engineering management stipulate that employees must wear safety helmets when entering a construction site, and dangerous goods are prohibited from being brought into the construction site.

The Group has formulated Labour Disciplines and Safety Management (《勞動紀律及安全管理》) in the Zall Standards (《卓爾標準》) in accordance with the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》), the Fire Prevention Law of the People's Republic of China (《中華人民共和國消防法》) and other relevant laws and regulations. This describes various office safety matters and contingency measures, and together with the above systems of the Group, protects the interests and physical and mental health of employees. During the Reporting Period, the Group had not identified any violation of laws and regulations relating to providing a safe working environment and protecting employees from occupational hazards.

With the above measures, we effectively protect the safety of employees and reduce the risk of virus spread, so that employees can rest assured when doing their jobs and stand together with the community in tiding over the tough time. We recorded zero cases of work-related injuries or deaths in 2018 and 2019.

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Development and Training

The Group has formulated “Staff Training and Management” (《員工培訓管理》) to provide staff with diverse training courses. These include both internal and external courses for a range of different skills. The Group’s policy for continuous learning and development includes induction training for new entrants as well as courses on job responsibility, business skills, management skills and professional skills, in addition to other types of educational training and development.

This year, our training activities combined offline centralised training and online courses. Online courses, including induction training for new employees and vocational skills training, enable every employee to take courses anytime, anywhere. Offline centralised training, including business scenario training, corporate culture construction, senior executive innovation and “Leading Talent Programme”, enables first-hand participation of employees and a better learning experience. The Group also organises staff training activities from time to time to enable employees to absorb new industry knowledge and strengthen their own abilities.

We also provide financial support for employees to receive training, in a bid to encourage employees to obtain professional certificates related to their posts with relevant subsidies. The Group maintains a strict system of training attendance and record management. Training results are linked with individual employees’ performance appraisals, career promotions and salary adjustments, and the effects of their training are recorded and monitored.

Employee training	Percentage of employees trained	Average training hours per employee trained
Gender		
Male	53%	8.24
Female	38%	4.66
Level of positions		
General employees	47%	4.25
Mid-level employees and management	53%	5.97
Senior management	40%	11.99

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Enterprise receiving training:
Zall Steel

Name of training event:
Business scenario training

Number of participants:
A total of 416 employees from 18 functional departments participated

Training hours:
4 hours

Staff, Compensation and Benefits

Compensation and dismissal, recruitment and promotion, working hours and leaves

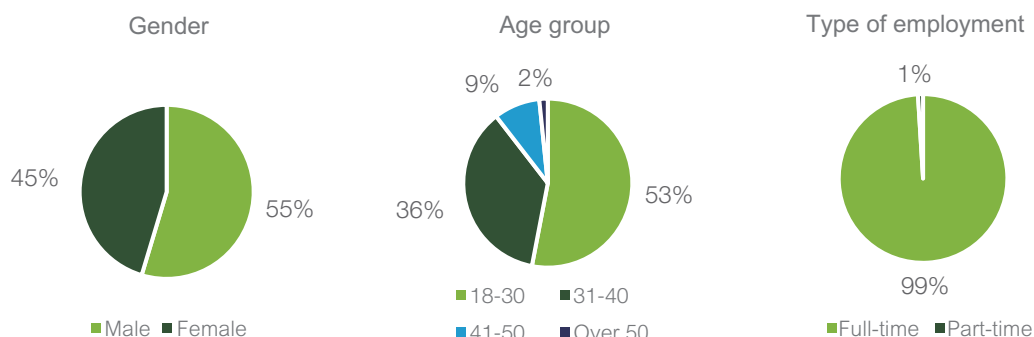
The Group values talent and advocates people-and performance-oriented management principles with an emphasis on reward, fairness, openness and impartiality. To attract and retain the best, the Group offers industry-competitive remuneration packages, maintains a system of performance-oriented rewards and internal equity, and provides employees with on-the-job training and long-term development opportunities.

The management has formulated a Reward and Punishment System (《人事獎勵與處分管理》), a Remuneration and Performance System (《薪酬績效制度》) and a Performance Assessment System (《績效考核辦法》). In calculating employee remuneration, management will consider factors such as external economic conditions and industry pay levels to ensure that its packages are market competitive. Employee performance is another major consideration, and is evaluated using an appraisal process which combines annual and monthly assessments, the results of which will be considered in determining employees' salaries. The Group has also set up the tools for performance appraisal to assess the performance capabilities of employees in a comprehensive manner.

Furthermore, the Group ensures reasonable working hours and leave – including statutory holidays, marriage, maternity/paternity, breastfeeding, annual and paid sick leave – for each employee. Rules limit overtime to a maximum of three hours per working day under normal circumstances, or five hours per day in special cases. Aggregate overtime per month is limited to a maximum of 36 hours. The Group complies with the Labour Law of the People's Republic of China and other applicable laws and regulations relating to recruitment, dismissal, working hours and leave, and ensures that each procedure is legal and reasonable. These rules are fully reflected in the Group's Staff Recruitment Management System (《員工招聘管理制度》), Staff Leave System (《員工休假制度》) and Staff Welfare Standards (《員工福利標準》), all of which are designed to ensure a healthy work-life balance for each employee. For departing employees, we also ensure that they receive their due benefits and compensation in accordance with the Resignation Management System.

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During the Reporting Period, the percentage distribution of Group employees was as follows:



The Group and its affiliated platforms regularly hold a variety of staff activities, in order to facilitate team building in a pleasant and harmonious way, enhance employees' sense of belonging to the Group and ease their work pressure. Each month, the Group holds birthday parties for employees and organises various festivals or themed activities to enrich the lives of all employees, so as to promote communication among employees and enhance cohesion.

The staff activities organised by the Group during the year included:

- March 8 Women's Day
- June 1 Themed Activities
- Christmas Themed Events
- Programmer's Day Themed Activities
- Monthly Employee Birthday Party



Staff activities organised by Zall Steel during the year included:

- Team Building Activities for Middle and High-level Employees
- Golden Autumn Basketball Tournament
- Christmas, New Year's Day and Dragon Boat Festival Activities
- Zall Steel Family Day
- Wastes Sorting Campaign



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Staff activities organised by Shenzhen Sinoagri during the year included:

- Fun and Basketball Games
- Women's Day Activities
- Nanning Badminton Competition
- Sinoagri Cocoon Silk WeChat Relay Race
- Nanning Marathon and Team Building Activities



Staff activities organised by HSH during the year included:

- Scenic Spot Sightseeing
- Shooting Contest
- Two Day One Night Experience Camp
- Team Building Activities



Equal opportunities, diversity and non-discrimination

The Group maintains a fair and diverse workforce. It does not discriminate or dismiss any employee due to race, gender, age or marital status. The Group's Human Resources Management 《人力資源管理》 describes its principles of equal opportunity, diversity and non-discrimination. The Group's principle of equality applies to various aspects, including employees' recruitment and dismissal, probation, vacation, opportunities, career development and promotion, as well as other benefits and the welfare system. Fair procedures and objective criteria are implemented in all these aspects to ensure that all employees and job applicants receive fair treatment. The Group provides a feedback mechanism to allow employees to report any defects regarding the principles of equal opportunity, diversity and non-discrimination. Such channels include regular seminars and interviews and e-mail communications. After receiving feedback, management will assign personnel to investigate the matter in an objective, impartial, practical and realistic manner. Reports on the investigation's progress will be made in a timely fashion, and appeasement work will be done as appropriate. Employees who give constructive advice will be rewarded.

The above management measures are strictly in compliance with laws and regulations related to human resources, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on the Protection of Women's Rights and Interests (《中華人民共和國婦女權益保障法》), the Trade Union Law of the People's Republic of China (《中華人民共和國工會法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), and the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》). The Group maintains close contact with social security authorities, and cares about and protects the human rights, development and safety of employees.

During the Reporting Period, the Group found no violation of laws and regulations related to employee compensation and dismissal, recruitment and promotion, working hours and holidays, equal opportunity, diversity and anti-discrimination.

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Labour Standards

Prevention of Child or Forced Labour

The Group put emphasis on avoiding labour exploitation and child labour, and strictly abides by all labour laws. The Group will not employ child labour under the age of 16. The Labour Contract and Personnel File Management (《勞動合同與人事檔案管理》) within the Zall Standards (《卓爾標準》) developed by the Group clearly stipulates that no child labour shall be employed in any form. The Group has established a confidential and anonymous complaint mechanism for the reporting of child labour, and requires employee age verification as a necessary procedure under its human resources policies and as a criterion in the supplier selection process.

In addition, the labour contract of the Company also provides that no forced labour shall be used by threats of violence or illegal restriction of personal freedom. We regularly assign independent persons to investigate possible signs of forced labour. In case of forced labour, any employee who is forced to work may apply for financial compensation, and the employee(s) forcing others to work shall be subject to punishment or other legal consequences.

Our anti-child labour and labour exploitation systems and rules are all in compliance with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Regulations on Special Protection of Underage Labour (《未成年工特殊保護規定》), the Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》), the Regulations on the Prohibition of Child Labour (《禁止使用童工規定》) and other laws and regulations. During the Reporting Period, the Group had not identified any violation of any applicable laws and regulations relating to the prevention of child labour and forced labour.

SOCIAL CONTRIBUTIONS

Community Investment

The Group is committed to understanding the needs of the communities where it operates and ensuring the protection of the communities' interests in its operations. Since the 18th National Congress of Communist Party of China, the Chinese government has presented a series of concepts, ideas and strategies on poverty alleviation and development. The State strongly encourages enterprises to fulfil their social responsibilities, implement targeted poverty alleviation measures, and explore paths to alleviate poverty through finance. The Group's agricultural supply chain management business is an example of actively participating in the community by focusing on poverty alleviation.

Through its online trading platform and "Internet Plus" smart services, the Group promotes individual farmers' ability to directly export and/or sell their goods independently, increasing their income in the process. Along with the continuance of Zall's rural support campaign and targeted poverty alleviation activities (卓爾•鄉親鄉愛), the Group expands industrial investment in poor rural households, build supply chain management platforms to connect the upper and lower reaches of the industrial chain, provide agricultural product sales channels for distributors and farmers in poor mountainous areas, and promote entrepreneurship and employment of the poor. In response to the State's encouragement, the Group will promote the financial poverty alleviation policy and fulfil its corporate social responsibility and social mission. The Group has also devoted resources to promote the development of characteristic rural industries. As a further measure, the Group's trading platform offers upstream and downstream enterprises a range of financial support services, such as loan financing and investment and wealth management, to help solve the difficulties of obtaining financing at a reasonable cost for small and medium enterprises.

Mr. Yan Zhi, the Group's Chairman, has always spared no efforts in charity. Since 2015, Mr. Yan Zhi has led senior management's participation in the philanthropic activities of the Alxa SEE Association. Currently, Mr. Yan serves as chairman of the working committee of the Alxa Hubei Project Center. He is actively involved in efforts to protect the Yangtze River ecology and finless porpoises, and to find community comprehensive development solutions to the problem of desertification. At the same time, he advocates Chinese entrepreneurs to take more action to promote the environmentally friendly and sustainable development of enterprises. In 2018, the Group set up the Four-Leaf Clover Fund to help those in need, in an effort to contribute to social charitable causes.

Community activities the Group participated

The Group is committed to cultivating employees' social awareness by organising and encouraging their participation in social welfare activities. The Group and its subsidiaries participated in the following activities during the Reporting Period:

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Sinoagri Cocoon Silk's Warm Visit to Farmers

In December 2019, the employees of Shenzhen Sinoagri Cocoon Silk came to Yizhou District, Hechi to give warm greetings and household items to cocoon farmers. They chatted with the cocoon farmers and talked about this year's harvest and future breeding of cocoon, establishing solid ties with the farmers. The gifts given in this special activity on the Winter Solstice Festival are small, but represent the sincere greetings of Sinoagri Cocoon Silk to cocoon farmers in winter and express its respect and gratitude to the older generation of traditional silkgrowers.



The 14th Nanning International Marathon

Staff from Guangxi Bave Block participated in the Nanning International Marathon to challenge themselves along with tens of thousands of athletes, with an aim to go beyond their limits and practice persistence and never-give-up spirit. On the same day, the participating staff of Guangxi Bave Block took part in the competition with their best mental and physical conditions, and finished the run with goods results.



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Sinoagri Cocoon Silk's Educational Aid

To follow the national initiative of targeted poverty alleviation, Sinoagri Cocoon Silk, with the assistance of Bureau of Commerce of Yizhou District, Hechi, offered "Golden Autumn Educational Aid" to two poor households in Jialong Village and Lengdi Village, Desheng Town, Yizhou District. Sinoagri Cocoon Silk donated needed supplies and gave grants to the poor households, so that their younger generation can seize educational opportunities to get rid of poverty. We hope to help poor households registered in the national poverty alleviation information network system get rid of poverty through targeted poverty alleviation, so as to pass on love and promote social care and assistance of vulnerable groups.



Helping Farmers in the COVID-19 Fight: Facilitating the Sale of Unsalable Mangoes in Nantian, Sanya

Mangoes in Hainan ripen in mid-February. Local fruit farmers rely on the sale of mangoes as an important source of income. However, the COVID-19 outbreak dealt a heavy blow to the sales of Sanya mangoes, creating an impasse of 12,000 tonnes of mangoes being unable to be shipped or sold. As such, Shenzhen Sinoagri formulated an urgent assistance plan to help the affected farmers. It signed a strategic cooperation agreement with Hainan Nongken Shenquan Co., Ltd. and Hainan Haiken Fruit Industry Group Co., Ltd., and worked with such business partners as Higreen, Pagoda, Jiangnan Market, Egu365.com and Haohuoji to boost mango sales through online and offline channels. It also quickly introduced the innovative sales model based on online live broadcast (i.e. pick & sell), thus enabling fresh mangoes to be delivered to consumers as soon as possible and helping the fruit farmers make a living.



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ENVIRONMENTAL PROTECTION

Environmental protection has become the new mainstream of global government regulation and market development. China is currently striding towards sustainable and balanced development. According to the strategic blueprint of “Made in China 2025”, the state has set “innovation-driven, quality-first, green development, structural optimisation and talent-oriented” strategies as its basic policies, in a great effort to build an efficient, clean, low-carbon, green economy and develop an eco-friendly civilisation.

The Group profoundly understands its social responsibilities as a listed company and contributes to the country’s green development in line with the direction of national development. Green development for Zall Smart Commerce Group is by no means “empty talk”. We need to balance economic, environmental and social needs to ensure sustainable development. Through the joint efforts of the Group, customers and stakeholders, we hope to develop and implement sustainable solutions that meet the needs of society, integrate economic growth with sustainable resource consumption, and achieve a “win-win” balance between the development and environment.

EMISSIONS MANAGEMENT

As China’s leading supply chain management business operator, the Group aspires to enhance the efficiency of the traditional supply chain through technology and regards promoting green business awareness as its responsibility. As the Group’s principal activity is to connect buyers and vendors of merchandise through online platforms, the environmental impact of its operations is minimal.

The Group hopes that our efficient online trading platforms and sound supporting value-added services help to change the whole supply chain ecology, change trading habits, reduce the time and resources needed in the trading process, and lead the trading industry into a new era of simpler and faster trading. Although our business has a limited impact on the environment, we firmly believe that in pursuing the above mission, we will be able to further reduce emissions, resource use and other environmental factors in business operation by applying advanced and innovative technologies.

The Group operates in strict compliance with the environmental protection laws and regulations of the Chinese government at all levels, including the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》), the Water Pollution Prevention Law of the People’s Republic of China (《中華人民共和國水污染防治法》), the Air Pollution Prevention Law of the People’s Republic of China (《中華人民共和國大氣污染防治法》), the Solid Waste Pollution Prevention Law of the People’s Republic of China (《中華人民共和國固體廢物污染環境防治法》) and others. Our compliance enables the Group to achieve its sustainable development objectives while meeting its obligations to protect the environment. Each year, the Group updates its corresponding management measures and distributes them to its departments. These outline its own analyses and understanding of newly promulgated government policies and laws and regulations. The Group also maintains awareness of energy conservation and emission reduction and ensures compliance with environmental protection regulations among its departments through trainings and regular internal audits. During the Reporting Period, the Group had not identified any material violations of the laws and regulations relating to environmental protection.

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Waste Gas and Sewage Emissions

Airborne emissions directly generated by the Group mainly come from the use of fuel for logistics and administrative vehicles. Sewage emissions mainly originate from water consumed during inventory inspection and the testing of agricultural products.

During the Reporting Period, direct waste gas and sewage emissions from the Group's transportation fleet and business operations were as follows:

Waste gas and sewage emissions

Type of emissions	Unit	Total emissions in 2019	Total emissions in 2018
Nitrogen oxides (NO _x)	Kg	559.19	790.35
Sulphur dioxide (SO ₂)	Kg	2.03	2.61
Particulate matter (PM)	Kg	51.73	74.38
Sewage	Tonne	8,674.20	6,240.00

Remark: Waste gas emissions are calculated with reference to the emission factors provided in the Reporting Guidance on Environmental KPIs issued by the Stock Exchange of Hong Kong Limited.

The Group has made great efforts to reduce emissions from logistics vehicles and has incorporated this into its sustainable development business practice plan. We require that vehicles of third-party logistics suppliers as well as the Group's own vehicles meet national emission standards in order to ensure high fuel efficiency and minimise pollutant emissions. Group vehicles are regularly maintained and repaired by professional teams to improve their fuel efficiency, ensure they pass annual government inspections and meet emission standards. If non-public transport is not necessary, we suggest that employees use public transport as much as possible for business travel and daily commuting. For short-distance travel, employees are encouraged to walk instead of taking a ride, thus saving energy and reducing emissions while exercising the body. Given the above emission reduction measures and the decrease in the use of our light vehicles this year, our emissions have been reduced. The increase in sewage was mainly due to more frequent cleaning and sanitation measures, which led to an increase in water consumption and, consequently, sewage discharge.

In terms of sewage treatment, the Group has set up recycling pipelines to collect and filter sewage to ensure that the sewage discharge meets the statutory standards. We also recycle a proportion of purified water and usable sewage to reuse water resources and reduce overall sewage emissions.

For more information on the measures to reduce vehicle emissions and water resource consumption, please refer to the "Resource Use" section below.

During the Reporting Period, the Group had not identified any violations of the laws and regulations relating to discharges to water.

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Greenhouse Gas Emissions

The Group's greenhouse gas is mainly generated by the use of transportation fuels and electricity. The Group's business covers all of China, though it is mainly centred in Shanghai and Shenzhen. Meanwhile, most emissions from electricity originate from office electricity consumption. During the Reporting Period, the total amount and intensity of direct or indirect greenhouse gas emissions generated by the Group (calculated based on the total number of employees of the Group) were as follows:

Greenhouse gas emission scope	Greenhouse gas emissions unit	Total emissions in 2019	Total emissions in 2018
Transport energy direct emissions	Tonne (CO ₂ e)	306.59	394.93
Intensity (per Group employee)	Tonne (CO ₂ e)	0.33	0.48
Electric energy indirect emissions	Tonne (CO ₂ e)	733.01	13,117.82
Intensity (per Group employee)	Tonne (CO ₂ e)	0.79	15.86
Total direct and indirect greenhouse gas emissions from the sources above	Tonne (CO ₂ e)	1,039.60	13,512.75
Intensity (per Group employee)	Tonne (CO ₂ e)	1.12	16.34

Remark: Calculation of carbon dioxide emission (CO₂e) is based on the 2017 Regional Grid Baseline Emission Factors of China issued by the Ministry of Ecology and Environment of the People's Republic of China, the Guide for Greenhouse Gas Emission Accounting Methods and Reporting for Industrial and other sectors (Trial) published by the National Development and Reform Commission of the People's Republic of China, and the Reporting Guidance on Environmental KPIs by the Stock Exchange of Hong Kong Limited.

Reducing energy consumption can directly reduce the Group's greenhouse gas emissions. For the Group's measures to reduce energy consumption, please refer to the "Energy Consumption Management" section below. The Group employed various energy-saving measures, which reduced transportation energy consumption and electricity consumption. This year, the electricity bills of some operating units of the Group became the responsibility of property owners, which lowered the electricity consumption attributable to the Group. As such, our carbon dioxide emissions dropped significantly.

During the Reporting Period, the Group had not identified any violations of the laws and regulations relating to air and greenhouse gas emissions.

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Hazardous Waste Emissions

Laboratory hazardous waste

The Group assigns a high priority to the safety of Shenzhen Sinoagri agricultural products. We have also set up a chemical laboratory to conduct quality inspection on agricultural products. The Group's Hazardous Chemicals Management System (《危險化學品管理制度》) sets out clear safety operation procedures for chemical experiments and provides that chemical reagents shall be carefully and prudently used to ensure the safety of employees and reduce waste.

For the management of chemicals, all chemicals must be stored in cool and ventilated quality inspection rooms, managed by dedicated personnel, kept away from fire sources, and equipped with firefighting equipment. Disposal of chemicals must be applied for in advance and subject to the approval of the corporate management department. All acids are diluted in accordance with system requirements before direct dumping. The Group has also conducted safety training for personnel who use and manage chemicals to ensure chemicals are handled in accordance with specified specifications. The Group fully complies with environmental protection laws and regulations such as the Solid Waste Pollution Prevention Law of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》) to dispose of hazardous waste. As the portion of the Group's quality inspection that involved sulphuric and hydrochloric acids was outsourced to third parties during the Year, the Group did not generate material hazardous waste emissions during the Year.

During the COVID-19 outbreak, we set up special garbage bins for discarded masks to prevent secondary pollution caused by random disposal of used masks. Alcohol and chlorine-containing disinfectant used for daily disinfection are placed in designated ventilated areas and used carefully. We also set up special garbage bins to collect used chlorine-containing disinfectant containers and hand them over to government-designated agencies for disposal.

During the Reporting Period, the Group had not identified any violations of the laws and regulations relating to hazardous waste.

Non-hazardous Waste Emissions

Office waste

The day-to-day operation of the Group's administrative offices generate a small amount of waste, mainly non-hazardous waste. During the Reporting Period, the types and quantities of major office waste generated by Group were as follows:

Non-hazardous waste emissions

Type of waste	Unit	Total emissions in 2019	Total emissions in 2018
Ink cartridges	Kg	0.00	27.00
Toner cartridges	Kg	7.00	7.50
Paper	Kg	160.00	45.00
General waste	Kg	32.00	54.00

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The Group has formulated a Proposal for Environmental Protection and Energy Conservation in the Office (《辦公室環保節能提倡書》) to manage its office waste emissions more effectively. Its measures begin with waste reduction at the source and recycling. We reduced the number of indoor waste collection bins to encourage employees to reduce waste emissions. We advocate double-sided printing in the office, and all computer files are default-set at double-sided printing to save paper. A single-sided paper recycling box has been placed in the printing room to collect paper for secondary printing of non-important documents. Another recycling box collects waste paper for delivery by designated personnel to qualified recyclers. We advocate streamlining documents in the office. Matters for which there is no need to issue printed documents will be dealt with through meetings if possible. If printed documents are indeed necessary, the quantity of printing shall be accurately calculated to avoid excess. During the Year, the Group fully used printers for which toners can be repeatedly added, and therefore did not dispose of any toner cartridges during the Year. The Group worked with its suppliers to implement a recycling plan to return waste of ink cartridges and toner cartridges to suppliers for recycling. For more plans to save resources, please refer to the "Green Office" section below.



During the Reporting Period, the Group had not identified any violations of the laws and regulations relating to non-hazardous waste and discharges to land.

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Resource Use

Water Consumption Management

The Group's use of water is mainly for routine office activities. During the Reporting Period, the Group's water consumption was as follows:

Water consumption

Type	Unit	Total water consumption in 2019	Intensity (per Group employee)	Total water consumption in 2018	Intensity (per Group employee)
Water consumption	m ³	10,638.00	11.49	8,296.65	10.00

The Group fully appreciates the importance of water resources to the earth's environment. As the Group's business involves a negligible consumption of water, the Group's focus is on reducing the water consumed in office activities. The Group encourages employees to use recycled water or grey water when feasible for flushing toilets, irrigation and other purposes. The Group also publicises water conservation by posting signs in its offices to raise water-saving awareness. We control the water flow of faucets with different functions to reduce unnecessary waste of water, and regularly maintain and examine water flow devices to avoid waste caused by leakage. The Group's offices use municipal water supply and have no problems in obtaining water sources. This year, our frequent cleaning and sanitation measures directly resulted in an increase in water consumption. For more on water conservation plans, please refer to the "Green Office" section below.

Energy Consumption Management

The major sources of energy used by the Group include electricity used in office operation and transportation. During the Reporting Period, the Group's direct energy consumption was as follows:

Energy consumption

Type	Unit	Total consumption in 2019	Intensity (per Group employee)	Total consumption in 2018	Intensity (per Group employee)
Electricity	kWh	1,302,887	1,407.01	18,789,238	22,719.76
Petrol	Litre	138,039	149.07	177,811	215.01

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Reducing transportation emissions

The Group operates its own logistics fleet. The fleet's fuel efficiency and other performance data are closely monitored and the vehicles are maintained to a high standard to ensure optimal operation. When vehicles travel, we will plan routes to minimise travel distance, so as to reduce travel time and energy consumption of vehicles. As described in the "Vehicle Management" section, the Group's Zall Standards (《卓爾標準》) require vehicle maintenance to be conducted every 5,000 km – an exercise that includes changing the oil, oil filter, air filter and auto filter. Vehicle equipment and components that fail to meet standards are immediately repaired or replaced. The Group has also begun to build a green logistics system. It makes reasonable arrangements of transportation routes to improve vehicle loading rates, reduce fuel consumption and minimise transportation emissions. Shenzhen Sinoagri adopted a brand-new logistics programme – the Bee Network System – which optimises logistics route deployment, reduces petrol consumption by 40%, reduces expenses and contributes to green logistics.

Saving electricity

The Group has implemented a series of measures to reduce greenhouse gas emissions from the source, and during and after processes. To systematically protect the environment, fully utilise energy and resources and reduce resources consumption, the Group established the Energy and Resource Management System (《能源及資源管理制度》), which systematises the reasonable utilisation, management and control of energy and resources consumed by its departments. The Group has also created an environmental protection and resource conservation management framework at each operations centre or department. Within this framework, responsible persons carry out environmental protection and resource conservation work in each jurisdiction as required. By strengthening energy usage management and adopting measures which are technically feasible, financially reasonable and acceptable to the environment and society, the Group reduces its consumption, waste and greenhouse gas emissions, and effectively uses resources from the stage of energy exploitation to consumption. In addition, we preach such management measures to enhance the environmental awareness of departments and promote orderly use of electricity. For more on office energy conservation plans, please refer to the "Green Office" section below.

This year, the electricity bills of some operating units of the Group became the responsibility of property owners, which lowered the electricity consumption attributable to the Group.

LED Lighting Renovation Plan of North Hankou's Underground Parking Lot

The underground parking lot of North Hankou Curtain World is about 3.5 metres high and mainly used T8 fluorescent lamps. After assessment, such lighting system was confirmed to have the following problems:

- The excessive energy consumption of fluorescent lamps would increase electricity bills;
- The aging of power lines and lamps compromised lighting efficiency;
- The scattered lighting fixtures provided insufficient lighting in the parking lot, posing safety risks.

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The renovation plan was to replace the original T8 fluorescent lamps with LED T8 lamps with higher energy efficiency in the principles of saving energy and operating cost and ensuring safety and aesthetics. After the renovation, the lighting system will operate automatically according to the traffic flow in the parking lot. With a sound sensing range of about 50 metres, the sound-activated lamps will operate at high power for 40 seconds once being exposed to sound above 65 decibels, and will switch back to low power operation mode after noise-making people and vehicles go away, thereby minimising power consumption. The renovation plan is expected to cut power consumption by 40%.



Packaging Materials

Our supply chain business involves the use of packaging materials such as packaging paper and cartons as we provide extra packaging for goods to be transported to ensure their logistics security. Upholding the principles of simplicity and environmental protection, we try to use recyclable products and reduce the use of packaging materials where possible. During the Year, our consumption of packaging materials is as follows:

Type	Unit	Consumption in 2019
Packaging paper	kg	50
Cartons	kg	70

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Green Office

In accordance with relevant laws, regulations and requirements, the Group has formulated a Proposal for Environmental Protection and Energy Conservation at Offices (《辦公室環保節能提倡書》) to guide its efforts to manage and conserve resources. The Group also conducts annual comprehensive assessments of energy consumption and makes corresponding improvements. The Group's major green office and energy conservation measures are described below:

Saving electricity

- Switch off computers, printers, photocopiers and other office equipment immediately after work to reduce standby time;
- In summer, the air conditioning shall be set at not lower than 25°C;
- Minimise use of artificial lighting during daytime, or in vacant office spaces. Lighting shall be switched off in sunny day, when fewer employees are in office or at the end of the workday. Desks should be positioned to maximise exposure to natural light;
- Obsolete high power consumption equipment in favour of new energy-saving technologies and equipment. Adopt new and energy efficient technologies and products for infrastructure construction and equipment upgrading;
- Use central air-conditioning control system in the office; the administrative department sets upper and lower limits of air-conditioning temperature according to weather conditions.

Saving paper

- Fully promote online office and realise paperless approval process;
- Advocate double-sided printing which is the default for printing of all computer files to save paper;
- The printing room is equipped with a recycling box to collect single-sided printed paper for secondary printing of non-important documents;
- Simplify documents. Matters for which there is no need to issue printed documents should be handled through meetings if possible. When printed documents are needed, the printing quantity shall be accurately calculated to avoid excess printing.

Saving administrative resources

- Each department makes monthly applications in advance for office supply procurement and sets targets for reasonable use of office supplies;
- Strictly implement reception standards, control the scale of official activities, stress simplicity, frugality and efficiency, and strive to reduce administrative costs;
- Strengthen management of equipment, optimise equipment configuration, improve utilisation rates and efficiency; promote sharing of high-quality resources;
- The person who is the last to leave work must ensure that non-essential lighting facilities and electronic equipment in the office area are turned off.

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Environmental protection and waste reduction

- Eliminate unnecessary water flow. Develop the good habit of saving water and turning off the water after use. Strengthen daily inspection, maintenance and management of water equipment, and deal with water emitting, dripping and leaking in a timely manner;
- A recycling box is put in place in each office for dedicated personnel to collect and deliver waste paper to qualified recyclers for recycling;
- Set up dry and wet garbage bins in offices according to the national garbage classification policy;
- Use cloth bags and environment-friendly bags instead of plastic bags in response to the “plastic restriction order”;
- Reduce the use of disposable items such as paper cups, fast food boxes and sanitary chopsticks, and encourage employees to bring their own tableware;
- Continuously publicise the benefits and methods of energy conservation and emission reduction to current and new employees, so as to form a corporate culture in this regard.

Indoor air quality

- Ban smoking in office areas;
- Engage a professional indoor air quality testing company to conduct testing in accordance with the National Indoor Air Quality Standard, in order to ensure that the indoor air quality is up to standard;
- The administration department inspects the sanitary conditions of each office every week, and plants green plants to a certain density in each office to regulate the indoor air quality;
- For any newly renovated office, air quality testing must be conducted before entering the office, and the office can only be used after the air quality is up to standard.

The Group has also formulated Management Measures for Environmental Sanitation and Greening (《環境衛生與綠化管理辦法》). Through such measures, the Group conducts the planning and design of offices to maximise their energy and resource efficiency. The Group also works to improve the “green” knowledge and skills of personnel, including their understanding of varieties of flowers, plants and trees and their cultivation.

The Environment and Natural Resources

Save for the abovementioned emissions, the Group’s major supply chain management business did not make any other material impacts on the environment or natural resources. However, in the traditional wholesale market development business, project developments will have certain impacts on the surrounding environment. As such, while formulating business development and investment projects, the Group ensures the coordination of its projects with local society and environment. The Group has taken various measures to protect the ecology and natural resources in places where its business has developed. These mainly include:

- In evaluating new business development project approval, evaluate and ensure that the project meets the requirements of social and environmental development;
- Appoint professional advisors to conduct feasibility studies to ensure the project meets local policies and development requirements;
- In the process of project implementation, define the responsibilities of each functional department, supervise and manage the project process, and prevent and control disharmonious events;
- Project audits and post-evaluations cover environmental and social impacts, and evaluation results are adopted as the basis for project reward and accountability.

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ADDRESSING CLIMATE CHANGE

Climate change is exerting increasing impacts on human societies and natural ecosystems across the world. Reducing carbon emissions and adapting to climate change have become one of the important management issues for enterprises in the coming generation. The Group undertakes to assess the risks and opportunities arising from climate change in supply chain business operations, market demands, quality and safety, and takes measures to reduce the carbon emissions of the Group's operations while encouraging employees, customers, suppliers, communities and other relevant groups to save energy and reduce emission, so as to slow down global warming.

As climate change exacerbates extreme weather conditions, bad weather is more likely to affect logistics efficiency, resulting in delayed transportation or damaged goods. The Group has formulated logistics guidance for severe weather conditions and established an extensive and close communication network with the logistics team to promptly respond and take actions according to the transportation conditions, so as to ensure service quality and maintain the reliability of the service platform. In addition, some of our operating bases are located in coastal areas and therefore exposed to severe weather conditions such as heavy rain, typhoons, and severe thunderstorm. Protecting the safety of employees is the top priority of the Group. In severe weather conditions, we provide early warnings, reduce employee travels, and prohibit outdoor works.

Going forward, the Group will further establish energy conservation and emission reduction targets, enhance the effectiveness of environmental protection measures, and continue to bring value to the community in a sustainable manner.