



Lanzhou Zhuangyuan Pasture Co., Ltd. 2021 Environmental, Social and Governance Report

(a joint stock limited liability company incorporated in the People's Republic of China)
Stock Code: 01533.HK 002910.SZ

ESG

2021

About this Report

Reporting Standard and Scope

- The Environmental, Social and Governance (“ESG”) Report (“Report”) of the Group has made reference to the ESG Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEx Appendix 27 ESG Reporting Guide”), and the Group compiled the report content in accordance with the principles of materiality, quantitative, balance and consistency.
- The scope of this report is based on the Group’ s major operations, which covers both dairy farming business and dairy product production business, unless specifically stated otherwise. There were no significant changes observed in the Group’ s operating locations, the suppliers’ location and supply chain structure in the financial year ended 31 December 2021 (“year” or “reporting period”).

Reporting Period and Scope

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

Reporting period

1 January 2021 to 31 December 2021, the financial period of our Annual Report 2020.

Organisations covered: the Group and its subsidiaries.

The reporting boundaries are determined by whether the subsidiaries are contributing to the operating business of the Group. In 2021, all subsidiaries and business entities of the Group are included in the ESG Report.

Reference Guidelines

- HKEx Appendix 27 ESG Reporting Guide

Contact

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

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Tel: +86 0931-8753001

E-mail: grassland@lzzhuangyuan.com

Website: <http://www.lzzhuangyuan.com>

Chairman's Message

2021 was another challenging year as we have to adapt to a post-COVID time. We have the full responsibility to keep our staffs and workers in a virus-free environment, as well as maintaining the smooth operation of our production line.

With our fully established environmental, health and safety management system, our dairy farms were in great shape and produced high quality product in 2021. In the meantime, we are still following the plan to further develop our ESG management structure. We firmly believe a top-down management approach can effectively address all current and potential environment and social risk the Group faced. In order to let the board fully understand all material ESG issues, the Group has an ESG team to coordinate and report the ESG-related issues to the board every two years. The Group has an established system for the staffs in different department record and trace different ESG issues, such as worker safety, energy usage, etc. With the well-implemented ESG data management system, we are able to set goals and target to further improve our ESG performance, to align with the national regulatory requirements.

We would also like to thanks for all the hard works done by the staffs, who are indispensable to the Group and they have paid a great efforts and time to help set the whole ESG management system in-place. And we will definitely deploy more resources in sustainable development as we are facing the serious impact of climate change, and as a responsible corporation, we need to equip ourselves a high-level preparedness to tackle any acute climate events. Therefore, we certainly believe developing our business with ESG as one of the top priorities would bring long term value to us.

Last but not least, I have to thank again to our staff last year for their works which helped us achieve another year of outstanding result.

Xiange Yao
Executive Chairman of the Board, General Manager
31 May 2022



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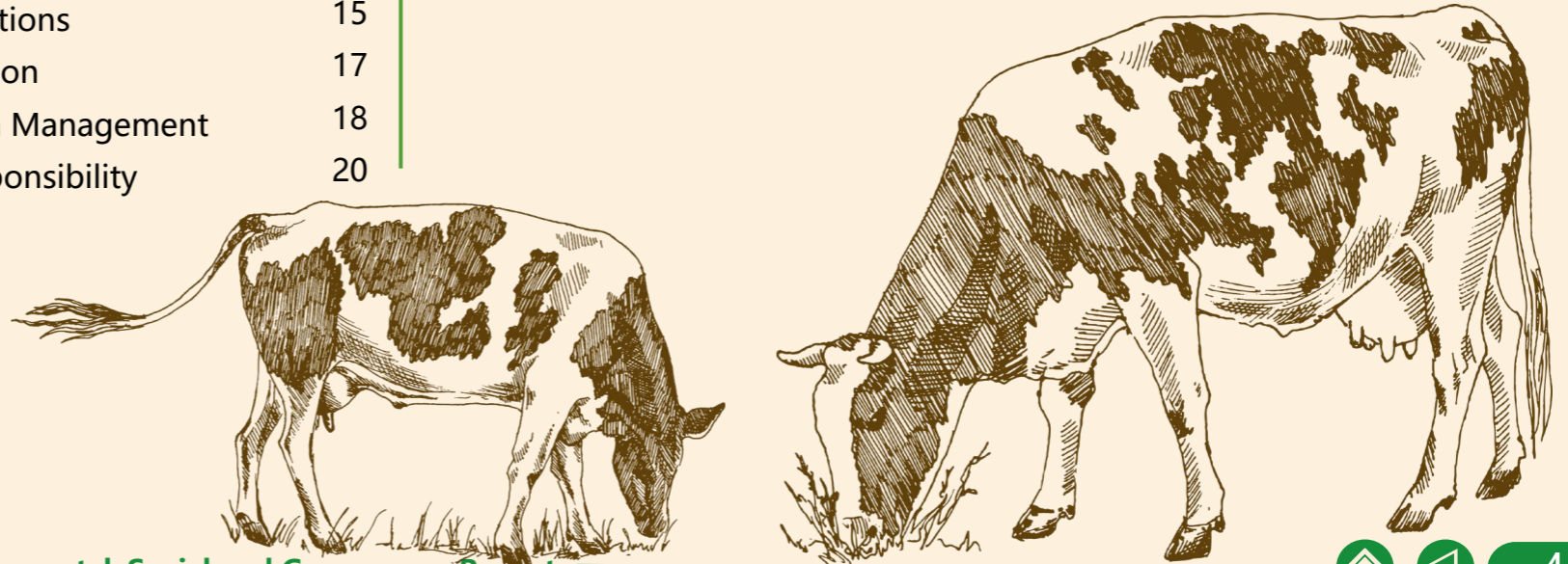
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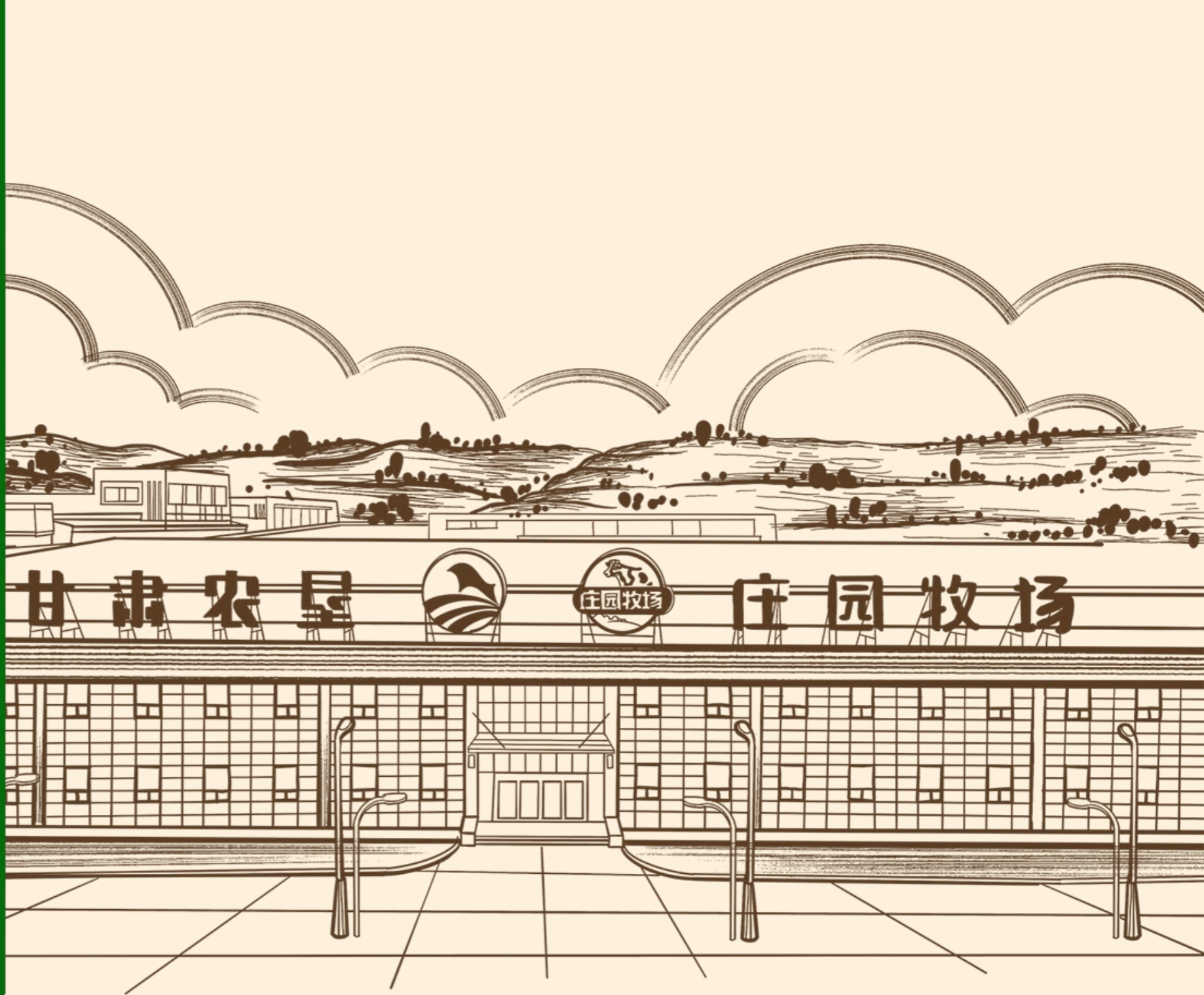
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Enter Lanzhou Zhuangyuan

- Company Introduction
- Moment of Glory



Company Introduction

Lanzhou Zhuangyuan Pasture Co.,Ltd. is a specialized dairy product manufacturing enterprise integrating dairy farming, technology research and development, dairy processing and sales. Sales-oriented whole industry chain layout.

The company takes Gansu Province, Qinghai Province and Shaanxi Province as the main sales areas.

They mainly own the dairy brands of "Manor Ranch", "Holy Lake" and "Oriental Fresh Manor".

The company's products mainly include pasteurized milk, sterilized milk, modulated milk, fermented milk, milk-containing beverages and other liquid dairy products.



Corporate mission: Dedicating excellent quality, creating a brand of the times

Development concept: Survive by quality

Corporate Vision: Strive to build a well-known food brand in the Western China, build a modern corporate culture that all employees believe in, and strive to become a first-class dairy enterprise in China

Core values: conscience and quality, serving customers, achieving employees, giving back to shareholders, and benefiting the society

Adhere to the balanced development strategy of "coordination between market development and supply capacity", adapt to the quality management requirements of "safe and fresh" products, and create a safe and controllable system integrating dairy farming, raw milk procurement, dairy product processing and product distribution and sales. Production and distribution system.

Moment of Glory



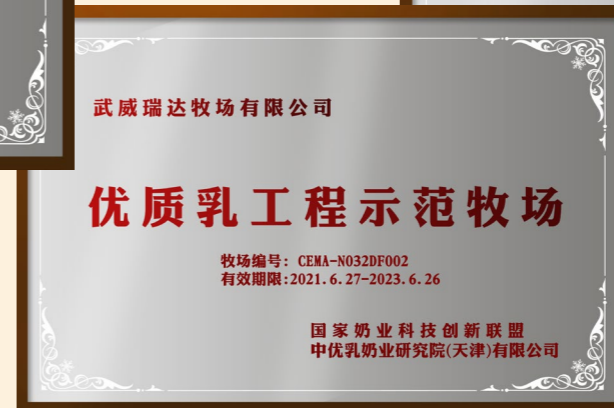
Corporate Awards

Won the "2020 Governor's Finance Award 2022年度省长金融奖"

Won "2020 - Excellent Non-public Enterprise 2020年度 —— 优秀非公企业"

"The Reconstruction and Expansion Project of Daily Processing of 600 Tons of Liquid Milk" won the title of National "High-quality Milk Project Demonstration Factory 优质乳工程示范工厂"
(Production line number: CEMA-N032PL01)

Gansu Ruijia Pastoral Company Limited 甘肃瑞嘉牧业有限公司、 Lanzhou Ruixing Pastoral Company Limited 兰州瑞兴牧业有限公司、 Linxia Xian Ruiyuan Ranch Company Limited 临夏县瑞园牧场有限公司、 Wuwei Ruida Ranch Company Limited 武威瑞达牧场有限公司, have won the title of "High-quality Milk Project Demonstration Ranch"



Moment of Glory



Environment

"The Reconstruction and Expansion Project of Daily Processing 600 Tons of Liquid Milk 日加工600吨液体奶改扩建项目" was awarded "Green Factory in Gansu Province 甘肃省绿色工厂"

Gansu Provincial Department of Industry and Information Technology



Products

"Manor Tetra Brick Condensed Milk 园利乐砖浓缩奶" won the "Most Influential Product Brand 最具影响力产品品牌"

Gansu Daily, Gansu Quality Association



Social

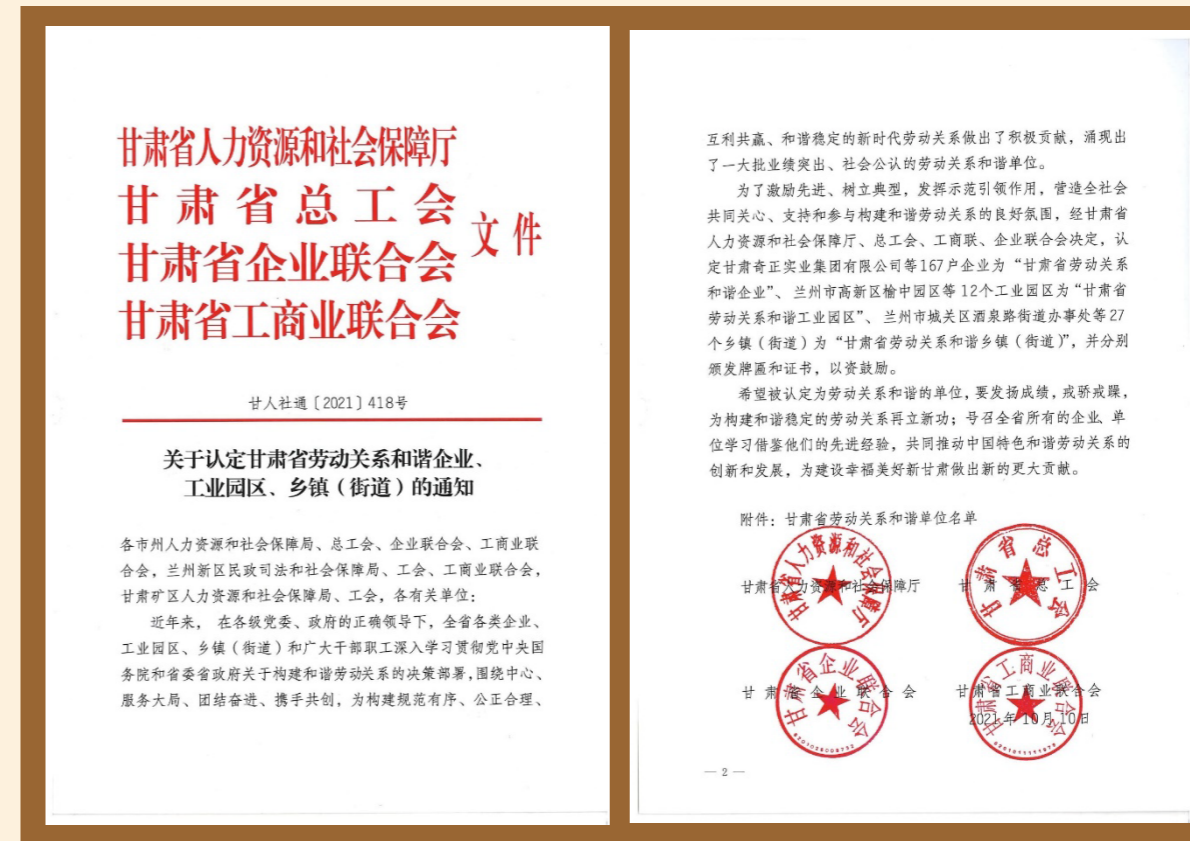
Awarded as an advanced unit in Lanzhou City's "Hundred Enterprises Helping Hundred Villages 百企帮百村" Targeted Poverty Alleviation Action

United Front Work Department of Lanzhou Municipal Committee of the Communist Party of China, Lanzhou Federation of Industry and Commerce Lanzhou Municipal Bureau of Agriculture and Rural Affairs, Lanzhou Guangcai Business Promotion Association

Awarded as "Harmonious Labor Relations Enterprise in Gansu Province 甘肃省劳动关系和谐企业"

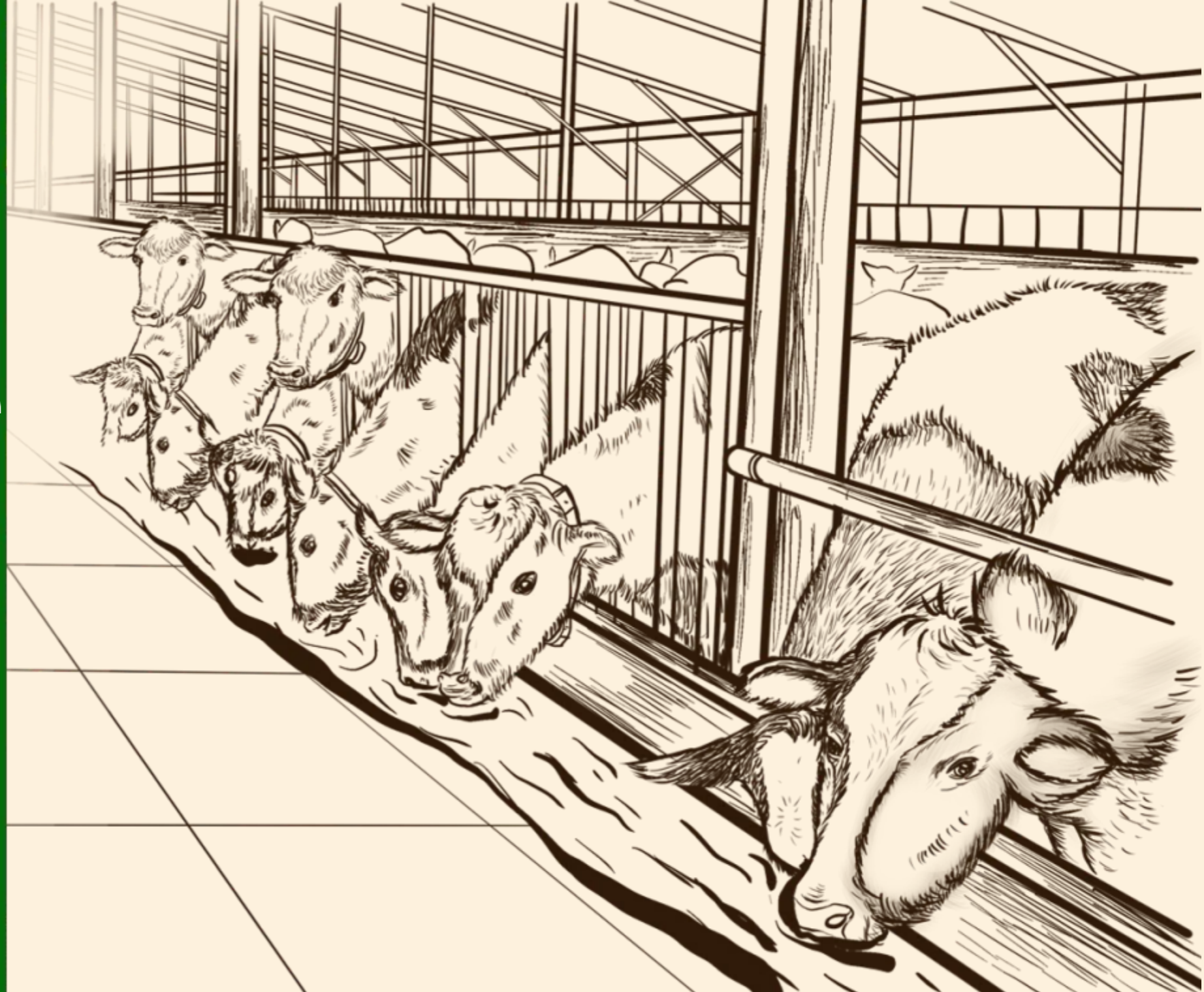
Gansu Provincial Department of Human Resources and Social Security, Gansu Provincial Federation of Trade Unions

Gansu Provincial Enterprise Confederation, Gansu Provincial Federation of Industry and Commerce



Governance

- Party's Support
- Governance Structure
- Stakeholder Communication
- Important Meetings
- Investor Relations
- Anti Corruption
- Supply Chain Management
- Product Responsibility



Party's Support

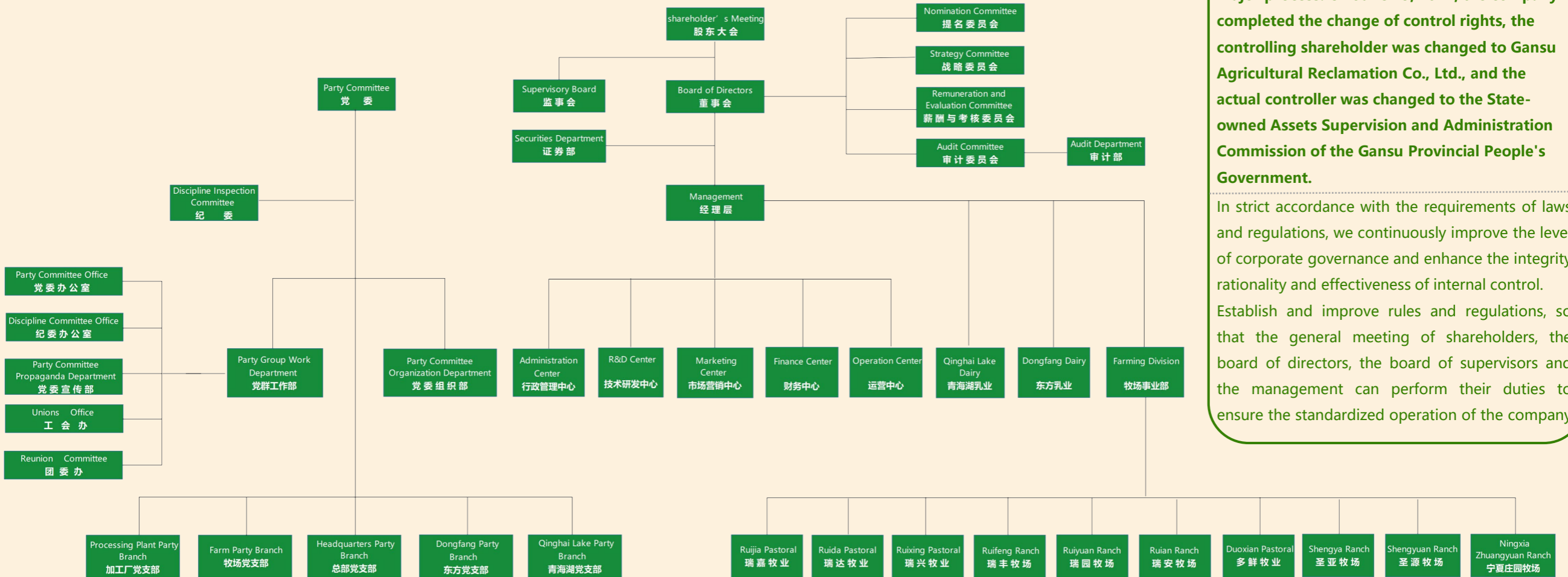
The company's party organization relies on Gansu party building and other learning and education platforms to earnestly implement the "three meetings and one lesson", themed party day activities and other intra-party-political life systems.

Strengthen employee learning and education, and continuously improve political comprehension. In order to study and implement Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the Sixth Plenary Session of the 19th Central Committee of the Communist Party of China, centering on understanding the great achievements and historical experience of the party's century-long struggle, organize and guide the majority of the company's party members to deeply understand the decisive significance of "two establishments", vigorously carry forward the spirit of the great party building, further strengthen the "four consciousnesses", strengthen the "two safeguards", and unify thoughts and actions into the major decisions and deployments of the Party Central Committee.

Guided by the party building work, we will promote the healthy and comprehensive development of the enterprise.



Governance Structure



Major process: On June 29, 2021, the company completed the change of control rights, the controlling shareholder was changed to Gansu Agricultural Reclamation Co., Ltd., and the actual controller was changed to the State-owned Assets Supervision and Administration Commission of the Gansu Provincial People's Government.

In strict accordance with the requirements of laws and regulations, we continuously improve the level of corporate governance and enhance the integrity, rationality and effectiveness of internal control. Establish and improve rules and regulations, so that the general meeting of shareholders, the board of directors, the board of supervisors and the management can perform their duties to ensure the standardized operation of the company.

Stakeholder Identification and Communication

The Group engages different internal and external stakeholders regularly to listen to their opinion on Group' s ESG strategy and issues, which could help the Group better address the issues and set up a more tailored ESG development strategy in the future. The Group has invited our suppliers, employees, customers and other stakeholders to comment on our approach to various issues, and ways to further improve the internal control system, corporate governance structure and formulate longer-term policies. The following table sets forth the key methods for communicating with internal and external stakeholders of the Group:

Stakeholders	Types of stakeholders	Key issues
Government	Compliance operation Environmental protection	Implementing national policies Promotion of local development Paying taxes according to the laws Green and environmental protection
Management of the Company	Corporate governance Risk management	Monthly/quarterly/annual meetings Risk control Information disclosure
Employees	Employee safety and health Employee training and development Employee benefits	Safe work environment Competitive salary system Employee training and care
Shareholders	Operating efficiency of the Company Corporate governance Investor relations	Information disclosure General meetings Discussion forum for investors
Suppliers/customers	Performance of the contract Standardised supply chain management system and Procurement process Establishment of complaint system	Supplier management system Transparent procurement Quality control
Environment	Environmental protection Carbon neutral	Green pasture Energy conservation and emission reduction Ecological conservation
Society	Social welfare Regional development	Social welfare activities

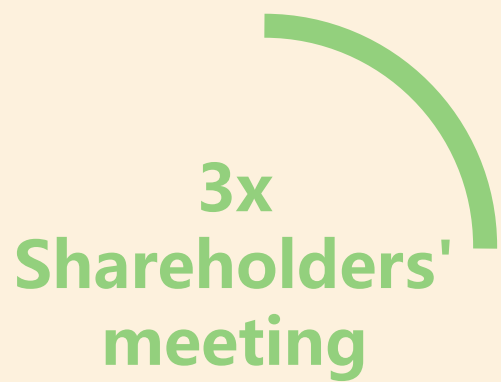
Materiality Assessment

Given the Group's business didn't experience a material change during the reporting period, the Group concluded to adapt the result of materiality assessment conducted in ESG Report 2020 for this year's ESG Report. Based on the result of the assessment, the key issues are summarised below. The Group has identified the main concerns of the stakeholders: the Group's product safety and quality assurance management, compliance with laws and regulations on emissions, environmental management system, water consumption and wastewater discharge control, and waste management and recycling method. The Group will continue to keep in touch with various stakeholders to improve and respond to the issues concerned.

The Group will conduct materiality assessment bi-annually.



Important Meetings



3x
Shareholders'
meeting

Shareholders' meeting

The company strictly complies with the provisions and requirements of the "Company Law", "Securities Law", "Shenzhen Stock Exchange Listing Rules", "Hong Kong Stock Exchange Listing Rules", "Articles of Association" and "Procedural Rules for Shareholders' Meetings" to regulate shareholders. The convening, convening, deliberation and voting procedures of the general meeting ensure that all shareholders, especially minority shareholders, can fully exercise their rights.



16x
Board of
Directors
Meetings

Board of Directors Meetings

The board of directors works in strict accordance with laws and regulations to safeguard the legitimate rights and interests of the company and its shareholders. There is no circumstance of ultra vires approval or review after implementation, and no circumstance that damages the interests of small and medium shareholders. The selection and appointment procedures of the company's directors are open, fair and just, and the number and composition of the board of directors comply with the requirements of laws, regulations and the "Articles of Association". There are audit, remuneration and assessment, nomination, and strategy professional committees under the board of directors. Each professional committee of the board of directors puts forward relevant professional opinions and suggestions on the company's operation and development according to their respective duties.



11x
Supervisory Board
Meetings

Supervisory Board Meetings

Carrying out work in strict accordance with laws and regulations, the Supervisory Committee can conscientiously perform its duties in accordance with the requirements of various norms, supervise the decision-making procedures of the Board of Directors, resolutions and the legal operation of the Company, and monitor the legal compliance of the Company's directors, managers and other senior management personnel in performing their duties. Effective supervision of compliance, etc.

Investor Relations

We attach great importance to the management of investor relations. We strengthen contact and communication with investors through various channels, so that investors can understand the company's situation more conveniently and in a timely manner, and establish a good image for the company in the capital market.

Information Disclosures



Shenzhen Stock Exchange
Interactive Platform

Investor Tel.



Corporate Email

Performance Briefing



Company Website

71x

Reply to 71 investor questions through the Shenzhen Stock Exchange Interactive Platform, with a response rate of 100%

21x

On April 20, 2021, an online briefing session on the 2020 annual results was held on Panorama.com's "Panorama.Roadshow World", and answered the main questions raised by investors. A total of 20 questions were answered.

>40x


Received more than 40 calls from investors





Investor Relations

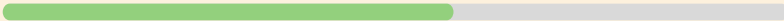
Information Disclosures

Strictly follow relevant laws and regulations as well as the "Shenzhen Stock Exchange Listing Rules", "Hong Kong Stock Exchange Listing Rules", "Shenzhen Stock Exchange Self-Regulatory Supervision Guidelines for Listed Companies No. 1 - Standardized Operation of Main Board Listed Companies" and "Information Disclosure Management" Measures and other relevant regulations, perform information disclosure obligations in accordance with the law, ensure the truthfulness, accuracy, timeliness, fairness and completeness of information disclosure, and continue to improve the management of inside information to maintain the principle of fairness in information disclosure.

 Disclosure of documents related to A shares in 2021 **249 Copies**



 Disclosure of H-share related documents in 2021 **244 Copies**



Shareholder Return

In 2021, the company's board of directors strictly followed the "Articles of Association" and relevant regulations, comprehensively considered factors such as company development and shareholders' interests, and reasonably formulated the 2020 profit distribution plan, and completed the distribution of cash dividends before August 31, 2021.

Based on the total share capital of 232,381,032 shares, a cash dividend of RMB 0.201118 (tax included) will be distributed for every 10 shares.

- **Total cash dividends distributed throughout the year:**
RMB 4.67 million
- **Accumulated dividends since listing on the Hong Kong Stock Exchange in 2015:**
RMB 6.2 million

Anti Corruption

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

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

During the reporting period, no cases of corruption, extortion, fraud and money laundering occurred to the Group, and the Group strictly complied with relevant laws and regulations such as the PRC Criminal Law and its Judicial Interpretation, the Criminal Procedure Law and its Judicial Interpretation, Interpretation of the Supreme People's Court and Supreme People's Procuratorate on Several Issues Concerning the Applicable Laws in the Handling of Criminal Cases of Embezzlement and Bribery, and Anti-Money Laundering Law of the PRC.

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

To: the Compliance Department

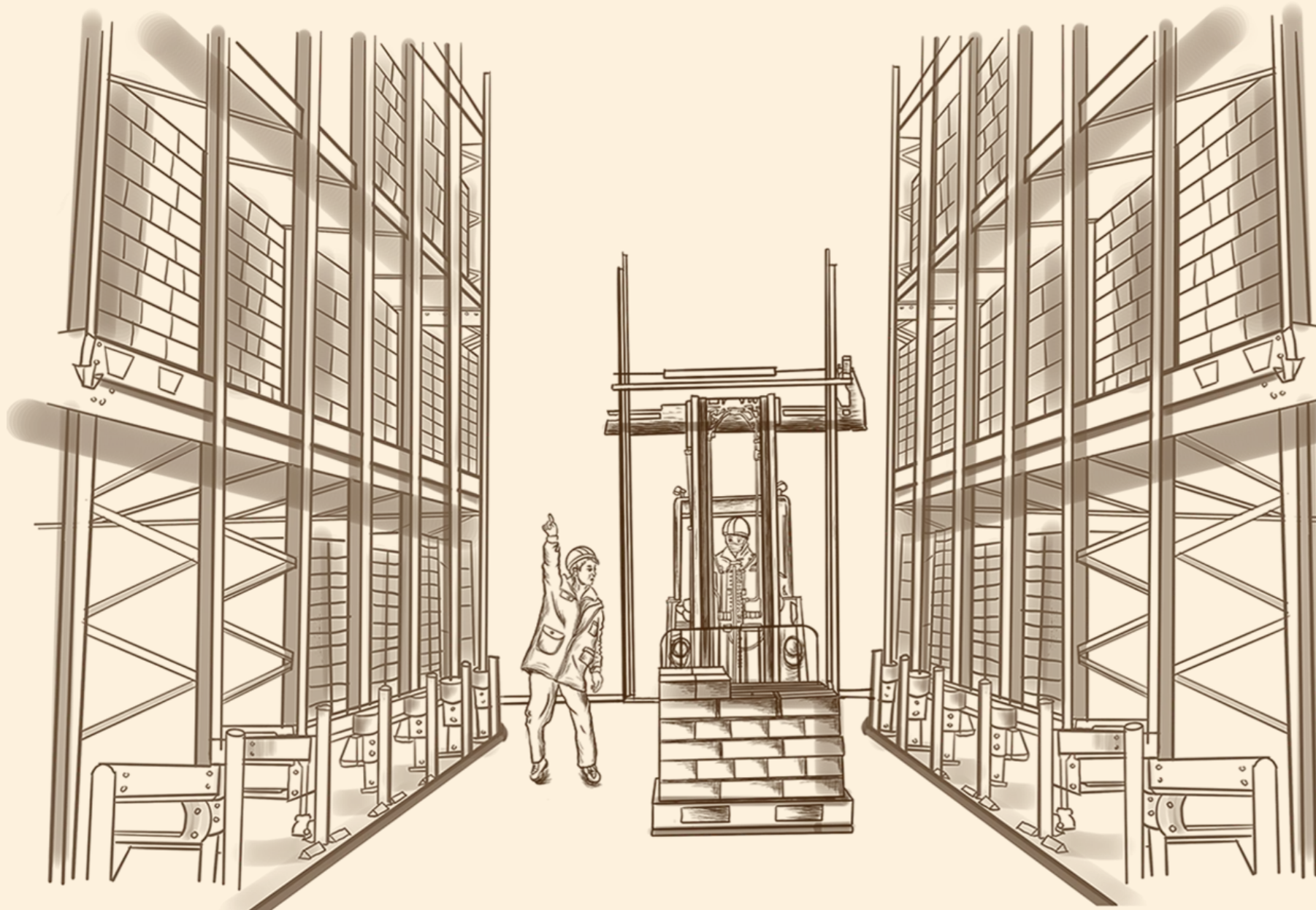
Email: 1102121040@qq.com

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

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



Supply Chain Management

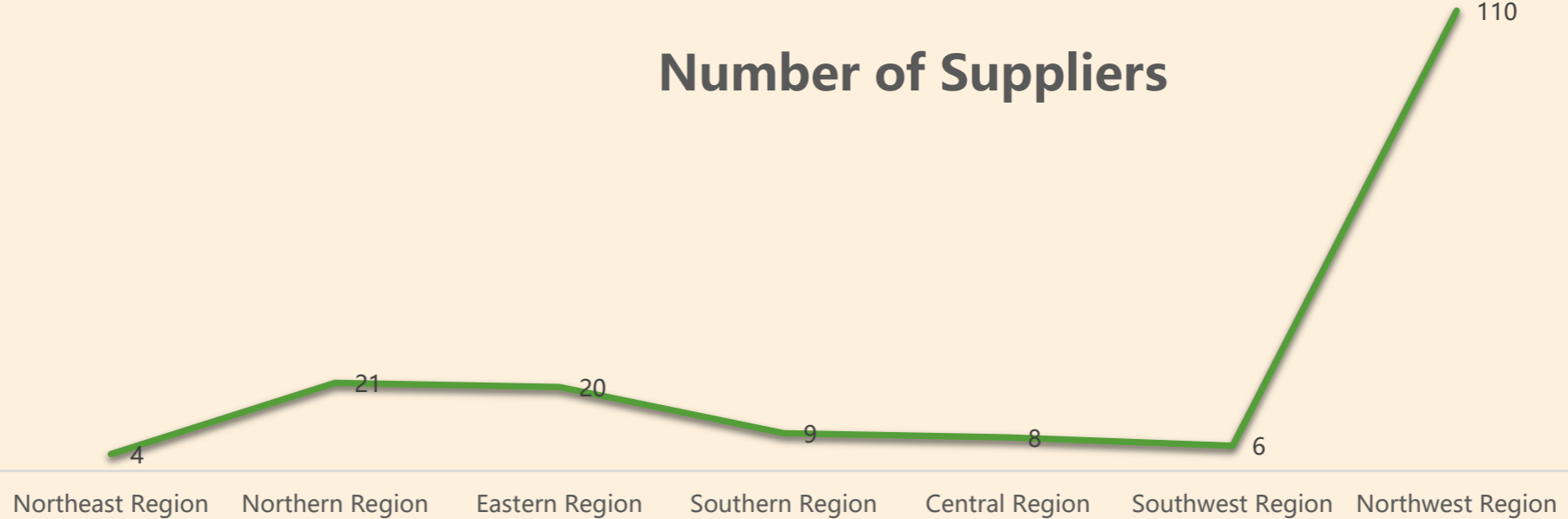


Supplier Selection

The Group has highly prioritized to manage our suppliers as the quality of the raw material will directly affect the Group's performance. The Group has established a list of qualified suppliers and all the raw milk or feeds are all sourced from the suppliers who are in the list. The Group has followed specific procedure to select suppliers, such as conducting on-site inspection, assessing the suppliers' quality management level, safety and environmental management policies, capability of ensuring a stable supply, etc. The Group has also established a ESG screening criteria during the selection of suppliers. The criteria include the use of force labour, fair remuneration and pay structure, environmental protection policy, etc. Such criteria will directly affect the finalized result of selecting suppliers.

Supply Chain Management

Number of Suppliers



● Supplier Evaluation

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

● ESG Self Assessment

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

Product Responsibility



We have established a quality control system based on Good Manufacturing Practices (GMP), Hazard Analysis and Critical Control Points (HACCP) and Sanitation Standard Operating Procedures (SSOP).

Product Responsibility

Due to the tightened national regulatory requirement on dairy products, the Group is required to adopt industry best practices to provide products with highest quality to the customers. In the other hand, customers nowadays are paying more attention to nutritious value of dairy products. The Group needs to stand out from the highly competitive market with a well-established quality control and product safety management system in the production process from raw material procurement, dairy farming, to production, packaging, storage and product delivery.

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

The quality control system is divided into six stages: (i) control over the quality of feeds; (ii) control over the quality of dairy cows; (iii) control over sourcing and processing of raw milk; (iv) control over raw materials and suppliers; (v) control over production process; and (vi) control over storage and delivery of finished products.

Moreover, the Group has received recognition from the government for the effort we paid for maintaining the highest quality of product. During the reporting period, the “reconstruction and expansion project with daily processing 600 tons of liquid milk” project of the Group won the title of National “Quality Milk Engineering Demonstration Factory” (優質乳工程示範工廠). The dairy farms in Ninxia, Lanzhou, and Gansu were also awarded the national title of “Demonstration Pasture for High Quality Milk Engineering” respectively.

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

Product Responsibility (Cont')

The Group has a management system to monitor the daily feeding, which could directly affect the nutrient level of the dairy products. Total Mixed Ration feeding method is adopted and the recipe of the feed is varied according to the nutrient requirements of various groups of dairy cows based on their age and development stage. All of the feeds are in compliance with the Feedstuff Sanitation Standard GB13078-2001 issued by the State Feedstuff Supervision and Quality Inspection Centre (國家飼料質量監督檢驗中心). Inspections of the quality of the feeds are performed upon delivery to our dairy farms. A strict hygiene standard is upheld during the milking process in order to prevent, eliminate or reduce contamination to an acceptable level. All equipment used during the process are well-maintained and disinfected. To ensure the freshness of the raw milk, the milk is required to deliver to the production plants within 24 hour after the milking process. All of the milk tanks are cleaned and disinfected after discharging each load of raw milk.

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

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

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

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

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

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

Product Responsibility (Cont')



HACCPs

Identify critical control points and establish monitoring procedures, and use monitoring results to continuously optimize processes. Production plants in Gansu, Shaanxi and Qinghai have obtained HACCP certification from China Quality Certification Center and Beijing Continental Hengtong Certification Co., Ltd. respectively. The factories in Shaanxi and Qinghai have obtained HACCP certification from China Quality Certification Center and Beijing Continental Hengtong Certification Co., Ltd. respectively.



GMPs

GMP is the foundation of a dairy product safety and quality program. In the four main areas of implementation in dairy processing, the following control measures are specified:
(i) personal hygiene;
(ii) buildings and facilities;
(iii) equipment and utensils;
(iv) Production and process control.



SSOPs

In accordance with the SSOP, we focus on critical sanitation conditions and regulations, specifying step-by-step procedures to provide hygienic conditions during processing. For example, water safety in contact with dairy products, condition and cleanliness of contact surfaces, prevention of cross-contamination of dairy products with unsanitary items, control of employee health, etc.



Quality Control System

1. Control of feed quality
2. Control of cow quality
3. Control over purchasing and processing of raw milk
4. Control over raw materials and suppliers
5. Control of the production process
6. Control over storage and delivery of finished products



Environmental

- Environmental Performance
- Use of Resource
- Other Environmental Issues
- Quick Cooling Moderation and Enhancement in Operation
- Animal Welfare



Environmental Performance

As a dairy farming business, waste management is the most crucial environmental issue the Group needs to address every day. The existing waste management system can ensure proper handling of different types of hazardous and non-hazardous waste. Nonetheless, the Group regularly reviews the management system and explores industry best practises to further reduce the waste generation from dairy cows and enhance the efficiency of upcycle the waste for different uses.

Gas Emission

All boilers comply with the national standard GB13271-2014 "Boiler Air Pollutant Emission Standard" to ensure that the exhaust gas discharged from the boiler is within acceptable pollution levels.

Waste generation

Cowpat is identified as the major non-hazardous waste generated during business operation. By estimation, every dairy cows generates more than 20 tonnes manures during a life cycle. To utilize the cowpat, the Group adapts the knowledge of ecological science to create the cowpat recycling system. The Group uses electronic scraper to automatically clean the cowpat, with the highest efficiency and minimum water consumption. The Group also uses solid-liquid separator and night soil collector in the Qingdao dairy farm to help cowpat cleansing and treatment. The Group is also equipped with a 200-acres sewage treatment facility to process the cowpat. As a result, the cowpat can be recycled and used as fertiliser. With the huge amount of cowpat generated, the recycling system could generate these waste into valuable energy source and provide extra efficiency to the operation.

Medical Waste

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

Water Discharge

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

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

Environmental Statistics

Major pollutants	Pollutant emissions	Consumption in 2021	Consumption in 2021
tonness Pollutants	Nitrogen Oxides (NOx)	tonnes	418.9
	Sulphur Oxides (SOx)	tonnes	30.6
	Particulate Matter (PM)	tonnes	717.6
	Total Greenhouse Gas Emissions of Scope 1	t-CO2 eq.	19,071.7
	Total Greenhouse Gas Emissions of Scope 2	t-CO2 eq.	24,268.2
	Gas Emission Intensity of Scope 1 (per tonnes of fresh milk produced)	t-CO2 eq.	0.23
	Gas Emission Intensity of Scope 2 (per tonnes of fresh milk produced)	t-CO2 eq.	0.29
Waste	Hazardous Waste	piece	3,960.0
	Non-Hazardous Waste	tonnes	90,155.4
Sewage water	Sewage water	tonnes	941,494.3
	Sewage Water Intensity (per tonnes of fresh milk produced)	tonnes	11.1
Resource consumption	Electric Appliance	KW/h	28,437.2
	Coal	tonnes	7,041
	Diesel Engine	liter	770,482.6
	Natural Gas	cubic meter	933.5
	Gasoline	liter	12,945.6
	Water	tonnes	1,292.3

Use of Resources

Policies are well in-place in all production processes to ensure minimal waste of resources during operation. Engineering department staffs are assigned to regularly inspect and maintain the facilities in acceptable level. Below is the overview of the measures the Group adopted to effectively control the use of different resources during operation:

- Standardised washing time and frequency of the facilities, the water is collected and reuse during the sterilization process;
- The usage of feeds are strictly controlled to ensure all cows having the suitable amount of food without wastage;
- Assigned staffs to regularly inspect the drainage system within the production base to ensure no blockage and leakage;
- An online monitoring system is installed to real-time monitor the Group' s waste water treatment facilities;
- Promote the environment awareness of the staffs by providing regular internal training and workshops for them.

Resource Consumption	Unit	Consumption in 2021
Electricity	Thousand Kilowatt Per Hour	28,437.2
Coal	Tonnes	7,041
Diesel	Litre	770,482.6
Natural Gas	Thousand cubic meter	933.5
Petrol	Litre	12,945.6
Water	Thousand Tonnes	1,292.3
Resource consumption Intensity (per tonne of fresh milk produced)	Unit	Consumption in 2021
Electricity	Kilowatt Per Hour	335.9
Coal	Tonnes	0.08
Diesel	Litre	0.15
Natural Gas	m ³	11.0
Petrol	Litre	15.3
Water	Tonnes	11.1

Other Environmental Issues

The Environment and Natural Resources

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

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

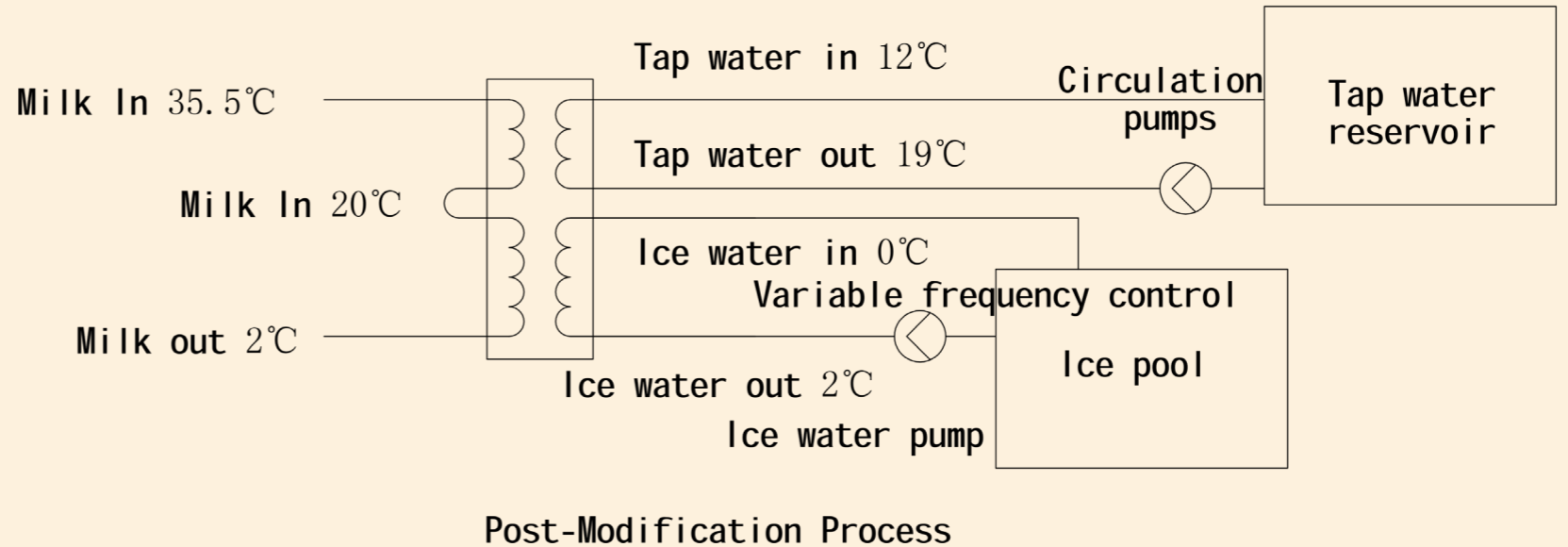
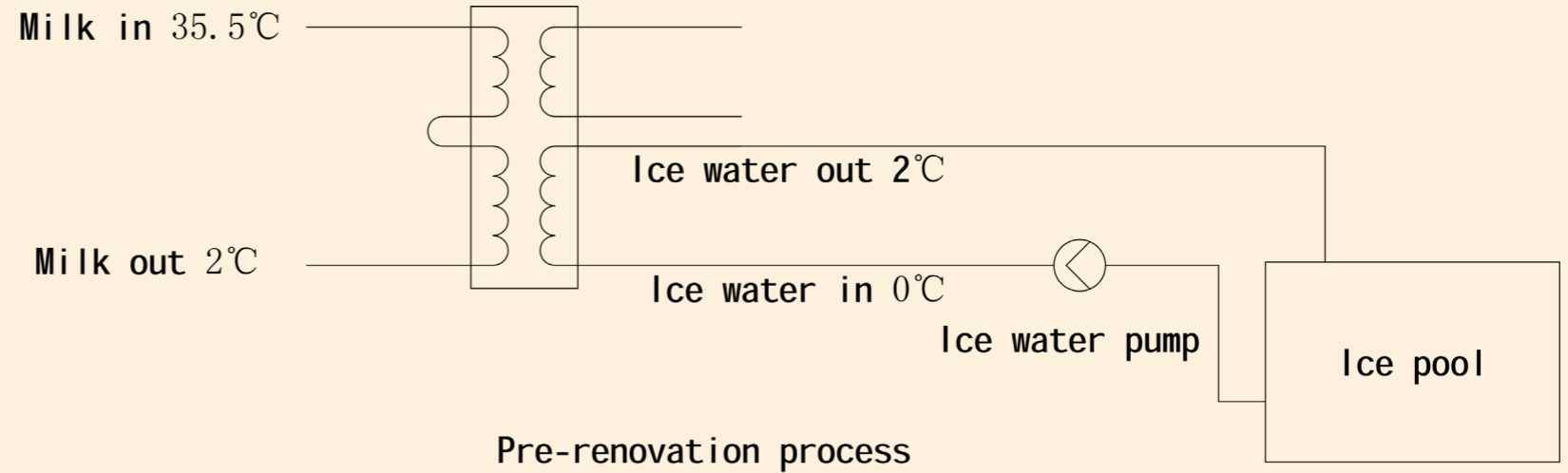
Climate Change

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

The major climate event that may impact the operation of the Group's business is sandstorm. The Group has placed vegetation and plants in the empty areas of the operation sites. In Gansu operation site, where is close to sandstorm zone, 500 acres of windbreak shelterbelt is established to reduce the wind speed that may bring harmful effect to our operation site. As the impact of climate change may become more severe in the future, the ESG team has placed extra efforts in identifying them and regularly report to the Board to ensure all of the climate-related risk can be properly addressed.

Quick Cooling Moderation and Enhancement in Operation

In order to improve the energy-saving efficiency of the ranch, we completed the upgrade of the rapid cooling facility of the company Wuwei Ruida Ranch Co., Ltd. in 2021. After the upgrade, the facility runs stably, and the working time of the refrigeration unit is shortened from 21 hours before the renovation to 7 after the renovation. Hour. We will gradually transform other pastures of the company in 2022 to better achieve the goal of energy conservation and environmental protection.

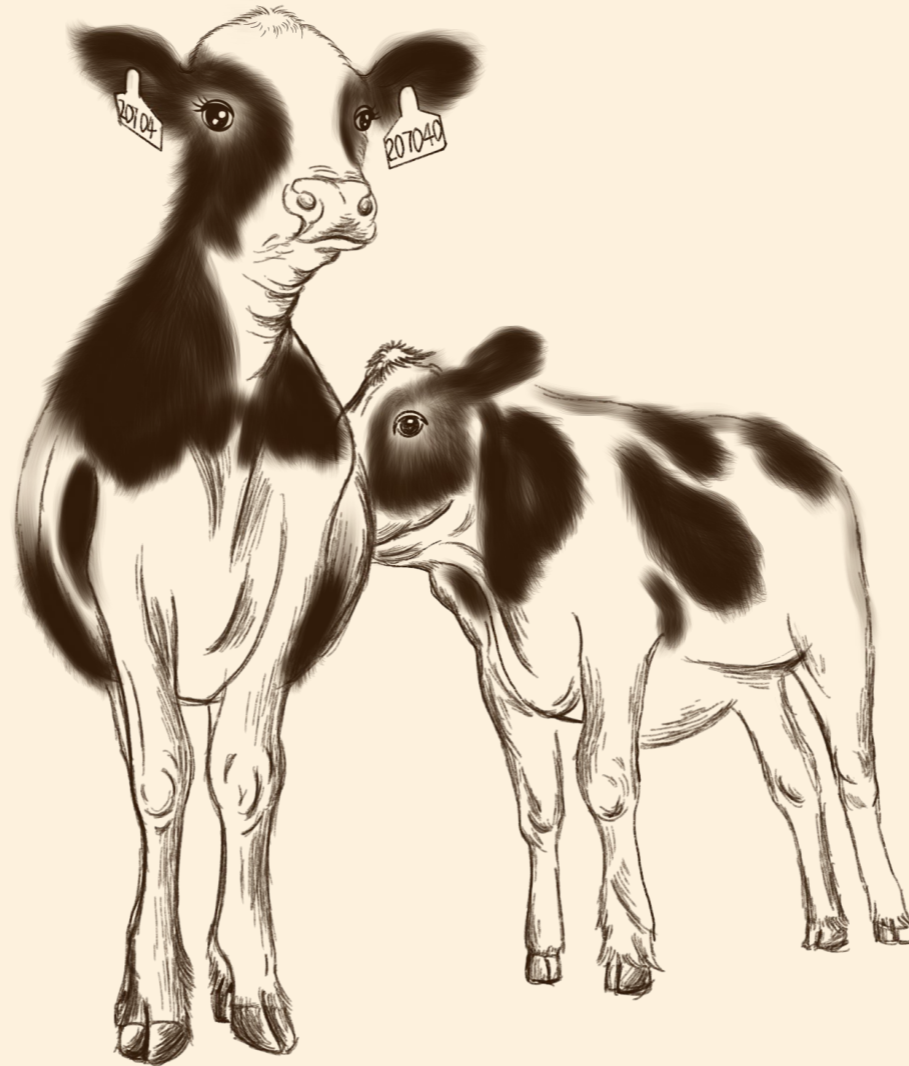


Animal Welfare

Optimisation of rations

We create personalized diet formulas for each farm based on the characteristics of cattle size, feed intake, milk volume and other characteristics of each farm.

We fully consider the conditions of dairy cows in the breeding environment of each pasture, and use the crops and by-products near the location of each pasture in the ration formula to make rations according to local conditions.



Form a hoof team Reduction and Prevention of Foot Diseases

In order to further improve the quality of hoof trimming of cattle in the pasture, we set up a hoof trimming team in accordance with a standardized and systematic model to regularly repair the hoofs of cattle in each pasture, and at the same time refine the types of hoof diseases of cattle, and assist the farm to adjust in time. The process of hoof bathing, and detailed records and assessments of hoof trimming work have greatly improved the work effect of hoof health care.

Cattle Health Maintenance

Extend cattle production life and increase unit yield.

Animal Welfare

Quality control of feed raw materials

Feed is the material basis for good feeding management and achieving high and stable production of dairy cows. The quality of feed ingredients is related to the health of dairy cows, the life of dairy cows, and the quality and safety of milk.

The Ranch Technology R&D Center has successively improved the quality standards of 17 kinds of concentrated and roughage feed materials such as concentrate, soybean meal, silage, alfalfa hay, etc., and requires strict inspection of the feed materials entering the pasture in terms of sensory, moisture, mycotoxins and other indicators, and only after the acceptance is qualified acceptable.



Quality Control of Feed Raw Materials for Dairy Cattle

TMR ration processing and monitoring

TMR is a feeding technique that mixes forages, concentrates, minerals, vitamins and other additives well enough to provide enough nutrients to meet the needs of dairy cows.

Increase the dry matter intake of cattle and improve the accuracy of ration feeding, which can achieve precise feeding. The ranch regularly monitors the moisture and particle size of the processed rations, so as to track or adjust the dry humidity, thickness and uniformity of the rations, so as to ensure that the ratio of fines and coarseness of the rations is stable and the nutrient concentration is consistent.

We believe that only healthy cattle can produce safe and nutritious products for consumers. Therefore, the health and welfare of the cattle is of paramount importance to us. To better maintain the health of our cattle, we have policies in place to ensure that all cattle are properly cared for.

Animal Welfare

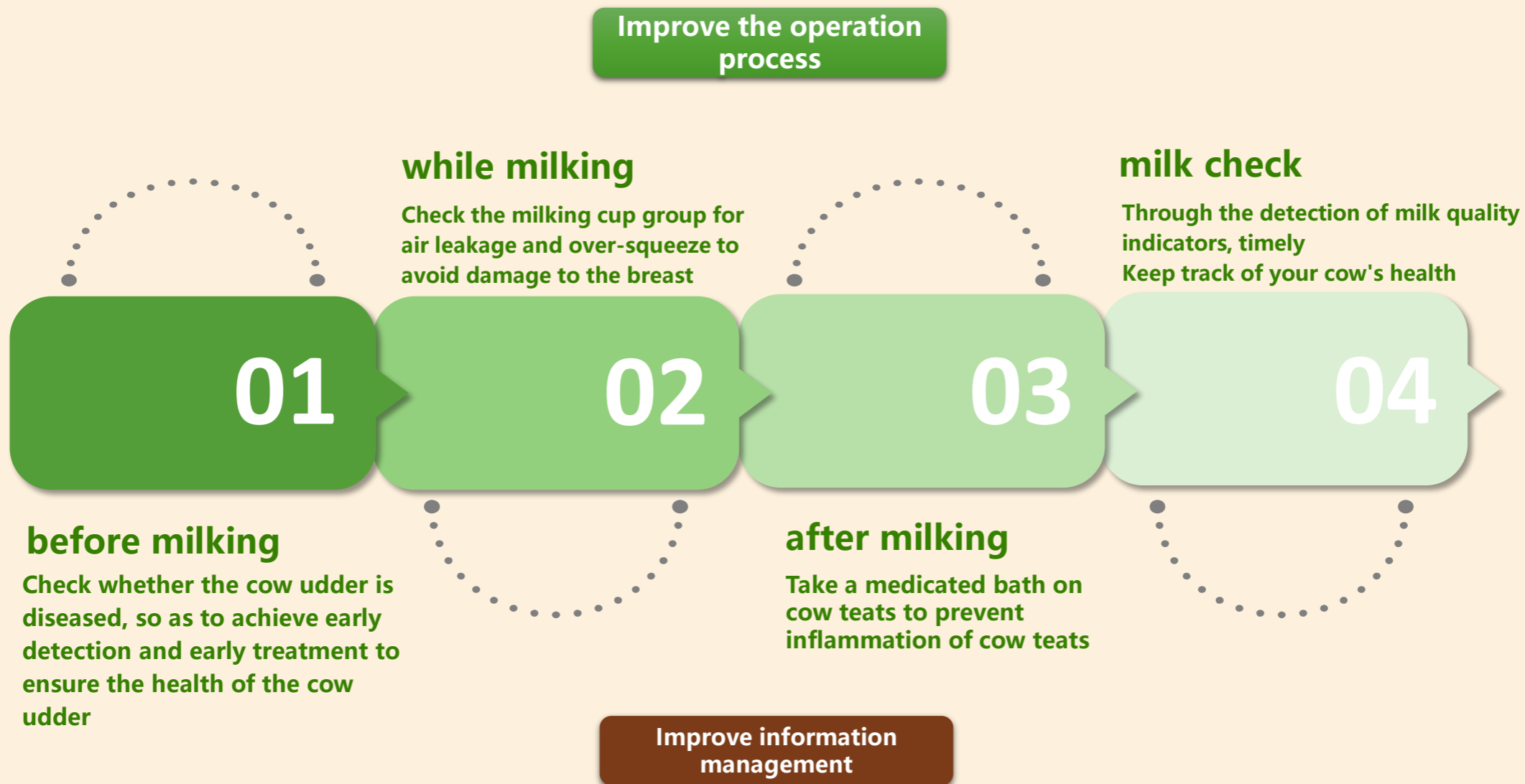
Smart milk parlor equipment

We are applying smart milking equipment to reduce the risk of udder disease in cows.

To maintain the udder and teat health of the herd, we have further refined our Standard Operating Procedure (SOP) for milking in 2021.



Animal Welfare



The digital management system of the ranch has been fully launched, and the comprehensive real-time and effective management of the ranch has been further improved.

pasture
epidemic
prevention
measure



Continue to optimize epidemic prevention measures

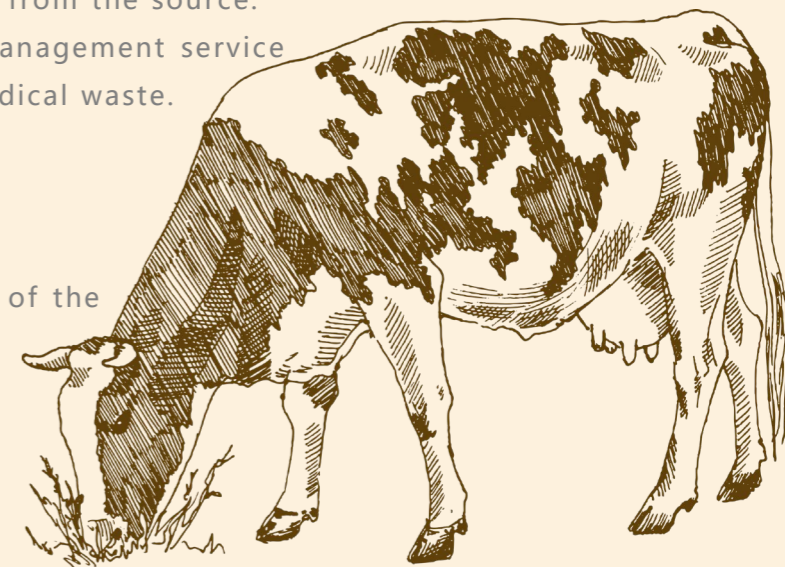
Constantly revise pasture hygiene and epidemic prevention system, pasture cattle epidemic prevention and health care plan, epidemic prevention regulations, etc. Continue to improve the standardization level of daily disinfection and epidemic prevention and cattle immunization work in pastures.

Vigorously maintain and update the disinfection and epidemic prevention channels of each pasture, and strengthen epidemic prevention and control from the source. The ranch cooperates with the local environmental sanitation management service center to carry out the harmless treatment of dead cattle and medical waste.



regular quarantine

Cattle are subject to regular quarantine to monitor the health of the herd.



Social

- Employment
- Health and Safety
- Development and Training
- Employees' Right
- Social Responsibility



Employment

In 2021, the Group has employed 1,401 full-time employees. All employment is strictly complied with national regulations, such as the Labour Law of the PRC, the Labour Contract Law of the PRC, the Employment Promotion Law of the PRC, the Labour Dispute Mediation and Arbitration Law of the PRC, the Regulation on the Annual Leave of Employees and local labour laws and regulations. All of the Group's employment policies and work codes are based on such laws and regulations to formulate. To fully protect all the employees, the Group has allocated extensive amount of resources to set up a human resources monitoring system to ensure all of them are having fair compensation and benefits, recruitment and promotion, working hours, rest periods, entitled leaves, equal opportunity, diversity, anti-discrimination, staff training, attendance and performance.

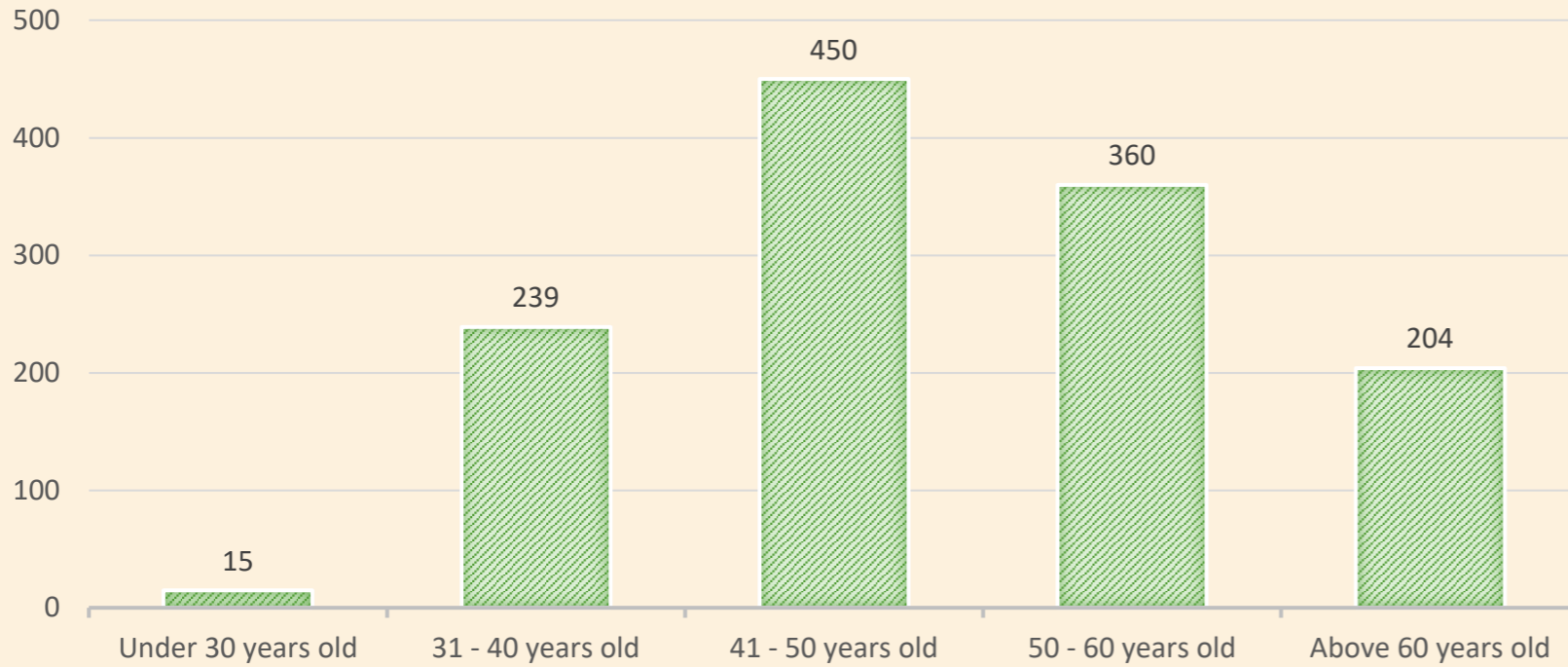
All details of employment are clearly stated in the Group's "Staff Handbook" such as adopting an eight-hour working system, and supervisors' approval is required for overtime work. The Group has also provided benefits for the staffs, such as such as annual leave, marriage leave and maternity leave, medical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

Moreover, the Group has established "Remuneration Management System", "Employee Performance Management Regulations" and "Welfare Management System" to provide a fair and systematic remuneration and performance evaluation system, which could ensure every employees having a competitive salary package

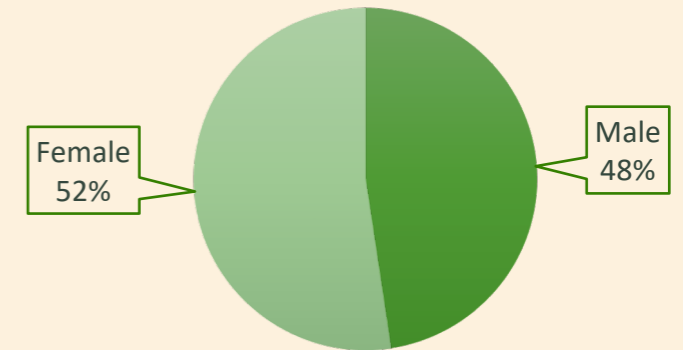
All details of recruitment are also clearly stated in the "Staff Handbook" such as compensation and benefits, recruitment and promotion, working hours, breaks, anti-discrimination policies, employee training, attendances and performance management measures. The Group strives to provide an equal and fair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

Employment Statistics

NUMBER AND PERCENTAGE OF STAFF BY AGE GROUP



NUMBER AND PERCENTAGE OF STAFF BY GENDER



Health and Safety

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

All established internal policies and standard operating procedures are in-place to ensure all occupational health risk around the workplace and factories are minimised. "Safety Production Management System" layouts all safety working procedures within the production base for the workers. "Occupational Disease Protection Facilities Maintenance System" , "Occupational Hazard Prevention and Control Responsibility System" , "Occupational Disease Monitoring and Evaluation Management System" are a series of occupational health and safety preventive measures and management system to manage the personal safety equipment, work environment management and a review and evaluation procedure to enhance the whole occupational safety system.

Regular training programs are also provided to the staffs and workers respectively. The Group has worked with third parties to design the training programs, covering topics such as potential occupational hazards, a brief introduction to the sequelae and their respective preventive measures. On-the-job and post-employment medical examinations, and regular health checks are also provided for the employees. During the reporting period, the Group conducted inspections and physical examinations on the occupational disease and occupational health of the employees and has obtained qualified results.

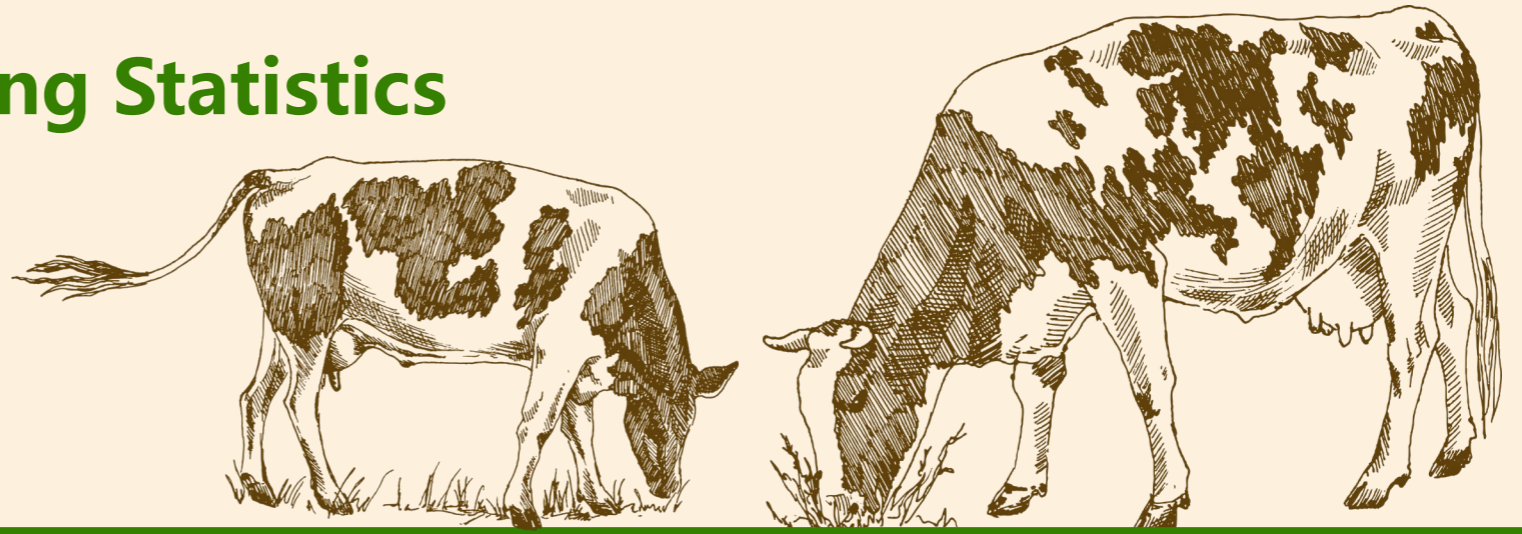
The Group also has a comprehensive procedure to handle any safety accidents. According to the "Emergency Rescue and Management System for Occupational Hazard Accidents" , the Group will investigate the situation and condition of the accident if any accident happens. The management system clearly outlines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

Development and Training

Other than health and safety training programs mentioned above, the Group also wants to promote a sustainable learning environment amongst the staffs. Therefore, new-joiners will receive induction trainings, such as the Group' s corporate culture, product knowledge, and the working processes of different departments of the Group. The Group divides the training in to three levels, namely company level, department level and position level. Such division of trainings could guide newcomers to integrate into the Group' s working environment, system and culture. And hence enhancing their capabilities and efficiency.

To maintain the vigilance and awareness of the potential impact of COVID-19, the Group still conducted training sessions on skills and knowledge regarding to the issues of COVID-19, such as “Knowledge and prevention of COVID-19” , “Sales and Marketing in Post Pandemic Time” in 2021. The Group will also provide different topics of training workshop to the employees based on their capabilities, position requirements and industrial development, such as “Marketing Skills Upgrading Training Camp” , and “Food Safety Related Knowledge Training” . These trainings could enhance employees' level of skillset and safety awareness across the hierarchies of the Group. Other general and foundation courses are also provided, such as strategic planning, management, marketing, finance and human resources management. The abovementioned training sessions and workshops allow employees to master the skills for their required positions. Apart from that, the Group has also invited several renowned animal husbandry experts to provide lectures and discussion forums to our staffs. The Group has also established strategic partnership with animal husbandry and pharmaceutical research institutions which could provide an opportunity of conducting research and development to suitable staffs.

Development and Training Statistics



Training	Percentage of employees trained (%)	Average training hours (hours/employee)
	2021	2021
By Employment Category		
Senior Management	4.0%	55
Middle Management	23.9%	60
General	72.2%	20

Employees' Right

Regular occupational health and safety training and regular health checks are provided to ensure that occupational health risks are minimized.

Use a series of occupational health and safety precautions and management systems to strengthen the management of personal safety equipment, work environment management and review and evaluation procedures.

The Employee Handbook clearly defines all employment details and benefits provided to employees, such as annual leave, marriage and maternity leave, medical insurance, medical reimbursement, meal allowances, etc.

Establish a human resources monitoring system with zero tolerance for discrimination or harassment. Ensure employees have fair pay and benefits, recruitment and promotion, working hours, entitlement to time off and more.

Strictly abide by national and local laws and regulations. No child labor or forced labor will be tolerated in our business operations.



Social Responsibility

2021 is the first year of the "14th Five-Year Plan". As a national-level leading enterprise in agricultural industrialization, we will, as always, actively respond to the national policy on realizing the effective connection between the consolidation and expansion of poverty alleviation achievements and rural revitalization, and unswervingly implement the party and the country. The new development concept, adhere to the general tone of seeking progress while maintaining stability, adhere to the people-centered development philosophy, adhere to the direction of common prosperity, and firmly support the consolidation and expansion of poverty alleviation achievements and the comprehensive promotion of rural revitalization. On the one hand, we ensure the stable operation of the company and realize the double growth of the company's sales revenue and profit. On the other hand, we actively undertake more social responsibilities, consolidate and expand the achievements of poverty alleviation through the drive of the industrial chain, and practice the rural revitalization work.

The company signed a logistics and distribution agreement with the resident cooperative Yuzhong Guangmao Commerce and Trade, which has driven 6 farmers to increase their income, and will pay 3.5732 million yuan for logistics and transportation in 2021.

The company's pastures have driven 329 farmers to increase their income by leasing the land of resident farmers. In 2021, they will pay a total of 2.5336 million yuan for land lease.



Relying on the unique advantages of the development of the dairy farming industry, the company will purchase 128,156 tons of corn with a purchase price of 76.0518 million yuan in 2021 with the villages and towns around the ranch station in the order of "company + base + farmers", which will drive a planting area of about 32,039 mu. , driving about 1,300 growers.

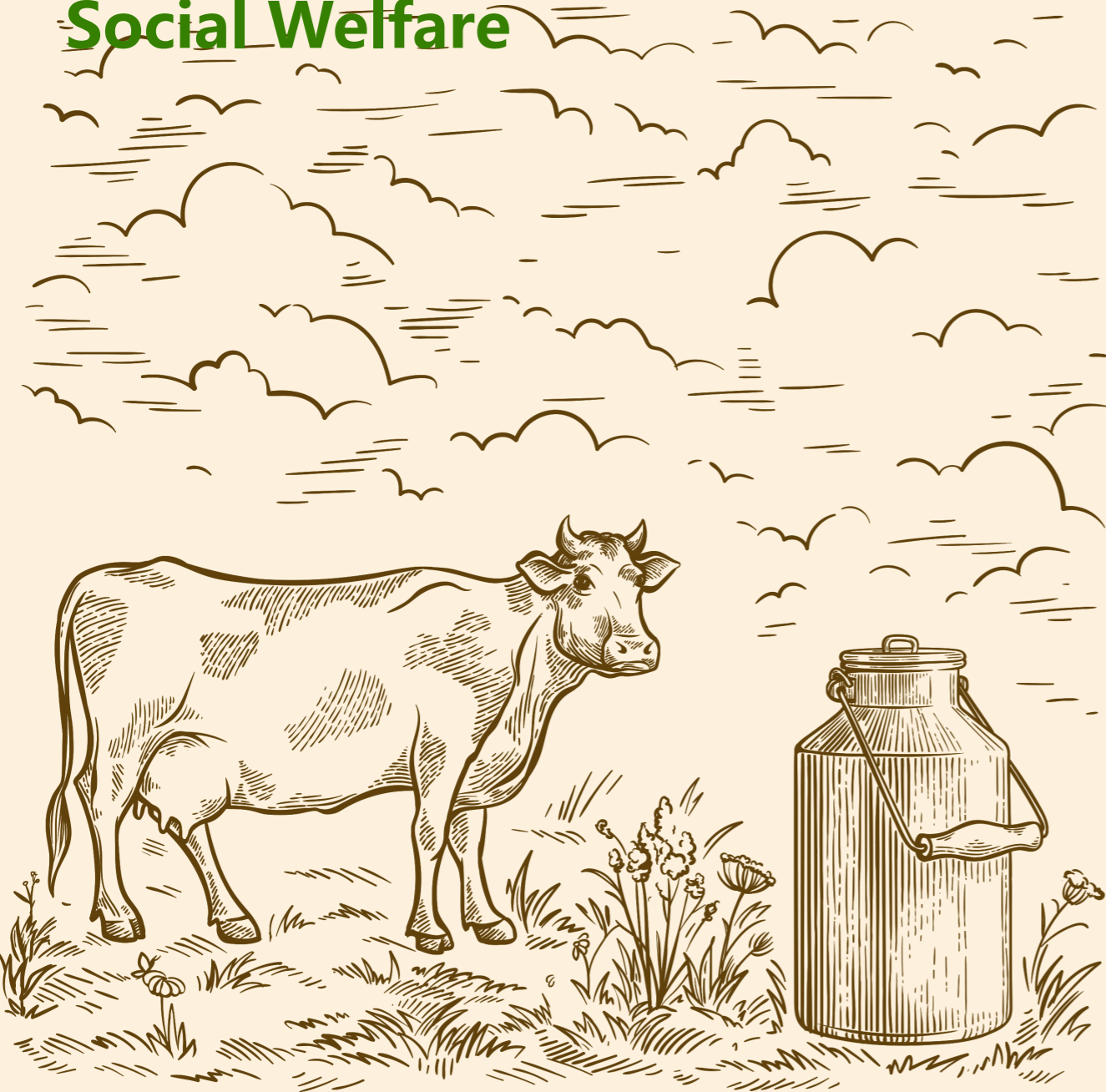
By absorbing the employment of farmers, the company drives farmers to increase their income. In 2021, about 1,100 farmers will be employed, and the annual salary of farmers will be paid 62.1593 million yuan.

Social Welfare



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

Social Welfare



"Hearts to the Party, Warming All Homes" Public Welfare Activity

In 2021, together with Lanzhou-Lanzhou Morning News, we will launch a large-scale public welfare activity of "Hearts to the Party, Warm Hearts, I Do Practical Things for the Masses", with a total of 62 events and 950 boxes of company products donated.

Condolences to the needy families in Yuzhong County

In 2021, we visited 10 ethnic minority families in Shengou Village, Xiaokangying, Yuzhong County, and donate company products worth 1,400 yuan.

Promote volunteering

In 2021, at a donation ceremony held by the Bureau of Industry and Information Technology of Yuzhong County, Gansu Province and Qiyun North Road Community of Yuzhong County, we donated company products worth 7,500 yuan to 81 volunteers.

Donation

During the period of repeated epidemics in 2021, we will adhere to the two-handedness of epidemic prevention and control and production and operation, and make every effort to ensure the safe supply of "milk bottles" for ordinary people. Started more than 200 logistics distribution vehicles, donated more than 2,000 boxes of company products, worth 204,700 yuan, to nucleic acid testing points in Lanzhou and duty points at expressway intersections in some cities and provinces in the province.

2022 Outlook



We will continue to follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, seize high-quality development opportunities, continue to improve and innovate, adhere to high-quality quality, keep up with the pace of national development, and always adhere to the company's business philosophy, create sophisticated products, and enhance brand influence , unite with stakeholders, and look forward to a grand blueprint for the future.

2022 Outlook

Society

We are committed to providing the best quality products and services

We will strive to cultivate the pillar talents of the new era and contribute to the construction of socialism with characteristics of the new era Role

We will abide by laws and regulations and their spirit, and resolutely carry out work around the ideology of socialism with Chinese characteristics in the new era

Staffs

We will attach importance to high-level professional ability, make progress together with employees at all levels, and take a bigger step on the road of growth. We will continue to create a safe and healthy environment, so that each employee can fully develop their expertise with a full body and mind with value

Customers

We will abide by the principle of customer first and provide products and services that satisfy consumers.

We will make every effort to become a conscientious enterprise recognized by consumers.

We promise to pursue quality persistently and ensure the safety and control of our entire industrial chain.

To Shareholders and Investors

We will disclose information fairly and promote extensive dialogue with shareholders and investors We will strive to pursue sustainable and high-quality development and continue to create value for shareholders and investors
