



# Zhou Hei Ya International Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1458


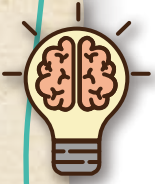




# 2019

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



# CONTENTS

|   |           |
|---|-----------|
| Message from the Management   | 2         |
| About This Report   | 6         |
|  <b>1. Responsible Governance as Solid Foundation</b>              | <b>8</b>  |
| 1.1 About Us  | 9         |
| 1.2 Operational Performance   | 15        |
| 1.3 Corporate Governance  | 16        |
| 1.4 ESG Governance  | 18        |
|  <b>2. Prosperity Based on Food Safety</b>                         | <b>22</b> |
| 2.1 Quality First   | 23        |
| 2.2 Health Innovation   | 28        |
| 2.3 Responsible Supply  | 30        |
| 2.4 Thoughtful Service  | 32        |
|  <b>3. Sustainable Development with Environmental Protection</b> | <b>38</b> |
| 3.1 Environmental Management  | 39        |
| 3.2 Resource Consumption  | 41        |
| 3.3 Energy Management   | 42        |
| 3.4 Emission Control  | 45        |
|  <b>4. Talent Reserve to Tackle Challenges</b>                   | <b>50</b> |
| 4.1 Employee Profile  | 51        |
| 4.2 Health and Safety   | 53        |
| 4.3 Career Development  | 57        |
| 4.4 Employee Care   | 59        |
|  <b>5. Evergreen Enterprise Rooted in Society</b>                | <b>63</b> |
| 5.1 Community Mobilization  | 64        |
| 5.2 Fight against the Pandemic  | 65        |
| Appendix 1 HKEx ESG Reporting Guide   | 67        |
| Appendix 2 List of Laws, Regulations and Standards  | 70        |

## MESSAGE FROM THE MANAGEMENT

In 2019, China's economic performance was generally stable with national income growing and economic structure upgrading continuously. People's consumption concept and brand awareness enhanced. Driven by consumption upgrades, industries saw Matthew effect gain momentum and industry concentration pick up. Among them, the casual food industry faced a multitude of challenges such as disappearing e-commerce dividends, inundating emerging snack varieties, and intensifying competition for transportation hub resources. In the face of fierce industry competition and ever-changing market trends, enterprises need to keep innovating during operation, constantly examine their alignment with market demand, adjust strategies according to the market, accelerate channel expansion and integration, and maintain core advantages in order to raise their competitiveness in the industry with accelerating consolidation.

The year 2019 is a milestone for Zhou Hei Ya. In 2019, we optimized and supplemented the Company's core management team, injecting a new drive of development into the Company. By summing up and reflecting on past experiences and lessons, we examined the current challenges faced by the Company and the industry, and in combination of market development trends, changed development ideas, reorganized business layout, and implemented a bold reform by formulating new six major development strategies to support the Company's long-term development and thus opened the third venture for Zhou Hei Ya. In the third venture stage, our mission is to blaze a trail of reform and opening up that exclusively belongs to Zhou Hei Ya. Through continuous reform and innovation, we will win the six tough battles for Zhou Hei Ya, seize the opportunities in the casual braised products industry, and create the most popular casual braised product brand in China, so that Zhou Hei Ya truly becomes a century-aged brand and a delicacy to the world.

In 2019, according to the Company's long-term development strategy, we gradually conducted the layout and construction of factories in the five major regions of the country, continued to release new production capacity based on market demand and the rhythm of store layout, and successfully put into operation the South China Production Center in the first half of 2019. The release of production capacity, together with the Company's long-standing brand recognition, adherence to strict supply chain, whole-process food safety management, and so on all contributed to the foundation of our strategic development. Because of the experience and confidence, we launched the franchise business this year, trying to open new regional markets in a more rapid way. In exploring diversified channels, we were committed to achieving omni-channel coverage of consumers, reaching more consumers more conveniently, meeting the needs of different consumption scenarios through continuous innovation, and enhancing brand visibility and accessibility. Through integrated brand marketing, we returned to the snack attributes of Zhou Hei Ya and brought the brand campaign closer to products and sales front-end. At the same time, targeting at the core consumer groups of post-90s and post-00s, we signed endorsement contracts with young idols, increased advertising in high-potential areas, and enhanced brand awareness and influence in the young community.



## Product Innovation

We firmly believe that product innovation is the key to the rapid growth of the Group's business. Under the new strategic system, the Company has reviewed and reconstructed the new product R & D system and built a whole-lifecycle management process that covers market insight, project establishment, research development (R & D), testing, and marketing to ensure institutionally that product innovation meets market trends and customer needs, and has controlled and assessed the process throughout the entire life cycle. Driven by the new process, in order to attract consumer groups with different taste preferences, the Company launched a non-spicy flavor series in the second half of 2019, which has performed well since its launch. In the future, the Company will continue to improve and accelerate the development of new flavors and new categories to meet the needs of more consumer groups.

## Quality Service

Food safety and quality are the roots of our business and the foundation of the Company's long-term development. We always adhere to the business philosophy of "quality first" and strictly control food safety standards. Through the SAP system in product distribution and sales terminals, we can trace the entire process from raw material procurement to terminal sales. Additionally, we continuously increase investment in production equipment, increase application of technology and intelligence in factories, and spare no efforts to bring consumers safer food and better shopping experience.

At the same time, we actively explore new service models, carry out various forms of interaction and communication with consumers, and improve the quality of services to ensure the high-quality services of Zhou Hei Ya. In order to cater to the younger generation of consumers, we have begun to upgrade the original standardized stores, carried out a variety of cross-over activities to run the business philosophy of "quality first, reputation first, maintaining features, and sustainable development" throughout the operation and thus to meet consumers' increasing demands for quality, service and experience.



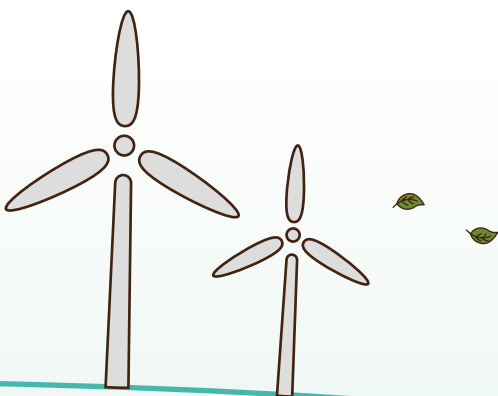


## Environmental Protection

Zhou Hei Ya adheres to the “Tree-Root” culture for sustainable development, taking strong anti-risk capabilities as the root to constantly improve green production and operation. We strictly abide by environmental protection-related laws and regulations in the locations where we operate, and based on the requirements of the ISO 14001 environmental management system, pay attention to environmental protection in the manufacturing process, promote green and low-carbon office to reduce the impact of production and operation activities on the environment. During the reporting period, we continued to improve the environmental management system, incorporated energy and resource use targets into key performance assessments, and improved the efficiency of energy and resource consumption; we continued to strengthen production process management and improved the use efficiency of packaging materials; and we also carried out detailed management of solid waste sorting and recycling, promoted circular economy to reduce waste generation, and put efforts to improve the Company’s environmental performance and economic benefits.

## Employee Care

Adhering to the “people-oriented” concept, Zhou Hei Ya strives to provide employees with a healthy and safe working environment, competitive compensation and benefits, fair promotion opportunities and a comprehensive training system. During the reporting period, based on the new strategic framework, the Company continued to adjust, optimize and streamline its organizational structure, strengthen the strategic functions of various departments, enhance execution and collaboration capabilities, strengthen the training and appointment of talents and empower them to rebuild a new performance management system that enhances the assessment and performance of all employees. We paid more attention to efficiency and fairness and fully implemented the talent management model of “cultivating talents in accordance with the survival of the fittest”. At the same time, we continued to improve the employee training and development system to continuously attract, retain and motivate employees. While continuously optimizing the procedures of and strengthening the Company’s independence in production safety management, we organized various employee activities to ensure smooth employee communication channels, and endeavored to enhance employee cohesion.



## Community Service

Adhering to the corporate philosophy of “being a creator and transmitter of happiness”, Zhou Hei Ya actively participates in community building to deliver happiness and warmth to the society. In 2019, we continued to pay attention to left-behind children and carried out charitable activities such as book donation on World Book Day. Moreover, we provided employment opportunities to people in places where we operate. In 2020, in order to support Wuhan in combating the epidemic of Covid-19 and help front-line medical institutions to purchase much-needed medical PPE (Personal Protection Equipments) and testing equipments, we donated RMB10 million to Wuhan Charity Federation, demonstrating Zhou Hei Ya’s commitment to its responsibilities.

As a proverb goes, “if you walk each day, you’re not afraid of ten million miles; if you work often, you’re not afraid of ten million tasks.” Faced with the torrents of the times and cherishing the beautiful aspiration of taking a century-aged brand to the world stage, Zhou Hei Ya has not the slightest complacency or slack, but only seizes the day and lives it to the full. In the days to come, we will not forget our original intentions, keep in mind our responsibilities, and make up our minds to overcome all difficulties and create a glorious future. Finally, on behalf of the Board of Directors, I sincerely thank Zhou Hei Ya customers for their trust, all employees for their efforts, and business partners and shareholders for their long-term support and help. Hopefully, with concerted efforts, we will continue to pass on Zhou Hei Ya’s brand and culture. In the future Zhou Hei Ya will assume more corporate social responsibilities, continue to protect food safety, promote environmental protection, strengthen employee care, and practice charity to give back to the public and advance with the society, so that Zhou Hei Ya spreads all over the world, bringing healthy, safe and delicious products to everybody.

*Chairman*

**Zhou Fuyu**





# ABOUT THIS REPORT

## Overview

This report is the fourth Environmental, Social and Governance (“ESG”) Report of Zhou Hei Ya International Holdings Company Limited (referred to as “the Company”). It focuses on disclosure economic, social and environmental performance and relevant information of the Company and its subsidiaries for the reporting period from January 1st to December 31st of 2019 (referred to as “the reporting period”). Some information is sourced before 2019 or in 2020.

## Scope and Boundary of the Report

The policies, statements, materials and data in this report cover the Company and its subsidiaries (hereinafter referred to as “the Group”, “we”, or “Zhou Hei Ya”). Unless otherwise stated, all types of funds involved in this report are denominated in RMB.

## Reporting Reference

This report was prepared with reference to Appendix 27 *Environmental, Social and Governance Reporting Guide of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited* (hereinafter referred to as HKEX) (*HKEX ESG Reporting Guide*).

The content of this report was prepared in accordance with a set of systematic procedures, including identifying and prioritizing key stakeholders, conducting materiality analysis of key issues relevant to ESG, deciding the scope of the ESG report, collecting relevant materials and data, writing the report, and reviewing the report, and etc.

**Materiality:** To further clarify the key areas and information of corporate disclosure on environmental, social and governance practices and to enhance the relevance and responsiveness of the report, this year we once again carried out material issue identification procedures, judged the materiality of each issue, and finally determined degree of disclosure and boundary of the issues in accordance with the principle of materiality, which ensured a more accurate and complete disclosure of the Group’s operational management related information.

**Quantitative:** In accordance with the “key performance indicators” listed in the *Appendix 27 ESG Reporting Guide of the Listing Rules of the Hong Kong Stock Exchange*, the Group disclosed quantitative indicators in the “environment” category and explained indicators with no materiality. Quantitative indicators of the “society” category were disclosed to the greatest extent, and will be fully disclosed step by step in the future.

**Balance:** This report strives to achieve objective, fair and truthful reflection of the Group’s ESG effectiveness and practice in 2019. The contents of the report are from the Group’s internal management documents, statistics, public disclosure, as well as media coverage, with no improper modification.

**Consistency:** The report follows a consistent range of statistics. The scope of coverage is the Company and its subsidiaries with no major adjustments compared to previous years. The reporting period is 2019 (January 1 to December 31, 2019), and some information is sourced before 2019 or in 2020. For some indicators, data for three consecutive years since 2017 are disclosed.

## Source of Material and Assurance

All material and cases contained in this report were collected from the statistics reports and relevant documents of the Company. The Company promises that this report does not contain any false and misleading statement, and is responsible for the authenticity, accuracy and completeness of its contents.

## Confirmation and Approval

This report was approved by the Board on 31 March 2020 after confirmed by the management.

## Access to the Report and Feedback

This report is prepared in Traditional Chinese and English. The electronic copy is available both in Zhou Hei Ya's "Financial Statements/ESG Information" at the website of HKEX and the website of the Company.

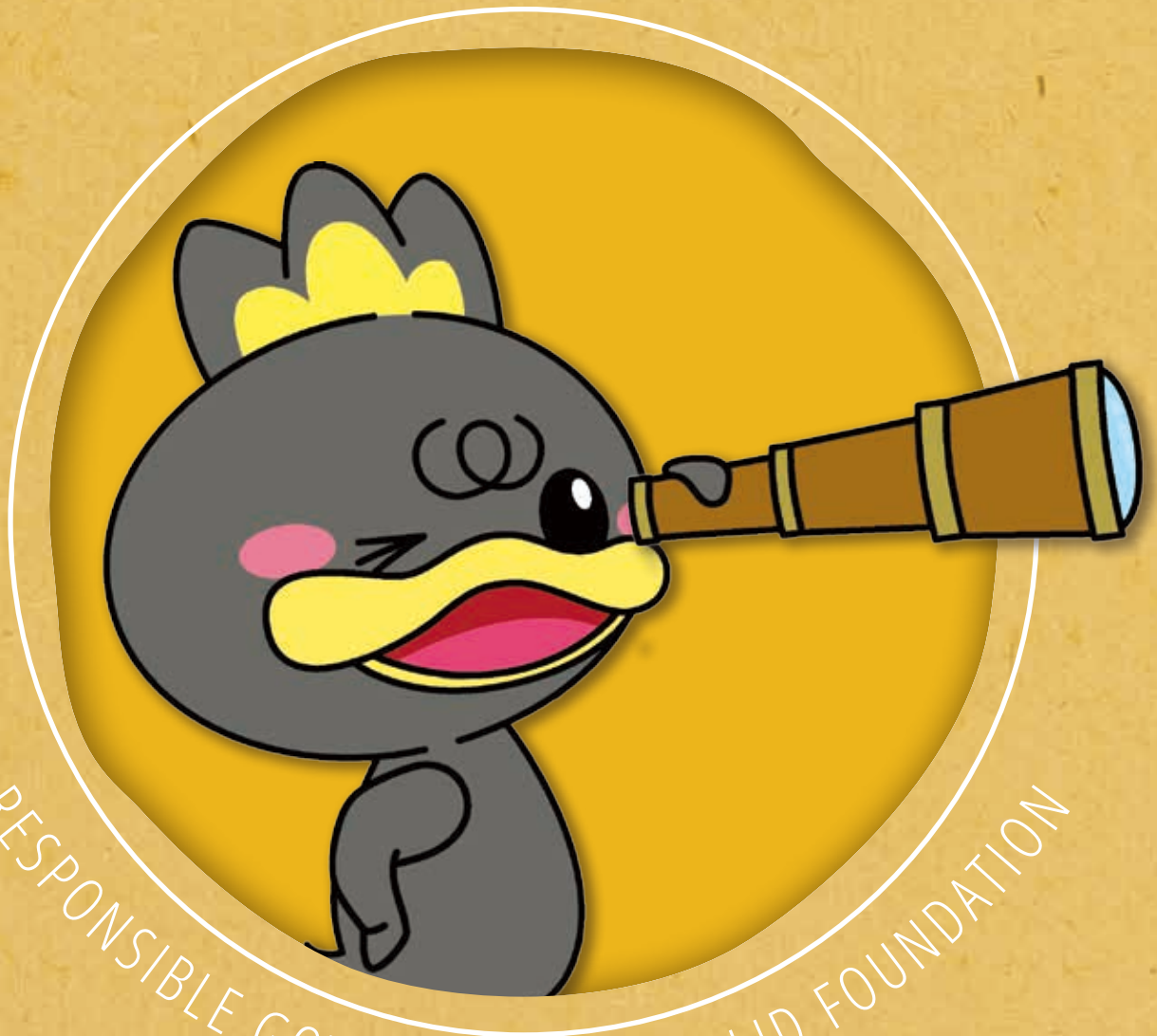
We highly value stakeholders' opinions. Readers are welcome to contact us in the following ways. Your comments and suggestions will help us continuously improve this report and the environmental, social and governance performance of Zhou Hei Ya.

**Telephone:** +86 400 1717 917

**Email address:** IR@zhouheiya.cn

**Address:** No 8-1, Huitong Avenue, Zoumaling, Dongxihu District, Wuhan City, Hubei Province, PRC





RESPONSIBLE GOVERNANCE AS SOLID FOUNDATION

1.1

About Us

1.2

Operational Performance

1.3

Corporate Governance

1.4

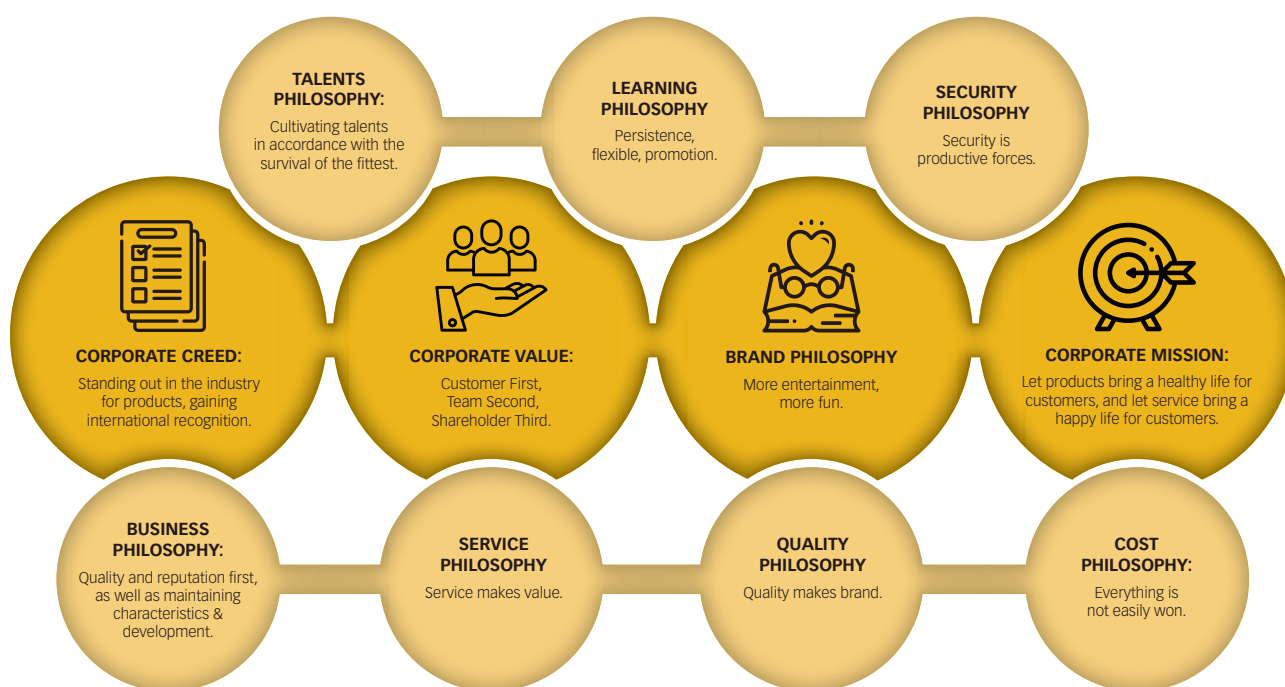
ESG Governance



A hundred-year-old tree begins with roots. Zhou Hei Ya regards responsible corporate governance as the foundation for realizing the vision of “building a century-aged enterprise”. Bearing in mind the ancestral motto of “as for running an enterprise, greedy for profits, faster for failure”, we abide by business ethics and work with all stakeholders to explore a path of sustainable development in the social, environmental and governance fields in order to create a responsible and conscientious enterprise.

## 1.1 About Us

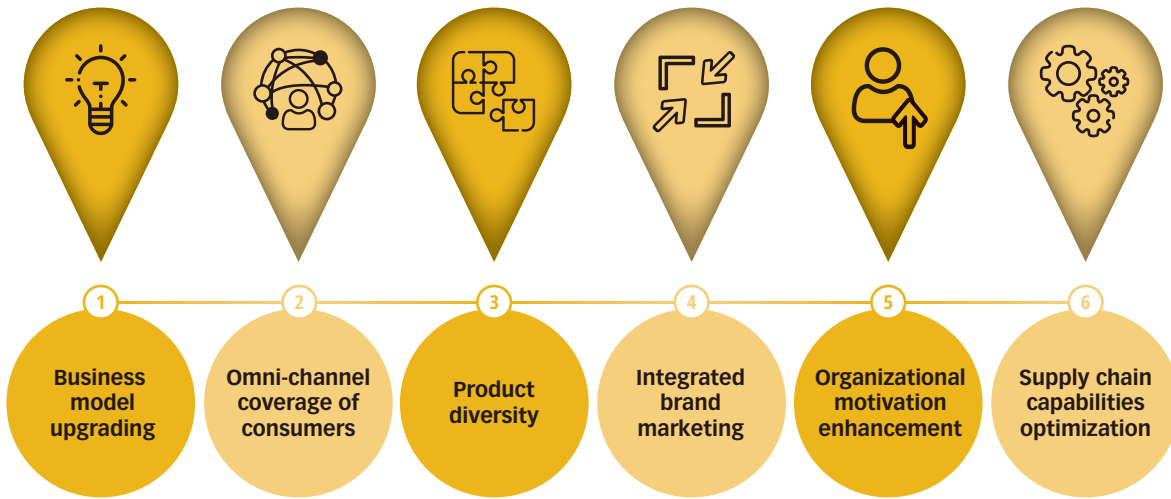
Since being founded by Mr. Zhou Fuyu, Zhou Hei Ya has adhered to the “(食)” character theory and “Tree-Root” culture, striving to provide the public with a steady stream of delicious food and happy experience with the Company specializing in production, marketing and retail of casual braised products and continuously struggling and developing to realize its dream of becoming a century-aged enterprise.



*Corporate Culture of Zhou Hei Ya*

In order to better cope with the complex and changing market environment, we deployed six major strategies during the reporting period to help us meet the increasing competition in the industry and strive for the best performance.

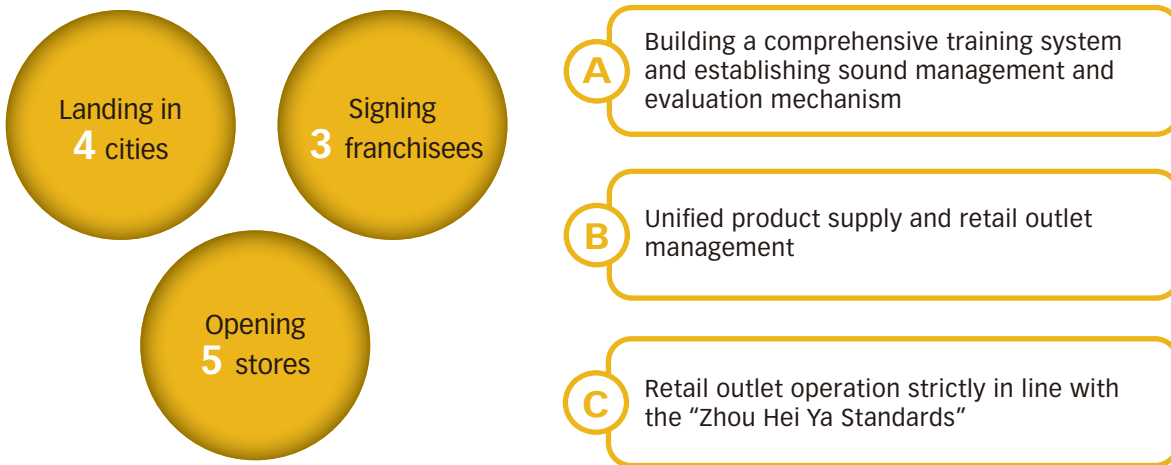




“Six-Strategy” Model

Business Model Upgrading by Opening Franchise to Serve Nationwide Expansion

In order to further complement Zhou Hei Ya’s product appeal and brand strength with local resources, we uphold the development principles of “stable development”, “quality guarantee” and “co-creation of value” to open franchise for nationwide expansion. We will use the high-efficiency production capacity of the five major production bases, internationally leading packaging technology, advanced equipment and powerful data systems to greatly enhance Zhou Hei Ya’s ability in radiating into deeper and broader markets, thereby bringing higher-quality and more delicious products to consumers. As of 31 December 2019, we had landed in 4 cities, signed 3 franchisees, and opened 5 franchise stores.





Zhou Hei Ya Nanning franchise signing ceremony



Nanning franchise store opening ceremony



Zhou Hei Ya Nanning franchise signing ceremony

### Omni-channel Coverage of Consumers to Improve Brand Visibility

Upholding the brand philosophy of “More Entertainment, More Fun”, we are committed to building a young, energetic brand with cultural heritage and quality lifestyle, bringing greater fun and better experience to consumers. During the reporting period, we continued to implement the online and offline full-coverage model and deepened the e-commerce marketing strategy, bringing e-commerce sales up 17.8% throughout the year; we continued to promote the takeout business and registered the takeout and e-commerce business combined account for 23.8% of the Company’s total business. At the same time, we actively explored opportunities for cooperation over convenience stores and supermarkets to enhance brand visibility.

In addition, in order to further build Zhou Hei Ya into a youthful brand, we launched a series of initiatives to enhance consumer experience and brand influence.



*for creating a youthful store atmosphere*

During the reporting period, Zhou Hei Ya has been selected as “Top 100 Chinese Commercial Consumer Service Companies with Comprehensive Influence” by China Business Herald, and won the “Baidu Hubei Netizens’ Favorite Brand of the Year” award in the “2019 Baidu Brand Night: Heated AI of Hubei in Starlight Moment” ceremony. The award was based on big data analysis integrating online voting, Baidu index, and search keywords, etc., fully reflecting the recognition of our brand by consumers.



Zhou Hei Ya Nanning franchise signing ceremony



Nanning franchise store opening ceremony

Product Diversity to Meet Market Trends and Consumer Needs

Zhou Hei Ya is always committed to providing consumers with a variety of casual foods that are delicious and balanced in nutrition. During the reporting period, we rebuilt the R & D system for new products, sorted out the whole-lifecycle product management process, and spared no effort to provide consumers with a variety of product taste choices to meet consumer preferences in different consumption scenarios. In October 2019, we launched a series of non-spicy products. Since the launch, the sales of four products of this series exceed RMB50 million and their monthly sales account for about 9% of total sales, indicating positive feedback from consumers.





**Integrated Brand Marketing – Featuring Unified Theme and Perform with Precise Brand Positioning**

During the reporting period, Zhou Hei Ya sorted out and optimized the functions and organizational structure of the Marketing Center and built a national unified brand marketing theme and strategy, which uses big data to accurately target young consumer groups and strengthen online interactive communication to enhance member activity. We integrated the front, middle and back ends of brand marketing to input resources and speak out in a unified manner, and unified ads placement and promotional theme across the channels through endorsement cooperation with idols, accurately located target consumers through in-depth cooperation with social networks where young consumer groups are active, and further raised the activity and conversion rate of members by enhancing online interactive communication with consumers.

**Unified organizational management**



**Unified promotional theme**



**Precise positioning of target consumers**



**Strengthening online interactive communication with consumers**







### Enhancing Motivation – Optimizing Organizational Structure and Performance Orientation

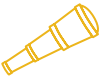
During the reporting period, we adjusted and optimized the organizational structure, completed the functional review, restructured the performance-oriented evaluation system, and established a systematic training system to further mobilize and improve the potency of the organization.

|   |   |   |  |
|---|---|---|--|
| <p><b>Organizational restructuring</b></p> <ul style="list-style-type: none"> <li>• Strengthening departments' strategic functions and execution</li> <li>• Optimizing and streamlining the organizational structure</li> </ul> | <p><b>Function sorting</b></p> <ul style="list-style-type: none"> <li>• Multi-dimensional talent stock-taking</li> <li>• Implementing a talent competition mechanism</li> </ul> | <p><b>Performance management system construction</b></p> <ul style="list-style-type: none"> <li>• Balanced scorecard and assessment of key performance indicators</li> <li>• Strengthening assessment and performance fulfillment of all employees</li> </ul> | <p><b>Training</b></p> <ul style="list-style-type: none"> <li>• Establishing a systematic training system</li> <li>• Talent map for key positions</li> </ul> |
|---|---|---|--|

### Optimizing Supply Chain – Support Front-End Business Development

In order to further optimize the supply chain capabilities, we have optimized the procurement process, established a strategic procurement system, and improved the distribution network with the help of big data to improve efficiency and control costs.

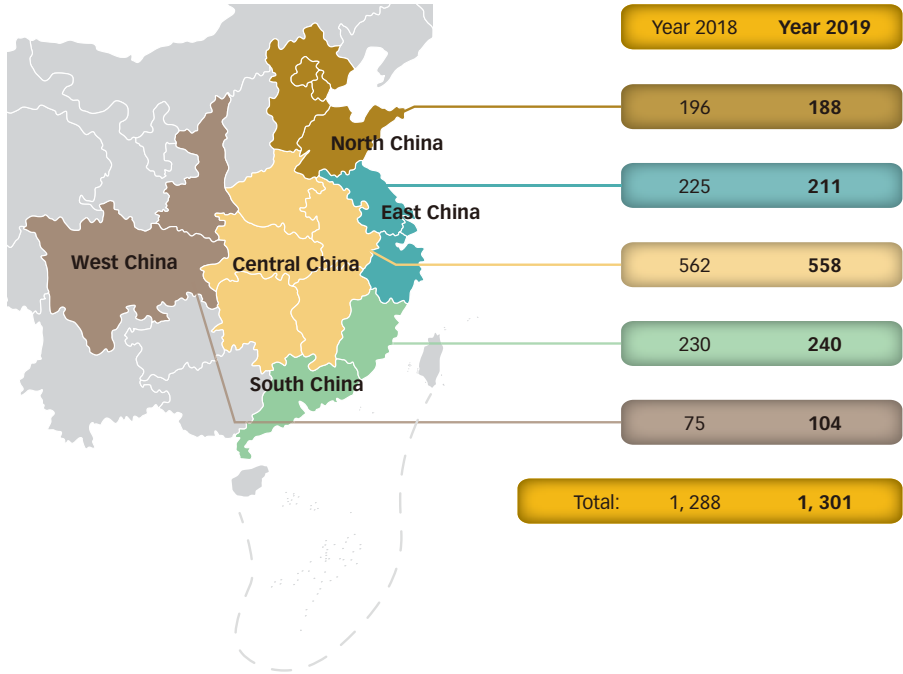
|   |  |   |
|---|--|---|
| <p><b>Optimizing procurement process</b></p> <ul style="list-style-type: none"> <li>• Improving the whole-process supplier management throughout the entire life cycle</li> <li>• Overseeing the raw material market supply and purchase price</li> <li>• Signing long-term supply agreement with partners</li> </ul> | <p><b>Opening up on-demand procurement system</b></p> <ul style="list-style-type: none"> <li>• Optimizing procurement plan parameters</li> <li>• Effectively reducing losses, controlling costs, and improving efficiency</li> </ul> | <p><b>Developing warehousing and logistics</b></p> <ul style="list-style-type: none"> <li>• Improving warehousing and sorting efficiency</li> <li>• Optimizing distribution network to expand factory coverage</li> </ul> |
|---|--|---|



### 1.2 Operational Performance

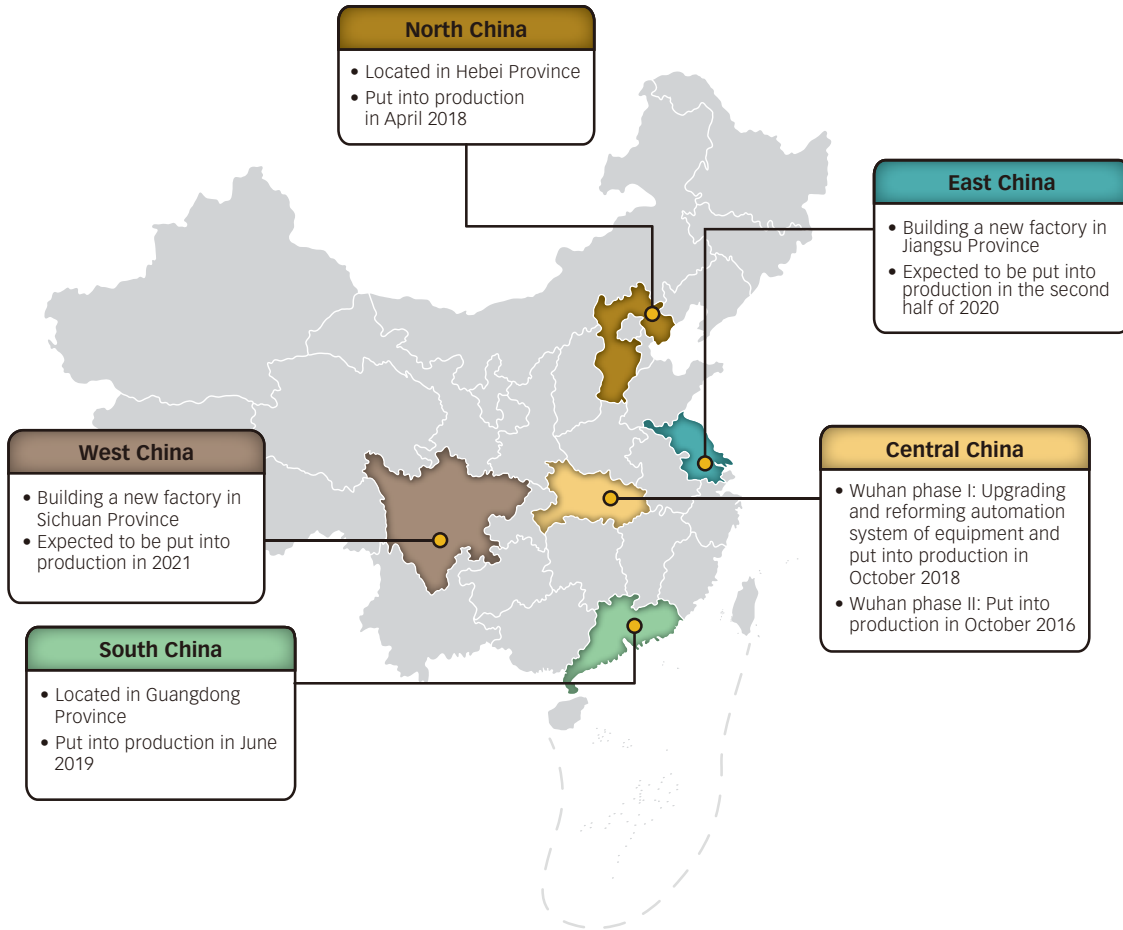
During the reporting period, we continued to focus on product innovation with consumers as the core, integrated online and offline resources and supply chains, laid out omni-channel retail scenarios, and explored diversified channels, committed to creating a better consumer experience for customers, so that our total revenue reached RMB 3,186.04 million.

As of 31 December 2019, Zhou Hei Ya had 1,301 self-operated stores, covering 100 cities in 17 provinces and municipalities. During the reporting period, we opened 229 new stores, an increase of 1.0% over 2018.



Self-Operated Store Layout (Unit: Store)

As the Group deepens layout in new regional markets, in order to improve distribution efficiency and optimize customer experience, we continued to expand production capacity based on market demand and the rhythm of store layout, and put into operation the South China Industrial Park in the first half of 2019. According to the Company's long-term development strategy, we planned to build factories in the five major regions of the country. In addition, the Group is constructing two new processing plants in Jiangsu and Sichuan.



### 1.3 Corporate Governance

Over the years, Zhou Hei Ya has adhered to the principles of integrity, accountability, transparency, independence, due diligence and fairness, committed to achieving high-caliber corporate governance. We have formulated and implemented effective governance policies and measures, and the Board of Directors is responsible for fulfilling the corporate governance responsibilities, continuously reviewing and monitoring the Company's corporate governance status to maintain the Company's high-caliber corporate governance.

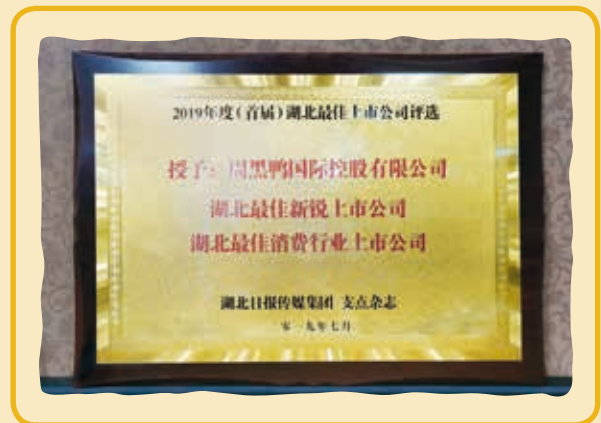
#### Investor Relations

We attach importance to maintaining good investor relations while continuously building and improving channels of communication with investors. We have disclosed relevant information of the Company to shareholders and investors in a timely and accurate manner in accordance with the Stock Exchange of Hong Kong's regulations on information disclosure of listed companies and based on the principles of truthfulness, accuracy and completeness. During the reporting period, in order to further enhance the transparency of the Company's information disclosure and protect the rights and interests of investors, we conducted a total of 366 investor exchange activities.



### Zhou Hei Ya won the “Best Listed Companies on the Upswing in Hubei” and the “Best Listed Companies in Consumer Industry of Hubei”

In the first selection of Hubei Best Listed Companies in 2019, Zhou Hei Ya was awarded two honorary titles of “Best Listed Companies on the Upswing in Hubei” and the “Best Listed Companies in Consumer Industry of Hubei” for its stunning market performance and corporate governance.



\* For more detailed information on corporate governance, please refer to the “Corporate Governance” chapter in Zhou Hei Ya 2019 Annual Report.

#### Anti-corruption Management

Zhou Hei Ya strictly abides by the *Contract Law of the People’s Republic of China*, *Company Law of the People’s Republic of China*, *Anti-Monopoly Law of the People’s Republic of China*, the *Law of the People’s Republic of China against Unfair Competition* and other laws and regulations, and continuously optimizes its anti-corruption system documents including the *Anti-Corruption Working System* and the *Articles of Discipline Inspection Committee of Zhou Hei Ya* to clarify the Company’s anti-bribery policy and thus to prevent illegal acts such as bribery, extortion, fraud and money laundering. In addition, we require long-term suppliers to sign the *Integral Anti-corruption Commitment Attached to the Master Contract with Hubei Zhou Hei Ya Enterprise Development Co., Ltd.* and the *Anti-corruption Letter to Suppliers*, requiring suppliers not to engage in any form of commercial bribery with any employee of Zhou Hei Ya, and if a violation is found, Zhou Hei Ya will cease all commercial cooperation with relevant suppliers and report the case to relevant judicial authorities to ensure fair and transparent procurement process. During the reporting period, Zhou Hei Ya did not have any corruption lawsuits.

During the reporting period, we continued to improve the Company’s Disciplinary Inspection Committee, optimized internal employee reporting channels to ensure that reported issues are followed up and investigated in a timely manner, and hired external full-time legal and discipline education professionals to conduct anti-corruption training and propaganda combining the *Top Ten High Voltage Lines of Zhou Hei Ya*. In the reporting period, the number of our employees participating in anti-corruption related training reached 4,698, with a coverage rate of 94.6%.





### Anti-corruption training on the Top Ten Bottom-lines of Zhou Hei Ya in 2019

In order to provide employees with a fair, honest, healthy, and orderly working environment and development platform, in July 2019, we organized training on the *Top Ten High Voltage Lines of Zhou Hei Ya* in the Group and its subsidiaries and implemented the latest Staff Code of Conduct. During the reporting period, we hired full-time trainers to go to our regional companies in East China, South China, and North China and branches in Hubei, Hunan, Jiangxi, Anhui, etc. to train managers above the store manager and some employees in a total of 10 special training sessions.



### 1.4 ESG Governance

In order to optimize the Company's ESG risk management and control, the Group established a three-tier ESG governance structure with the Board of Directors, ESG Executive Committee and ESG Working Committee at its core in 2016. Our ESG Executive Committee and ESG Working Committee regularly report to the Board of Directors to assist in assessing and determining whether the Group's ESG risk management and internal control systems are appropriate and effective.

For the better implementation the Company's ESG risk management and control, during the reporting period, our ESG committees actively attended external training on the ESG Reporting Guide of the Stock Exchange of Hong Kong and other advanced domestic and international experience sharing on social responsibility and sustainable development, and summarized the training results and concepts to imbue internal employees with ESG-related tasks and ESG concepts.



### Stakeholder Engagement

Zhou Hei Ya is committed to establishing a long-term and effective mechanism of communication with all stakeholders to learn about their core needs and timely adjust and improve the Company’s work on ESG governance to meet the expectations of all stakeholders on Zhou Hei Ya.

During the reporting period, in order to understand the expectations and demands of various stakeholders on Zhou Hei Ya, the Group carried out stakeholder communication, reviewed material issues, analyzed the ESG issues that internal and external stakeholders with decision-making power and influence were mainly concerned about, and carried out regular communication on issues of concern for various stakeholders:





**SHAREHOLDERS/  
INVESTORS**

**Major Concerned Issues**

- Operating performance
- Corporate governance
- Employee Benefits

**Communication Channels/  
Feedback Approaches**

- General meeting of Shareholders
- Annual report, interim report, and ESG report
- Investors meeting
- Performance conference
- Press release/announcement
- On site investigation

**Frequencies/times**

- Annual general meeting of Shareholders
- Annual report, interim report and ESG report are issued at specified times each year
- Annual and interim performance conferences
- Non-scheduled other activities



**GOVERNMENT  
AUTHORITIES**

**Major Concerned Issues**

- Food safety
- Consumer communication
- Compliance operation

**Communication Channels/  
Feedback Approaches**

- On site investigation
- Major conference meetings
- Performance reporting
- Spot check
- Business management

**Frequencies/times**

Irregularly held



**SUPPLIERS**

**Major Concerned Issues**

- Supply chain management
- Food safety
- Anti-corruption

**Communication Channels/  
Feedback Approaches**

- On site investigation
- Supplier assessment
- Quality communication meeting
- Suppliers meeting
- Suppliers anti-corruption education
- Telephone/written correspondence

**Frequencies/times**

- Annual suppliers meeting
- Quarterly quality communication meeting for raw materials, accessories and packaging materials
- Non-scheduled other activities



**EMPLOYEES**

**Major Concerned Issues**

- Compensation and benefits
- Employee stability
- Training and development

**Communication Channels/  
Feedback Approaches**

- Training report
- Satisfaction questionnaire
- Class interview
- Telephone interview
- Community activities and training
- Video meeting

**Frequencies/times**

- Monthly training report during the training and development projects
- Non-scheduled other activities



**MEDIA**

**Major Concerned Issues**

- Food safety
- Community investment
- Green production

**Communication Channels/  
Feedback Approaches**

- Press releases/announcement
- Interview
- Conference

**Frequencies/times**

Irregularly held



**CONSUMERS**

**Major Concerned Issues**

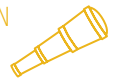
- Food safety
- Green production
- Communication and service

**Communication Channels/  
Feedback Approaches**

- Online promotion and announcement
- Offline exhibitions
- Customer service call
- Telephone
- WeChat/Weibo

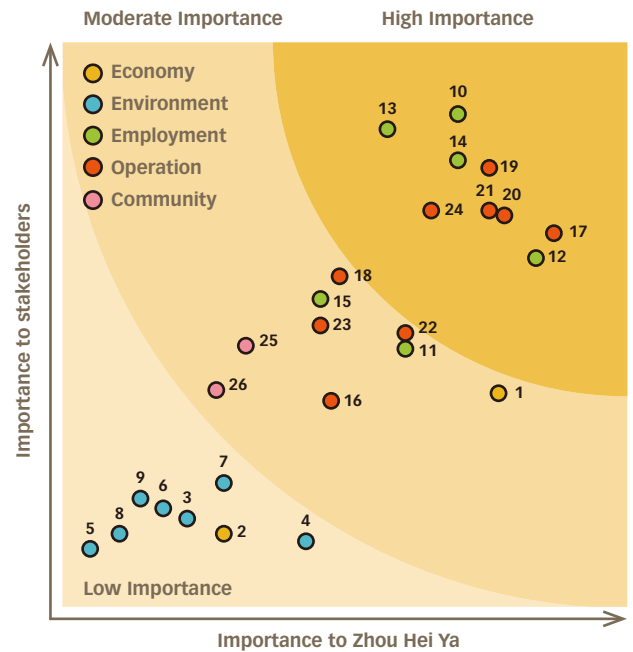
**Frequencies/times**

Irregularly held



### ESG Materiality Analysis

During the reporting period, based on the materiality analysis derived from the stakeholder questionnaire survey and interviews in the previous year and deep communication with stakeholders, we understood their opinions and expectations regarding the disclosure of ESG information by Zhou Hei Ya. The results showed that there was no major change in the direction of attention of the management and various stakeholders on the Group comparing to 2018. After full discussion with the Company’s management and upon analysis, we came up with the 2019 Zhou Hei Ya ESG Materiality Matrix:



| No.        | ESG Issues  |
|------------|---|
| 1.         | Business performance and economic results   |
| 2.         | Formulation of environmental and social governance concepts and management approaches                   |
| 3.         | Consumption of water resources and energies such as electricity, gas and oil                            |
| 4.         | Wastewater treatment and discharge  |
| 5.         | Greenhouse gas emissions  |
| 6.         | Exhaust fume treatment  |
| 7.         | Treatment and disposal of solid waste (production and municipal solid waste)                            |
| 8.         | Consumption of packaging materials  |
| 9.         | Use efficiency of raw materials   |
| <b>10.</b> | <b>Provision of reasonable remuneration packages and benefits to employees</b>                          |
| 11.        | Diversified employee backgrounds (such as gender, age, region, ethnicity, etc.) and equal opportunities |
| <b>12.</b> | <b>Employee retention</b>   |

| No.        | ESG Issues   |
|------------|--|
| <b>13.</b> | <b>Provision of a safe and comfortable working environment</b>                           |
| <b>14.</b> | <b>Career development and employee trainings</b>   |
| 15.        | Measures to prevent the use of child labor and forced labor                              |
| 16.        | Environmental and social impact of suppliers   |
| <b>17.</b> | <b>Suppliers’ food safety management</b>   |
| 18.        | Food nutrition   |
| <b>19.</b> | <b>Food safety management processes and initiatives</b>                                  |
| <b>20.</b> | <b>Food traceability management</b>  |
| <b>21.</b> | <b>Consumer communication</b>  |
| 22.        | Consumer information and privacy   |
| 23.        | Intellectual property rights of own, partners and other relevant parties                 |
| <b>24.</b> | <b>Anti-corruption, anti-bribery</b>   |
| 25.        | Investment in philanthropy (money, time, etc.)   |
| 26.        | Community contribution (whether to boost local employment, to use local suppliers, etc.) |

Issues of high importance in the figure constitute the highlight of this report, and we will detail the management initiatives for these issues in the report.





2.1

Quality First

2.2

Health Innovation

2.3

Responsible Supply

2.4

Thoughtful Service

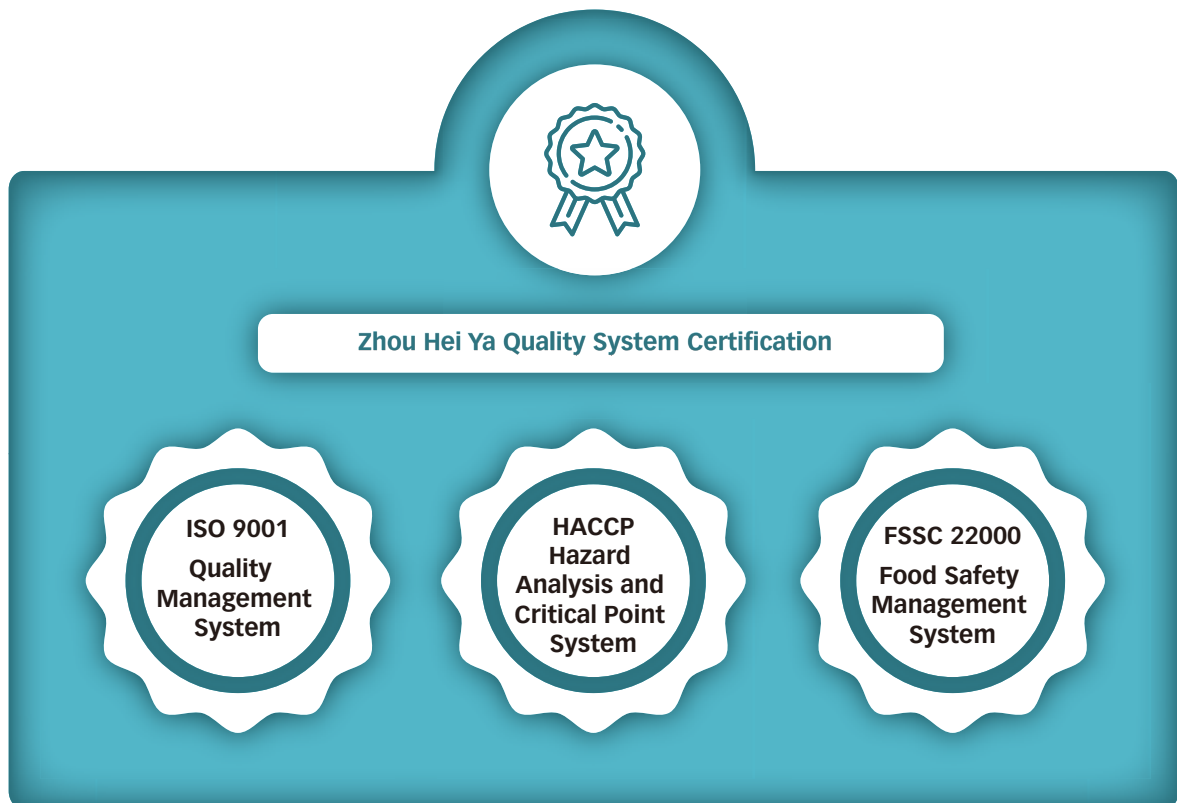
Food safety is critical to the health and safety of nearly 1.4 billion Chinese people. It is the most basic necessity for a better life and a common pursuit of enterprises, society and even the country. As a national brand in the food industry, Zhou Hei Ya actively responds to national policies by taking food safety as the foundation and aiming to become an industry benchmark. On the basis of ensuring food quality and safety, we insist on innovation and development of healthier and more nutritious products and devote ourselves to joining hands with partners to provide consumers with high-quality products and excellent service experience. Zhou Hei Ya runs the business philosophy of “quality first, reputation first, maintaining features, and sustainable development” throughout its operation and is determined to achieve the vision of “becoming a century-old food producer with conscience”.

## 2.1 Quality First

Zhou Hei Ya always believes that quality creates brand. Trustworthy brand image and brand influence come from the Company’s unremitting pursuit of product quality. From the establishment of quality standards and systems, food quality and safety control throughout the process, to quality and safety propaganda and training, we manage product quality on all fronts and live up to consumers’ trust.

### Quality System

Zhou Hei Ya regards food safety as a top priority. We constantly improve the food quality and safety management system, carry out self-inspection activities on food quality and safety management in various industrial parks, and actively improve the quality management system. As of 31 December 2019, the system certifications owned by the Group were as follows:





Hubei Industrial Park's Certifications



Hebei Industrial Park's Certifications

### Food Safety Guarantee

Zhou Hei Ya continuously improves its food safety management. We regularly monitor the laws and regulations promulgated by national and local regulatory authorities, analyze and interpret quality and food safety related laws and regulations that apply to the Group, such as the *Food Safety Law of the People's Republic of China*, the *Product Quality Law of the People's Republic of China*, and the *Regulations on the Implementation of the Food Safety Law of the People's Republic of China*, include relevant provisions in our system documents, and timely issue the documents to relevant departments for implementation. During the reporting period, Zhou Hei Ya issued 27 new standard documents in accordance with laws, regulations, standards and work requirements, ensuring the suitability and sufficiency of food safety operations and control methods during production and operation.



**Zhou Hei Ya's total investment in food safety reached**

**RMB 15.59 million**

We continuously improve the top-down food safety monitoring system, and have established a monitoring system for each critical control point to ensure that the critical control points are under control, so as to continuously and steadily provide products that meet food quality and safety requirements.







## Zhou Hei Ya's Whole-process Food Quality and Safety Control Measures

### Procurement of Raw Materials

- Formulation and implementation of the supplier management system to systematically manage the selection, elimination, supervision and inspection of suppliers;
- Formulation and implementation of internal material technical standards, strict inspections of incoming goods.

### Product Production

- Establishment of systematic Good Manufacturing Practice (GMP) management system, Class-100,000 cleanliness in packaging workshops;
- Standardized production of all links such as ice melting, braising, cooling, and packaging;
- Utilization of MES (Manufacturing Execution System) in production processes to realize information-based process traceability.

### Product Testing

- Formulation and implementation of a finished product inspection and release management system;
- Systematic in-process contact surface and semi-finished product monitoring risk assessment management system;
- External supervision, inspection, evaluation and control system including spot inspection and sample submission for testing of products

### Inventory Management

- Utilization of enterprise management solution (i.e. SAP, System Applications and Products) and PDA (Pull, Digital, Agile) supply chain data management;
- Improvement of warehousing management operation specifications.

### Cold Chain Logistics

- Global Positioning System (GPS) for all vehicles and online temperature monitoring system;
- Improvement of vehicle cleaning and disinfection management standards.

### In-Store Sales

- Point of Sales (POS) system realizing systematic online near-expiration management of short-dated products;
- Dual supervision of spot check and headquarters' unannounced inspection of operation management;
- Annual comprehensive audit and evaluation

### Traceability and Recall

- Information traceability from procurement to sales;
- "One code for one box" accurate traceability of MAP (Modified-Atmosphere-Packaged) products;
- Establishment and exercise of the food recall management system.

During the reporting period, we revised the *Product Labeling Management System* by adding the exported product labeling formulation process and optimizing the labeling, approval, and issuance processes for the Company's MAP products and vacuum-packaged seasoned products to ensure measured label management. In terms of product recall, we implemented the provisions of the *Unsafe Product Recall Procedure*, classifying food recalls into three levels according to the severity and urgency of food safety risks to fully protect consumers' health and safety. At the same time, combining recall exercises, we constantly reviewed whether the recall procedure was complete and whether our emergency response capability was sufficient.



Zhou Hei Ya had  
**zero**  
product recall



### Information-based Quality Monitoring

During the reporting period, Zhou Hei Ya realized the traceability and lock-up control of materials through the use of MES and SAP. When the quality is suspicious or problematic, according to the quality lock-up command, we could quickly lock up the materials in intermediate links between raw materials and finished products into the warehouse and stop their circulation to subsequent links. Blacklists can be set for the MAP products that have been discharged from the warehouse to prohibit the sale as quickly as possible, thereby preventing the unintended use of unsafe products.

Furthermore, we have established a quality training system to increase the propaganda and training of quality awareness among employees. During the reporting period, Zhou Hei Ya offered training and propaganda for personnel in production, quality control, warehousing and logistics links from the five aspects of food safety, food protection, job skills training, microbiological knowledge, laws and regulations in accordance with the training plan formulated at the beginning of the year.

#### Food Quality and Safety Training

- Anti-terrorism Training for Food Safety
- Basic Knowledge Training on Pest Control
- Training for the "Examination of Essential Knowledge for Food Safety Management Personnel in Food Production Enterprises"
- Quality Awareness Training
- Allergen Management Training
- Training on "Operation Guide for E-commerce, Warehousing, and Logistics"
- Training on Sample Management and Release
- Training on Raw Materials, Auxiliary Materials and Packaging Materials Quality Standards and Supplier Certificate Management
- Zero Defect Training
- Training on "Solving Quality Problems Through Seven Methods of QC (Quality Control)"
- Training on Production Process of Soft Packaging Materials
- Quality Training for New Employees in Workshops
- Knowledge Training on Pathogens
- Emergency and Legal Training

During the reporting period, Zhou Hei Ya was awarded the "National Integrity Demonstration Enterprise in Product and Service Quality", "National Leading Enterprise in Quality of Food Industry", and "National Stable and Qualified Product in Quality Inspection" by China Association of Quality Inspection for its systematic and whole-process food quality and safety control, which consolidated our determination to further product quality and realize the vision of food safety.



National Integrity Demonstration Enterprise in Product and Service Quality



National Leading Enterprise in Quality of Food Industry



National Stable and Qualified Product in Quality Inspection

## 2.2 Health Innovation

### Innovation and R&D

We are committed to providing consumers with a variety of product taste choices to meet the needs of consumers in different consumption scenarios. During the reporting period, the Group combed the whole-lifecycle management process and rebuilt the new product development system. Based on consumer demand, we conducted research on the future market, integrated and formed teams around the Company's strategic objectives, optimized the integrated system including product initiation, R & D, testing, marketing, and management and control assessment, etc., launched new products based on market-oriented strategies, and effectively increased the revenue contribution of new products. To this point, we have initially formed a product development process led by the Brand Center, integrating R & D, production, supply chain and other departments throughout front, middle and back ends, while constantly optimizing and updating the process in practice to improve the efficiency and success of new product development.

In October 2019, we launched a series of non-spicy products. Since the launch, we have recorded the sales of only four products of this series exceed RMB50 million and their monthly sales account for about 9% of total sales, indicating positive feedback from consumers.

In addition, we actively promoted industry-university-research cooperation, pooling wisdom of all parties to facilitate the development of the industry.

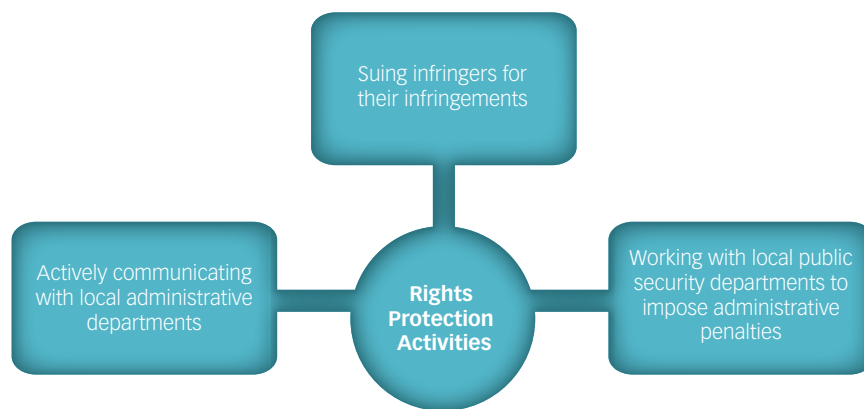
### Promoting Industry Innovation and Development in Conjunction with Universities and Research Institutes

- Cooperation with universities: We worked with Huazhong Agricultural University to study the preservation of seasoned and braised MAP products and with Wuhan Polytechnic University to study product quality change and its mechanism during the freezing process;
- Zhou Hei Ya took part in the National Waterfowl Industry Technology System and Processing Laboratory. The laboratory organized experts from Ningbo University, Zhejiang Academy of Agricultural Sciences, Hubei Academy of Agricultural Sciences to pool wisdom from all sides to jointly study raw materials, product quality improvement and other aspects in the development and deep processing of waterfowl products.

### Intellectual Property Protection

Zhou Hei Ya attaches great importance to the transformation and application of innovation achievements and the protection of intellectual property rights. As of 31 December 2019, Zhou Hei Ya had accumulatively applied for 94 patents and obtained 71 patents; applied for 67 copyrights and obtained 67 copyrights; and had 344 registered trademarks in effect.

In order to maintain the brand image of Zhou Hei Ya and prevent consumers from suffering health problems due to accidental consumption of counterfeit products, the Group has never stopped anti-counterfeiting activities and established effective protection thresholds. We combat the Zhou Hei Ya counterfeit from multiple angles in three ways:



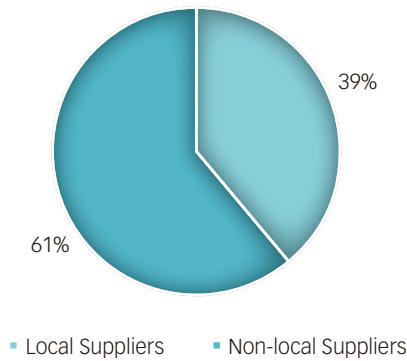
During the reporting period, the Group signed intellectual property rights protection agreements with law firms and professional intellectual property rights protection agencies in Yunnan, Guizhou, Guangdong, Guangxi, Northeast China and other places to protect our intellectual property rights by bringing civil lawsuits in the regions involved. As of 31 December 2019, we had 254 civil rights protection cases placed on file nationwide and 92 of them had been closed with a compensation of RMB 2,170,571; we had lodged complaints against 368 suspected infringing merchants and 238 of them had been held accountable.



### 2.3 Responsible Supply

Stable and high-quality supplier resources can help us ensure the safety and quality of products from the source. Zhou Hei Ya constantly improves supply chain management and adopts different management strategies for different types of suppliers to optimize supplier resources and structure. During the reporting period, Zhou Hei Ya established cooperation with 150 suppliers of raw materials, auxiliary materials and packaging materials, including 92 non-local suppliers and 58 local (Hubei, Hebei and Guangdong Province) suppliers representing 39%.

**Distribution of Suppliers**



With the help of the SRM (the “Supplier Relationship Management”) collaboration platform, Zhou Hei Ya has created a flexible, transparent and dynamic supply chain system. During the reporting period, we further optimized the procurement process, established a strategic procurement system, and opened up the on-demand procurement system, dividing the procurement management activities into three modules, aiming to reduce procurement costs and realize separation of authorities and responsibilities as well as efficient collaborative management of suppliers.



*Procurement Management Module*

### Supplier Risk Control

In order to control supplier risks to the greatest extent, Zhou Hei Ya has established a supplier review team across departments in accordance with the requirements of management systems and operational procedures such as *Supplier Management System*, *Supplier Access System*, and *Rules for Supplier Risk Prevention and Control* to conduct a comprehensive risk control audit of supplier development, access and hierarchical management.

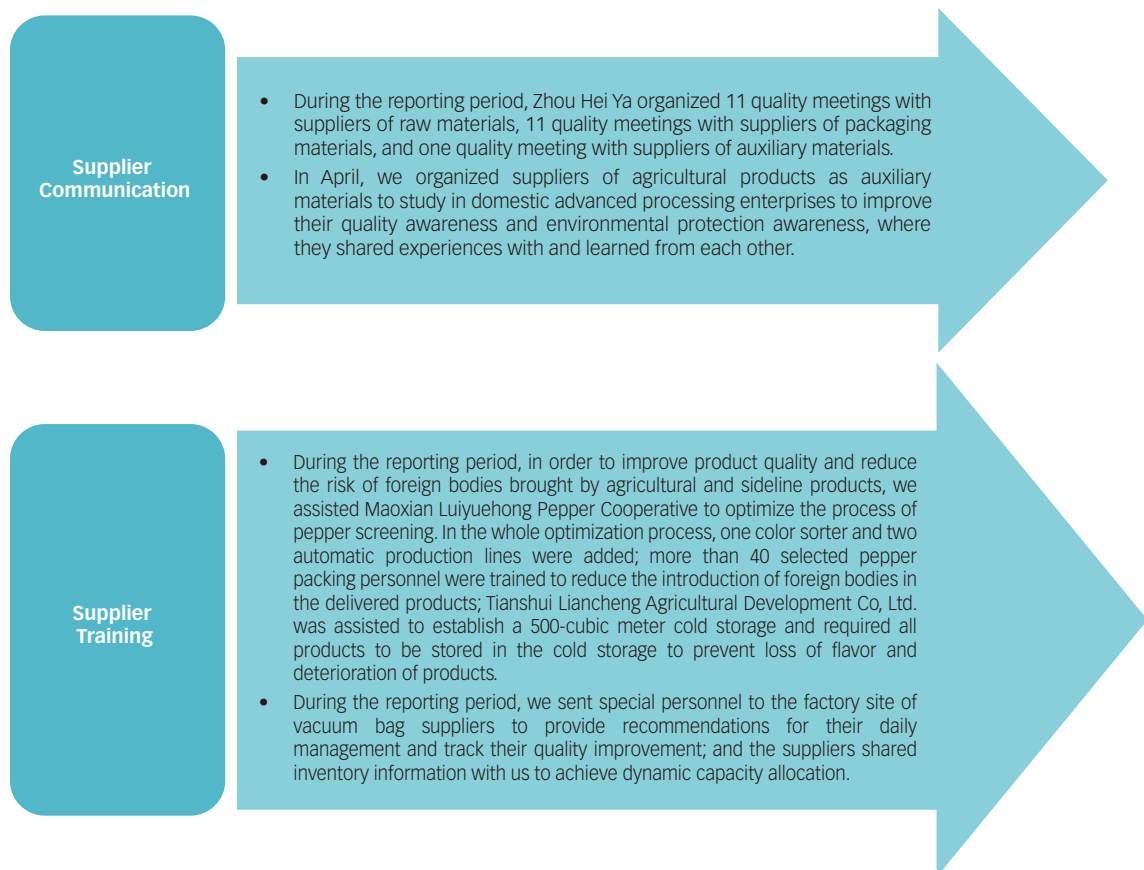


On the basis of quarterly evaluations on quality, delivery and service, we launched unannounced supplier inspections in April and July 2019 to audit and evaluate suppliers. During the reporting period, we conducted unannounced inspections on 21 raw material suppliers and 4 packaging material suppliers. In addition, we organized relevant functional departments to conduct an annual second party audit on 12 raw material suppliers, which was a comprehensive review on supplier's breeding source, food safety in such links as processing, environmental sanitation, and quality management, and adjusted the level of or eliminated suppliers according to the results of the review.

In addition, Zhou Hei Ya is concerned about the risk control of suppliers in ESG. To further improve the Group's environmental and social governance, we have always included the supplier's social responsibility performance into the supplier's assessment indicators. In the supplier development stage, we have added two environmental indicators to the supplier's preliminary audit form while confirming its environmental system certification status. If the supplier is subject to administrative penalties from environmental authorities, it will not be considered for cooperation. Regarding social responsibility, the supplier must provide such information as tax payment records, social security for employees, prohibition of child labor, etc. In the access stage, we sign the *Environmental Protection Agreement* with our cooperating suppliers, requiring them to abide by laws and regulations related to environmental protection, take active measures to prevent environmental pollution, and continuously improve their environmental management to ensure that emissions meet the standards and environmental impact declines.

### Supplier Communication and Training

It is essential for Zhou Hei Ya to maintain good and effective daily communication with suppliers. We invite suppliers to visit Zhou Hei Ya industrial parks to let them understand Zhou Hei Ya's corporate culture, production process and requirements intuitively. At the same time, we provide special training for suppliers who need assistance and strive to create a win-win collaborative ecosystem.



Supplier Communication and Training Initiatives



Zhou Hei Ya's Supplier Training

## 2.4 Thoughtful Service

Zhou Hei Ya regards customers as the most valuable core value and advocates the corporate culture of “customer first”. On the basis of continuously optimizing customer communication and service, we actively explore new service models and carry out various forms of interaction to get closer to customers, striving to “let products bring a healthy life for customers, and let service bring a happy life for customers.”

### Complaints Receiving and Handling

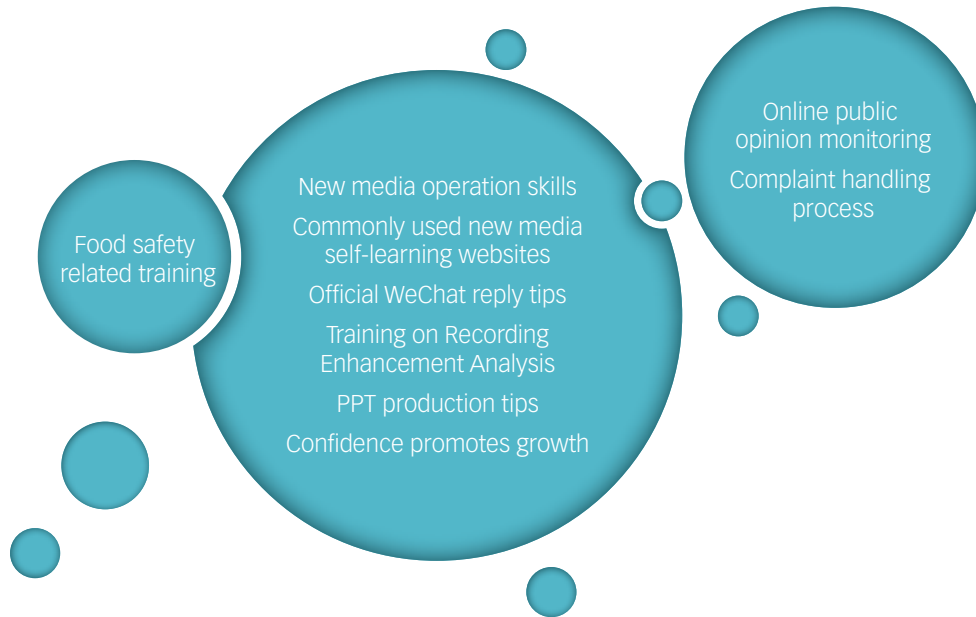
The establishment of communication channels is the key to ensuring that Zhou Hei Ya can get customer feedback in time. We opened a variety of communication channels including Official Stores, Online Stores, Official email, Official Account at WeChat, Official Weibo and Customer Service Call to keep abreast of customer suggestions and appeals in order to continuously improve product quality and service processes.

In strict accordance with the *Complaint Handling Standards* and *Customer Suggestion Processing Process*, Zhou Hei Ya has categorized consumer complaints and feedback and formulated clear processing procedures and programs for different categories of complaints to ensure that consumer feedback and complaints are handled properly. During the reporting period, Zhou Hei Ya's share of quality and service complaints in production was 2.4 ppm (parts per million).

In addition, in order to ensure the quality of our services, our Customer Experience Department will determine the type of complaint within 30 minutes after the complaint is accessed, and transfer the specific information to the relevant responsible department for processing. For complaints in the categories of services and suggestions, the responsible department must finish handling within 12 hours; complaints in the categories of quality, activities, and public relations should be processed within 24 hours. If important complaints cannot be processed within the stipulated time due to objective reasons, they must be followed up until they are completely resolved. In the era of we-media, public opinion comes in all directions. The Group has established a public opinion monitoring team to regulate the scope and mechanism of public opinion monitoring by optimizing the *Public Opinion-Related Workflow* and *Public Opinion Monitoring and Processing Workflow* to clarify the handling measures for feedback in the categories of “complaints”, “WeChat false news”, “fake stores”, “suggestions”, and “special public opinion” and to ensure the integrity and timeliness of public opinion monitoring. The effective public opinion and feedback mechanisms enable relevant public opinion to be processed in a timely, effective, and correct manner, minimizing related losses and enhancing the Company's brand image.

### Service Quality Assurance

In order to ensure the quality of customer service, during the reporting period, the Group conducted a number of training and counseling programs for customer service personnel, including food safety expertise and communication service skills. At the same time, we developed a comprehensive service process and technical assessment mechanism for customer service personnel in addition to a strict control of service standardization.



Customer Service Training Courses

The Group strictly abides by the relevant laws including the *Advertising Law of the People’s Republic of China*, the *Law of the People’s Republic of China against Unfair Competition*, and the *Law of the People’s Republic of China on the Protection of Consumer Rights and Interests*, and has established an approval process for external publicity materials and an approval process for we-media publication. We conduct multi-departmental professional review of relevant materials to ensure the authenticity and accuracy of the information disclosed to the public.

In addition, during the reporting period, Zhou Hei Ya revised the *Measures for System Privilege Management and Data Security Management* to ensure the effective management of enterprise software system privileges, and strictly control the Company’s data security from the process and technical levels. In terms of customer privacy protection, we have established a complete set of management methods for the membership system to ensure the security of personal information and membership card information of Zhou Hei Ya members, and strictly prohibit data breach or using such data for other commercial purposes. At the same time, the Group conscientiously protects the confidentiality of consumer complaints. Those who request access to complaint data need to issue a contact letter that is signed and confirmed by the department head. In order to avoid leakage of consumer information, we will replace consumer contact information with the symbol “\*” during internal transfer of complaint information. In addition, we will terminate the labor contract with any employee who has leaked consumer information or the Group’s business secrets.



### Active Interaction

Zhou Hei Ya values interaction and communication with consumers. During the reporting period, on the basis of continuing previous member activities, we actively sought consumer opinions and suggestions on product tastes and services of Zhou Hei Ya and on the status and image of "Zhou Hei Ya" brand in the minds of target consumers, which helped us to improve further in product development, service provision and brand campaign.

#### Consumer Communication and Survey

- From November 5th to 25th, 2019, Zhou Hei Ya organized a consumer survey in Beijing, Shanghai, Guangzhou and Wuhan. The survey was conducted in the form of "focus group discussions" and "in-depth interviews" with some consumers to dig deeper into their views and opinions on the brand and understand the factors that affect consumer purchases and the uniqueness of the brand.
- Every month the branch companies will organize VIP members to participate in consumer research and product tasting activities locally. The research content includes but is not limited to consumer evaluation on tastes, habits of media exposure, differentiated lifestyles, and suggestions on activities.



In the meantime, with the gradual rise of the younger generation of consumers, the original store decoration standard system is challenged by the new wave of consumer upgrades. During the reporting period, Zhou Hei Ya tried to upgrade the original standardized store decoration plan to make it more in line with young consumer orientation. For instance, upon the invitation by Raffles City, Zhou Hei Ya opened the first brand exclusive store in the Southwest region.



Chongqing Raffles exclusive store



Jiangnan Road Wanda store



### Zhou Hei Ya Experience Store to Enrich Customer Experience

Revolving around the goal of brand rejuvenation in 2019, we broke the traditional terminal sales model to upgrade the Zhou Hei Ya factory store with a new concept and packaging. We integrated the open shopping experience with the new IP (Intellectual Property) image by making a new spatial layout from the perspective of young target consumer groups. The multi-item functional output including product packaging and derivatives allows everyone to see a fresh and interesting Zhou Hei Ya from more dimensions and integrates Zhou Hei Ya's brand IP image into public life.







In addition, based on mainstream Internet social media platforms, Zhou Hei Ya established official platforms including Weibo and WeChat accounts to accurately grasp market hotspots and regularly push marketing activities to increase consumer attention and participation.

### “Girls, Shine” – Online and Offline Cross-Over Marketing

In order to strengthen the connection and popularity with female consumers, Zhou Hei Ya joined by South Korean beauty brand Missha launched a “Girls, Shine” campaign in March dedicated to female consumers.

- A pop-up store with the theme of “Emotional Art Gallery” was set up at Intime Creative City Plaza, Hongshan District in Wuhan with daily average in-store traffic of 600 people.
- A co-branded cosmetics gift box was launched to trigger online discussions about the independence and confidence of modern women, which improved consumers’ favorability with the brand. During the reporting period, the hash-tag “Girls, Shine” received 886,000 views.



### Consumer Empathy

Zhou Hei Ya's development and success has benefited from consumers' love and support for many years. After the outbreak of Covid-19, we launched a "Reassurance" plan to ride out the difficulties with consumers. The "Reassurance" plan includes "Reassurance" protection at stores in accordance with the *2020 Guidelines for Covid-19 Prevention* requiring store employees to implement protective measures as required, "Reassurance" takeout providing contactless distribution throughout the country during this special period while protecting the health and safety of takeout deliverymen and consumers, as well as "Reassurance" online shopping for areas where takeout service is not available, so that consumers can enjoy safe, healthy and delicious braised food.

#### "Reassurance" Plan Featuring Zhou Hei Ya Community-based Group Buy

During the pandemic, in order to address the situation of operational suspension in Zhou Hei Ya stores in Hubei area and the difficulty of purchasing for consumers, on 14 February 2020, Zhou Hei Ya launched a community-based group buy under the "Reassurance" Plan, which served as a supplement to contactless takeout business. Taking the community as a unit, we directly distributed goods from the factory to the designated collection point in order to reduce personnel contact and the risk of potential infection.





SUSTAINABLE DEVELOPMENT WITH ENVIRONMENTAL PROTECTION

3.1

Environmental Management

3.2

Resource Consumption

3.3

Energy Management

3.4

Emission Control

Adhering to the “Tree-Root” culture for sustainable development, Zhou Hei Ya rooted in strong anti-risk capabilities constantly improves the level of green production and operation. As a leading brand in the casual braised products industry, Zhou Hei Ya maximizes the protection of the environment and resources, explores opportunities for energy saving and consumption reduction, and invests earmarked funds for the environmentally friendly upgrade and transformation of production equipment to help the country’s construction of ecological civilization.

### 3.1 Environmental Management

Zhou Hei Ya strictly abides by *the Environmental Protection Law of the People’s Republic of China, the Law of the People’s Republic of China on Air Pollution Prevention and Control, the Law of the People’s Republic of China on Water Pollution Prevention and Control, the Law of the People’s Republic of China on Solid Waste Pollution Prevention and Control* among other environmental protection laws and regulations. The Wuhan Industrial Park and Hebei Industrial Park of the Group have the ISO 14001 environmental management system certification, improving capability in internal environmental management and reducing the impact of operational activities on the environment. During the reporting period, while continuously improving the environmental management system, we invested a large amount of earmarked funds for the upgrading of environmental protection equipment to improve production efficiency and lay a foundation for the Company’s sustainable development.



**Zhou Hei Ya invested about**  
RMB **12.68** million  
**in environmental protection.**



**Zhou Hei Ya had**  
**NO** environmental  
emergency and  
**NO** environmental penalty.



Hubei Industrial Park  
ISO 14001 Environment  
Management System  
Certification

Hebei Industrial Park  
ISO 14001 Environment  
Management System  
Certification



### Green Production

Zhou Hei Ya adopts a target management mechanism in its production activities. At the end of each year, we set the energy consumption target for the next year according to the results in the previous year, ensuring continuous control. During the reporting period, Zhou Hei Ya Hubei Industrial Park and Hebei Industrial Park both set density targets for water, electricity, and gas consumption, and included them in key performance assessments. The assessments are done monthly and the results reviewed and analyzed quarterly. In addition, the newly built South China Industrial Park sets scientific and reasonable goals in the process of continuous practice. In 2019, Hubei Industrial Park and Hebei Industrial Park both outperformed the targets in all indicators.

#### Hubei Industrial Park

- Outperformed water consumption target by 31.4%**
- Outperformed power consumption target by 21.9%**
- Outperformed gas consumption target by 14.6%**

#### Hebei Industrial Park

- Outperformed water consumption target by 17.4%**
- Outperformed power consumption target by 13.7%**
- Outperformed gas consumption target by 21.4%**

### Green Office

Zhou Hei Ya not only pays attention to environmental protection in the manufacturing process, committed to the construction of green factories, but also advocates green and low-carbon office to guide and motivate all employees to form good habits of energy saving and consumption reduction.



- Posting the “Water Conservation” signs at the water use area to strengthen employees’ awareness of water conservation



- Promoting paperless office, encouraging computer sharing, e-mail sending, and thumb-drive transfer of information, and using double-sided printing if necessary



- Maintaining water pipes and office equipment and facilities on a regular basis and encouraging employees to report on equipment damage and abnormalities



- Abiding by the regulation of “turn off lights and equipment as you leave” and controlling the temperature of air conditioning in office and dormitory





## 3.2 Resource Consumption

### Use of Water Resources

The water used by Zhou Hei Ya in food processing and sales is mainly running water. In order to improve the water use efficiency and avoid waste of water resources, we monitor and analyze the water consumption of each workshop every week to control the water consumption. Further efforts are made in both administrative management and technical improvement with a series of management measures and improvement plans. During the reporting period, we consumed a total of 797,328 tons of running water, and the consumption of running water for every 10,000 RMB of revenue was 2.50 tons.

#### **Workshop Cleaning Process Optimization to Save Water Resources**

- It is forbidden to hose down the floor and equipment during the production process, and the brine and residue on the floor should be cleaned with a scraper.
- We improved the cleaning equipment in the raw and cooked food workshop in the industrial parks, purchased high-pressure water guns to improve the cleaning and disinfection efficiency and reduce water consumption.
- The concentrated water produced during the operation of pure water equipment in the industrial parks is effectively used to wash the workshop floor.

### Use of Packaging Materials

The Group continuously strengthens product process management, improves the pass rate of each process, reduces material loss, and pays special attention to the effective use of packaging materials. We have established a close cooperative relationship with packaging material suppliers. Through regular feedback and communication, we strive to use packaging materials that ensure product quality and reduce environmental impact. During the reporting period, we optimized the use of packaging materials, and on the premise of ensuring that product quality was not affected, successfully reduced the thickness of plastic packaging materials of some products by 5%, thereby reducing plastic consumption. In terms of packaging equipment, we established a special task force to actively communicate with equipment manufacturers on the problems of packaging equipment such as packaging film dislocation and poor sealing and worked with them to solve equipment problems and avoid unnecessary packaging material consumption.

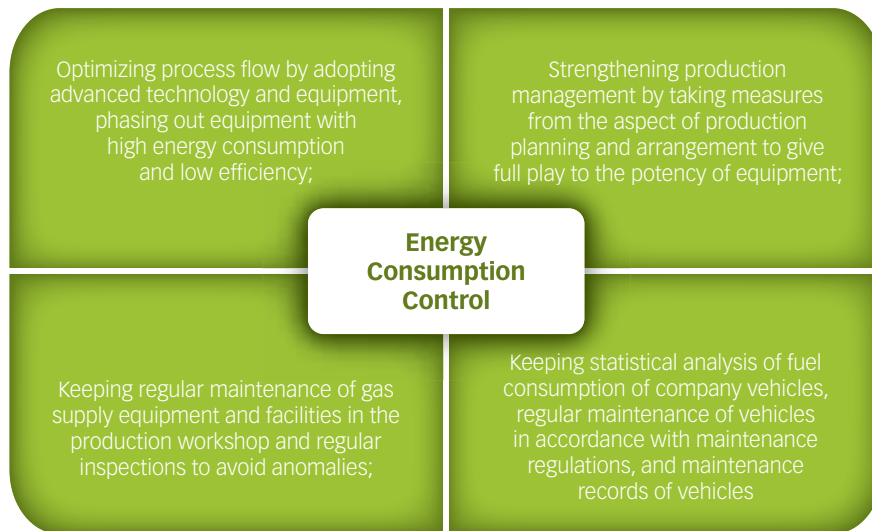


During the reporting period, the detailed information of the use of packaging materials was as follows:

| Use of Resource                                       |  | Unit | 2017  | 2018  | 2019  |
|---|--|------|-------|-------|-------|
| <b>Main products' packaging materials<sup>1</sup></b> | Packaging film                               | ton  | 4,362 | 2,958 | 2,685 |
|   | Vacuum packaging bag                         | ton  | 553   | 560   | 914   |
|   | Packaging materials per ton of products sale | ton  | 0.13  | 0.09  | 0.10  |

### 3.3 Energy Management

The Group attaches great importance to energy conservation management. While complying with the *Energy Conservation Law of the People's Republic of China* and other relevant laws and regulations, we have formulated the *Energy Resources Management Procedures* to sort out the responsibilities of the management entities, promote energy conservation and emission reduction to reduce unnecessary energy waste, improve energy efficiency and hence the Company's environmental performance and economic benefits.



<sup>1</sup> The product packaging materials mainly refer to the packaging materials that directly contact the food materials in the production process, excluding the portable packaging bags and boxes in the sales process.



During the reporting period, in terms of process flow, we improved the braising process of granular products to shorten the braising time by 25% and reduce energy consumption. In terms of production management, we established a special equipment shutdown communication group in the workshop, so that the production personnel could communicate the production status with equipment personnel in real time and the equipment personnel can quickly shut down peripheral large-scale equipment (refrigeration unit, air compressor, nitrogen making system etc.) to minimize energy consumption. In addition, we actively explore opportunities for optimizing the energy use structure. The main steam pipeline was laid at the entrance of the Hubei Industrial Park plant during the reporting period. The waste heat from the steam of boilers of surrounding power plants is expected to be utilized in 2020 to realize the echelon utilization of energy.

### **Energy Saving and Consumption Reduction in Newly Built South China Industrial Park**

In the second half of 2019, the South China Industrial Park established an energy-saving and consumption-reduction team to organize internal inspections every week. The completion of energy consumption targets was included in the scope of key performance assessment, and the workshop heads of various departments were assigned as the first responsible person for energy saving and consumption reduction.

- Controlling lighting time at night to prohibit everlasting lamps and light-on when sight is good, turning off lights as people leave, and arranging personnel dedicated to inspection at night;
- Ensuring the best efficiency of refrigeration units in operation, reasonable start-up and shutdown of refrigeration units, further reducing the humidity in the workshop, and reasonably lengthening the downtime of non-production refrigeration units;
- Improving production efficiency, reducing equipment running time, resulting in 42% reduction in the total equipment failure rate and thus achieve reduction in energy consumption



The following table shows the energy use of the Group during the reporting period:

| Energy   | Unit                             | 2017       | 2018       | 2019       |
|--|----------------------------------|------------|------------|------------|
| <b>Outsourced electricity</b>                    | kWh                              | 44,867,610 | 44,614,735 | 55,392,504 |
| <b>Natural gas</b>                               | m <sup>3</sup>                   | 5,606,274  | 6,453,107  | 7,239,270  |
| <b>Gasoline</b>                                  | liter                            | 670,371    | 387,366    | 292,412    |
| <b>Diesel</b>                                    | liter                            | 132,371    | 210,976    | 488,505    |
| <b>Direct energy consumption</b>                 | ton of standard coal             | 7,662      | 8,512      | 9,705      |
| <b>Indirect energy consumption</b>               | ton of standard coal             | 5,514      | 5,483      | 6,808      |
| <b>Total energy consumption</b>                  | ton of standard coal             | 13,176     | 13,995     | 16,513     |
| <b>Energy consumption per 10,000 RMB revenue</b> | ton of standard coal/10,000 yuan | 0.04       | 0.04       | 0.05       |

During the reporting period, greenhouse gas emissions show as follow:

| Greenhouse Gas Emissions  | Unit                                | 2017   | 2018   | 2019   |
|---|-------------------------------------|--------|--------|--------|
| <b>Scope 1<sup>2</sup> greenhouse gas emissions</b>                     | ton of CO <sub>2</sub>              | 13,903 | 15,323 | 17,543 |
| <b>Scope 2<sup>3</sup> greenhouse gas emissions</b>                     | ton of CO <sub>2</sub>              | 24,541 | 26,156 | 33,468 |
| <b>Total greenhouse gas emissions</b>                                   | ton of CO <sub>2</sub>              | 38,444 | 41,479 | 51,011 |
| <b>Greenhouse gas emissions per 10,000 yuan revenue (Scope 1 and 2)</b> | ton of CO <sub>2</sub> /10,000 yuan | 0.12   | 0.13   | 0.16   |

<sup>2</sup> Scope 1: Covering the greenhouse gas emissions from the combustion of natural gas, unleaded petrol and diesel oil of the Group.

<sup>3</sup> Scope 2: Covering the greenhouse gas emissions indirectly generated by the Group's use of outsourced electricity.

### 3.4 Emission Control

#### Wastewater Management

The Group's wastewater discharge mainly includes production wastewater and domestic wastewater. In Hubei Industrial Park, we have Phase I and Phase II wastewater treatment stations used for wastewater treatment in the plant. After reaching the standard, the water treated is sent to the municipal pipe network, and the effluent water quality can reach the third-class standard of the meat processing industry. We also implement the requirements of the *Wastewater, Exhaust Gas and Noise Control Procedures* and *Industrial Park Wastewater Treatment Station Operation and Monitoring Specifications* by strictly monitoring and recording wastewater discharge. During the reporting period, none of the Group's wastewater discharge indicators exceeded the standard.

During the reporting period, our wastewater discharge performance was as follows:

| Discharge Amount of Wastewater and Pollutant | Unit | 2017    | 2018    | 2019    |
|--|------|---------|---------|---------|
| Wastewater                                   | ton  | 352,196 | 465,046 | 506,883 |
| COD  | ton  | 40.65   | 36.02   | 43.53   |
| Ammonia nitrogen                             | ton  | 1.99    | 2.03    | 0.56    |

#### Wastewater Treatment Station Upgrading to Improve Wastewater Treatment Capacity

During the reporting period, all the treated wastewater in Hubei Industrial Park was included in the municipal wastewater pipe network and entered the municipal wastewater treatment plant for re-treatment. Due to the change in wastewater discharge standards, domestic wastewater and production wastewater were treated separately, thereby reducing wastewater treatment load and cost and reducing emissions. After the upgrading, the wastewater treatment station is expected to reduce the cost by more than RMB3 million yuan per year, and the wastewater treatment capacity will increase to 2,000 m<sup>3</sup> per day.

Expected cost savings from wastewater station upgrading was more than **RMB 3 million**

Wastewater treatment capacity increased to **2,000 m<sup>3</sup>/day**





### Waste Management

To meet the requirements on waste management of national and local laws and regulations and regulatory authorities, we formulated the *Solid Waste Management Procedure* to continuously optimize the disposal procedures for different types of waste. During the reporting period, the Group's waste was classified, placed, stored, handled and disposed of according to the nature of the waste.

| Recyclable Waste   | Non-Recyclable Waste   | Hazardous Waste   |
|--|--|---|
| <ul style="list-style-type: none"> <li>Raw materials' packaging paper, plastic bags, etc. are regularly recycled by recycling agencies.</li> </ul> | <ul style="list-style-type: none"> <li>Scrapped products, PPE consumables, office waste, etc are put into non-recyclable garbage bins, which will be handled by environmental sanitation.</li> </ul> | <ul style="list-style-type: none"> <li>Waste mineral oil, contaminated chemical reagents, and waste lamps, etc. are recovered in a unified manner and temporarily stored in hazardous waste rooms, and then regularly transferred to qualified hazardous waste treatment units for disposal.</li> </ul> |

#### *Zhou Hei Ya Waste Disposal*

We carried out detailed management of the classification and disposal of solid waste, and classified harmless waste into non-recyclable industrial solid waste, recyclable industrial solid waste and municipal solid waste, among which non-recyclable industrial solid waste mainly includes chili slag, packaging materials with grease, etc., and the recyclable industrial solid waste mainly includes paper and plastic bags. The specific amount of waste was as follows:

| Type of Solid Waste                                      | Unit            | 2017  | 2018  | 2019               |
|--|-----------------|-------|-------|--------------------|
| Non-recyclable industrial solid waste                    | ton             | 2,349 | 2,419 | 2,111              |
| Recyclable industrial solid waste                        | ton             | 2,886 | 2,955 | 2,568              |
| Municipal solid waste                                    | ton             | 344   | 320   | 2,410              |
| Total amount of non-hazardous waste                      | ton             | 5,579 | 5,694 | 7,089              |
| The amount of non-hazardous waste per 10,000 RMB revenue | Ton/10,000 yuan | 0.02  | 0.02  | 0.02               |
| Total hazardous waste generated                          | kg              | 622   | 732   | 1,367 <sup>4</sup> |
| The amount of hazardous waste per 10,000 RMB revenue     | g/10,000 yuan   | 1.91  | 2.28  | 4.29               |

<sup>4</sup> There was significantly more hazardous waste in the reporting period than in 2018, mainly because the waste mineral oil from some equipment maintenance in 2018 had not been transferred to the hazardous warehouse, and was, therefore, not counted. The hazardous waste in the reporting period, however, included the oil.



In addition, we vigorously promote circular economy in product development and product loading and transportation links in order to improve resource utilization efficiency and reduce waste generation.

### Product Development and Formulation Upgrading to Reduce Auxiliary Material Waste

- During the reporting period, a total of 4 flavored sauce products made from existing chili base materials were developed, which not only enriched existing sauce products, but also increased the utilization rate of existing chili base materials.
- During the reporting period, we improved product formulations, rationalized the braising process to reduce waste of seasonings and spices, thereby reducing environmental impact.

### Recycling of Loading and Transportation Materials

- Expanding the presence and quantity of plastic frame supply stores to cover Wuhan and its secondary markets, and recycling the plastic frame daily
- Fully recycling used carton boxes from operation, arranging dedicated personnel to collect used carton boxes and count daily carton box recycling rate
- Increasing the use of wooden pallets in vacuum warehouses: As of 31 December 2019, the proportion of wooden pallets used had reached 70%.





For post-consumption waste disposal, Zhou Hei Ya advocates the sorting of wet and dry wastes to enhance consumers' awareness of waste sorting and maximizes the use of wastes as resources to reduce the amount of waste disposal and improve the quality of living environment.

### Garbage Sorting Training

- In response to the call of Wuhan for garbage sorting, on 4 September 2019, the Company in conjunction with the Urban Management Unit organized the "Garbage Sorting and Gas" training, which explained to employees the definition, reason, and labeling of garbage sorting.



### Advocacy for Nationwide Garbage Sorting

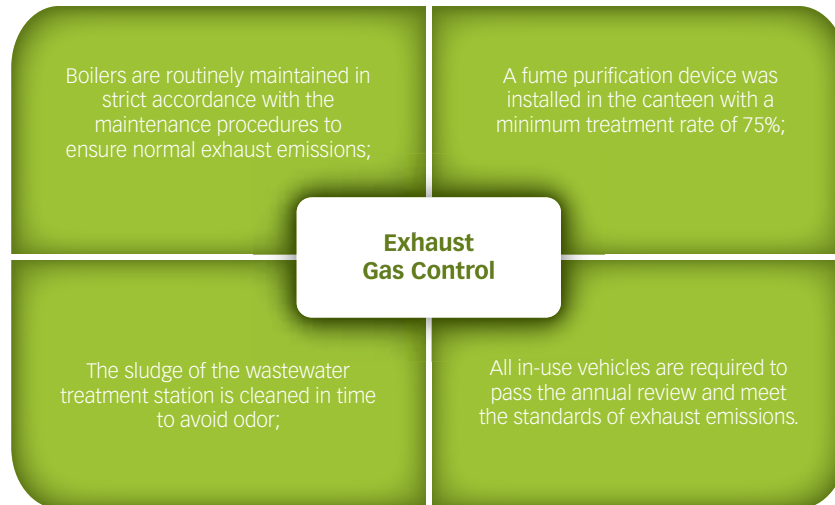
- During the reporting period, Zhou Hei Ya actively advocated garbage sorting on Weibo. At the same time, thanks to the cooperation of different industries, a garbage sorting game was organized to attract public participation. The cumulative number of related Weibo readings reached 110,000, indicating active interaction.





### Exhaust Gas and Noise Management

Zhou Hei Ya attaches great importance to the management of exhaust emissions. We strictly follow the *GB16297-1996 Comprehensive Air Pollutant Emission Standards*, *GB18483-2001 Catering Industry Fume Emission Standards (Trial)*, *GB13271-2014 Boiler Air Pollutant Emission Standards* and other exhaust emission standards, and ensure that our exhaust emissions meet the standard stipulated in the *Wastewater, Exhaust Gas and Noise Control Procedures*.



In order to reduce the adverse impact of production activities on the environment and personnel health, we strictly abide by the Type III standard in the *GB12348-2008 Emission Standard for Industrial Enterprises Noise at Boundary*, and have adopted engineering management and control for noise in industrial parks, such as soundproof and shockproof treatment to equipment and facilities with large noise and providing the necessary auditory protection measures for employees when the volume of workshop noise exceeds the labor protection requirements.



4.1

Employee Profile

4.2

Health and Safety

4.3

Career Development

4.4

Employee Care



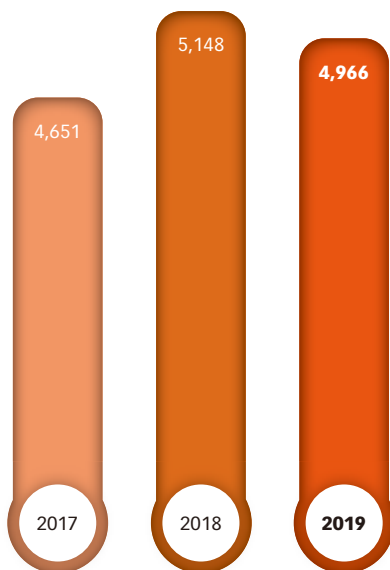
“People” is the carrier of enterprise management, and “people-oriented” is the constant belief of Zhou Hei Ya in the course of more than 20 years of operation. We strive to create a good workplace environment for our employees, provide diverse career development opportunities, accumulate strength to build a solid Zhou Hei Ya team, while working with all employees to forge ahead against all odds.

### 4.1 Employee Profile

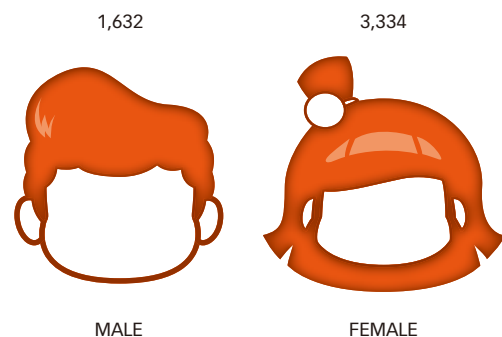
In strict compliance with the *Labor Law of the People’s Republic of China* and the *Labor Contract Law of the People’s Republic of China* among other laws and regulations, Zhou Hei Ya continuously optimizes the human resources management system in accordance with its own development needs, provides employees with fair competition opportunities, and stipulates reasonable working hours to guarantee the rights and benefits of every employee. At the same time, The Group strictly abides by the State Council’s *Regulations on the Prohibition of Child Labor* with strict review of the information of job seekers during the recruitment process so as to eliminate the use of child labor or forced labor. For the proposed personnel to be employed, we verify their identity and ensure the signing of labor contract on a voluntary basis. If violations are found, we will immediately suspend relevant personnel. During the reporting period, we led into the human resources management system of Big Data to help manage employees’ information and avoid unnecessary employment risks. During the reporting period, no use of child labor and forced labor occurred within the Group.

In 2019, we opened all positions to employees, encouraging them to transfer internally by combining personal will with departmental assessment, and actively worked with external headhunters for recruitment of mid to high-end positions. At the same time, we continued multi-channel recruitment including campus recruitment, public recruitment, online recruitment and on-site recruitment to introduce external talents. We adopt a variety of flexible hiring methods for front-line production employees to ensure that all positions are replenished in a timely manner. During the reporting period, Zhou Hei Ya South China Industrial Park in conjunction with the local human resources bureau posted recruitment ads on the WeChat public account of MaChong County every month to help local people find jobs. As of December 31, 2019, the number of local employees recruited through the WeChat public account of Machong County had reached 18.

During the reporting period, we continued to optimize personnel structure. As of 31 December 2019, the Company had a total of 4,966 employees, with male employees accounting for 33% and female employees accounting for 67%.



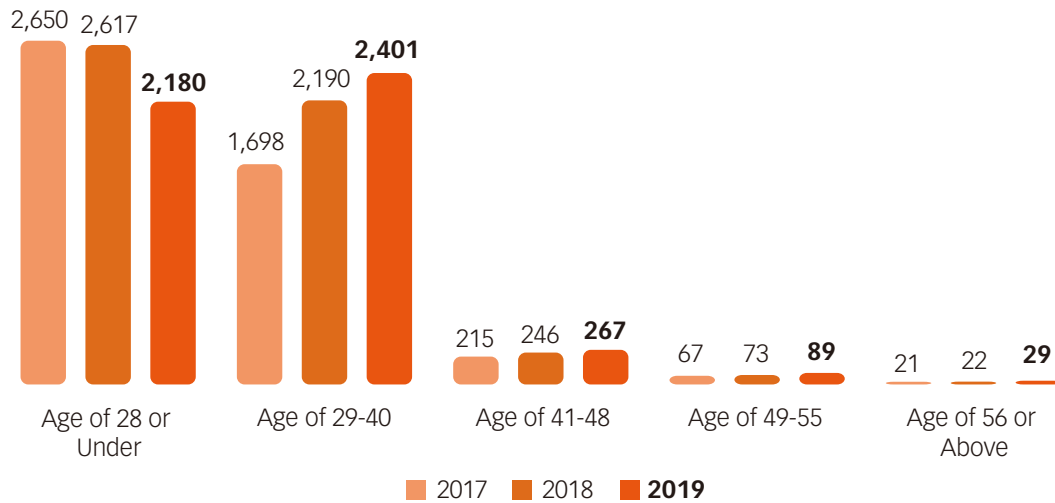
Trend of Total Number of Employees of the Group



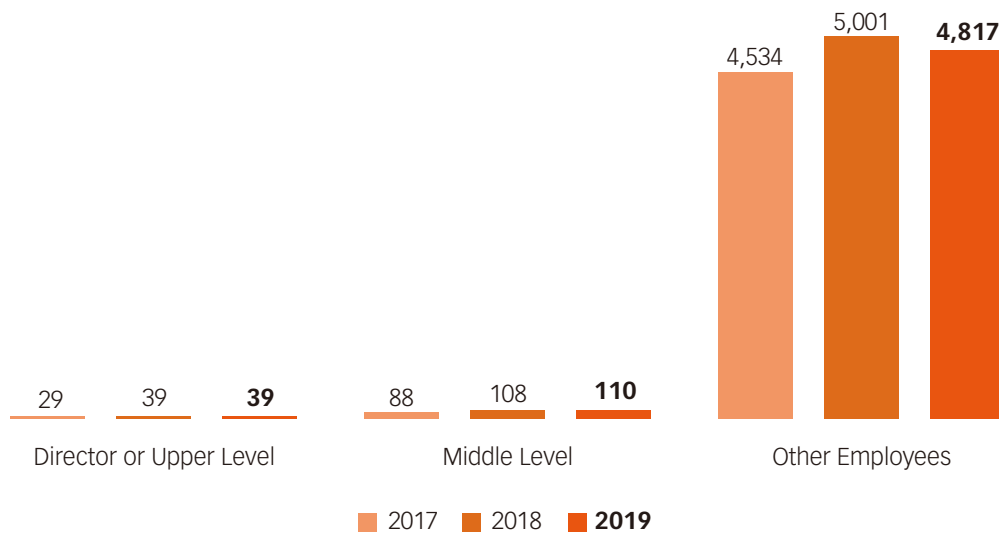
Number of male and female employees in 2019

To meet the Group’s current demand for talents with abundant work experience, the number of Group’s 29-40 years old employees increased by 22% compared with 2018.

### Trend of Employee Number by Age



### Trend of Employee Number by Level<sup>5</sup>



<sup>5</sup> The numbers of Middle Level and Other Employees categories for the year of 2017 and 2018 was amended as the number of “supervisor-level employees” was adjusted from the Middle Level to Other Employee categories.



## 4.2 Health and Safety

The occupational health and safety of employees is always the focus of our daily production operations. We strictly abide by relevant laws and regulations such as the *Safety Law of the People's Republic of China*, *Fire Protection Law of the Chinese Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*, *Administrative Measures for Occupational Health Inspection*, *Administrative Measures for Occupational Health Surveillance of Employers*, and *Technical Specifications on Occupational Health Monitoring*. Thus, we have formulated a series of safety production management regulations as well as a safety management structure. There are also safety management personnel deployed to factories and branch offices to ensure the health and safety of employees.

### Management of Production Safety

In terms of production safety management, we actively implement the relevant laws and regulations such as the *Emergency Response Law of People's Republic of China* and the *Management Measures of Emergency Response Plan for Production Safety Accidents*. In addition, in order to strengthen the Company's independent production safety management, we continuously optimize the production safety management procedures from multiple levels and have formulated a series of safety accident emergency plans to protect the personal safety of employees and avoid property losses. While strengthening management, we set up a corresponding reward and punishment regulations, including the *Measures for Implementation of Safety Target Assessment Rewards and Penalties*, and required all branch companies to sign the *2019 Responsibility Letter for Production Safety*.

### Contingency Plan for Safety Accidents

During the reporting period, Zhou Hei Ya South China Industrial Park prepared the *Safety Accident Contingency Plan of Guangdong Zhou Hei Ya Industrial Park Co., Ltd.* in accordance with the requirements of the *Guidelines for the Preparation of Contingency Plan s for Safety Accidents of Production and Operating Units (GB/T29639-2013)* to ensure that the park is able to provide emergency rescue for emergencies, organize emergency rescue teams, and prepare rescue materials.

**批准发布令**

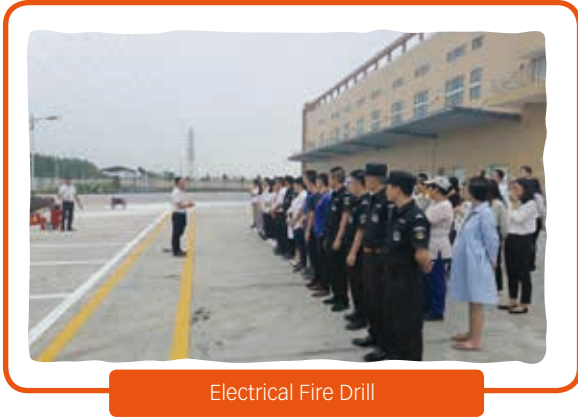
为贯彻落实《中华人民共和国突发事件应对法》、《中华人民共和国安全生产法》、《生产安全事故应急预案管理办法》及其他相关法律法规的要求，保护企业员工的人身安全，减少财产损失，使事故发生后能够迅速、有效、有序地开展应急救援工作，依据《生产经营单位生产安全事故应急预案编制导则》（GB/T29639-2013）的要求，特编制了《广东周黑鸭食品工业园有限公司生产安全事故应急预案》。

《广东周黑鸭食品工业园有限公司生产安全事故应急预案》包括综合应急预案、专项应急预案和现场处置方案。事故应急预案按照统一领导、分级负责、属地为主的原则，只属地区一级政府安全生产事故应急预案的衔接。

为确保处置突发事件的能力，组织好应急救援队伍的建设，落实好应急救援物资的准备，按照定员定期组织人员培训和演练，使每一个员工都熟悉应急预案的相关内容，公司各部门负责人、员工均应严格遵守执行。

广东周黑鸭食品工业园有限公司于2019年11月29日批准发布《广东周黑鸭食品工业园有限公司生产安全事故应急预案》，自发布之日起正式实施。

During the reporting period, the micro fire station in Wuhan Industrial Park completed relocation and reconstruction. It further enhanced the stamina, training methods, and professional skills of the part-time enterprise fire brigade. We continued to optimize 13 safety management systems, including the Doorpost Management System and Electrical Safety Management System. We carried out a series of emergency drills and exercises to help employees to improve safety awareness and accident response ability, and reduce hidden dangers, and health & safety risks during production.



Electrical Fire Drill



Emergency Drill for Gas Leak



Special Equipment Drill



Food Poisoning Drill

During the reporting period, we conducted 21 safety drills, with participation of 1,770 person times. We achieved zero records of production accidents throughout the year. By the end of 31 December 2019, the Group had no work-related deaths. Its rate of injury was 0.71 per million working hours; number of hours lost due to work-related injuries was 3,736 hours, declined 27% from the previous year.



### Health and Safety Training

We set up safety bulletins in all our factories. We continuously carried out various safety production training to improve employees' safety awareness and operation skills, thus avoiding or minimizing accidents and occupational hazards.



Production Safety Training



On-site First Aid Training



Fire Safety Training for New Employees



Training on Electrical Safety



Traffic Safety Training



Safety Training by Local Police



### Occupational Disease Prevention and Control

The Group earnestly implements the relevant requirements prescribed in the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases*. It strictly implemented the specific articles of the above law concerning the design of the facilities for prevention and control of occupational diseases, occupational health pre-assessment, and occupational health acceptance assessment. We further optimized Personal Protective Equipment (PPE) and Safety Warning Posting. We carried out *Three-simultaneity Occupational Health Testing* in production workshops during the reporting period to identify annual occupational disease hazards. We conducted employees' annual occupational health examinations to help diagnose and prevent potential occupational diseases.



Safety Warning



Safety Protection



Health Care



During the reporting period, we conducted further investigations on occupational disease inductive factors. We fine-tuned the production environment, striving to provide a safer and more friendly working environment for our employees.

#### **Vacuum Workshop Renovation for Better Working Environment**

During the reporting period, we added multiple large-scale positive-pressure fans and new exhaust air supply systems to the Phase I and Phase II vacuum workshops respectively, which helped to reduce the indoor temperature and increase the indoor fresh air supply. It also improved the working environment for operators of Phase II braising, defrosting, cleaning, etc. to reduce the occupational health hazards. In addition, we replaced the original ordinary doors and windows of the boiler room with multi-layer explosion-proof glass to effectively isolate the high temperature and noise at the production site.

#### **Production Equipment Retrofitting**

During the reporting period, we renovated and expanded the Phase I workshop, replacing the old-fashioned duck neck cutting machine with noise and safety hazards with a noise-free, new-style one with a simple and stable structure. The new equipment is more ergonomic for workers and can further limit and isolate potential occupational hazards.

### **4.3 Career Development**

The Group has been consistently following an employment strategy of “cultivating talents in accordance with the survival of the fittest.” Zhou Hei Ya is committed to employee capacity building through diversified and well-tailored training and effective incentive mechanisms. It aspires for mutual prosperity by providing employees with multi-channel development opportunities, placing the right people in the right positions, and improving the overall work efficiency organization-wide.

We launched the Talent Inventory Project and hired an external advisory team to establish Zhou Hei Ya’s leadership model – which encompasses employee’s general competence model, the leadership model, and the professional sequence competence models of the supply chains and integrated marketing. These measures have not only assisted our employees in making appropriate, customized personal development plans but also strengthened the Group’s talent training system and talent development system. We have also disaggregated the performances and constructed the performance system organization-wide. We have accomplished the 2020 First-level Departmental Strategy Map, the balanced scorecard, corporate performance scheme, and personal performance plan.

#### **Performance Evaluation and Promotion**

We see our staff as one of the most important factors of sustainability, and we firmly believe that the development and progress of the Group cannot be separated from the hard efforts of our employees. We have clearly defined the performance evaluation details in the *Human Resources Management System*, by which we have formulated reasonable and differentiated evaluation indicators, methods, and cycles for ordinary employees, grass-roots management personnel, and middle and senior management personnel. The evaluation results are used as the reference basis for training, salary adjustment, annual merit appraisal, post adjustment and dismissal.

During the reporting period, we added and updated human resource management documents, such as *Ranking System Based on Position and Job Function* and *Promotion Management System*, which provide open promotion channels and transparent career development paths to help the Group cultivate excellent talents.

### Employee Training

Zhou Hei Ya values the development and training of employees. It continuously strives to improve its employees' professional knowledge and management skills through training programs that are tailored for all levels of employees, delivered in a variety of training methodologies and topics, and facilitated by internal and external trainers. Zhou Hei Ya Business School has launched the Zhou Hei Ya Lecture Theatre, which is dedicated to building an open knowledge exchange platform to help the Group's employees at all positions to expand knowledge. The platform is conducive to the improvement of the Group's talent development pool. During the reporting period, the theatre held a series of thematic training sessions, such as *Confidence Promotes Growth*, *How to Interconnect with Consumers in the Mobile Internet Era*, and *Efficient and Agile Supply Chain*.

During the reporting period, Zhou Hei Ya Business School organized 1 senior management interview, 3 executive strategic workshops and 1 small seminar, on which its employees correctly interpreted the executive strategic awareness and decisions of operators and core managers. These events ensured the efficient implementation of the Group's strategies.



Zhou Hei Ya Lecture Theatre



Executive Strategic Workshop Phase I

Executive Strategic Workshop Phase II

Executive Strategic Workshop Phase III

During the reporting period, the Company’s total hours of employees training reached 24,338 person times, total training hours of employees were 94,432 hours and average training hours of employees were 19 hours, increasing 26% compared with last year.

#### 4.4 Employee Care

The Group implements the people-oriented management philosophy, respects employees, and cherishes the value they bring to the Group. We have clearly defined remuneration and benefits details in the *Human Resources Management System*. An employee is compensated based on the dynamics of his or her specialized knowledge, skills, and work performance. While protecting the regular benefits of all employees by the law, we listen attentively to their needs and opinions, provide more personalized, humanized benefits against local conditions, enhance their sense of belonging and organizational identity, and ensure talent stability.

##### Regular Benefits

- Social insurance, housing provident fund, etc.
- Paid leave, sick leave, marriage leave and maternal leave, etc.
- Assignment allowance, traffic allowance, food allowance, night duty allowance and overtime allowance, etc.

##### Other Benefits

- High quality living facilities
- Filial piety-oriented benefit cards, etc.
- Employees’ extra benefits as birthday benefits, high temperature benefits, holiday benefits, etc.

The Group cherishes corporate culture. It publishes employee magazines regularly to bridge the communication between the management and employees, and among employees. We believe that “those good at having fun are happier”. We irregularly engage employees in a variety of activities to improve departmental interactions, assimilate corporate culture, and build a cohesive team.

#### Employee Focus Interview

To better understand employees’ opinions and suggestions and improve management efficiency, we hold focus interviews for employees when they enroll, pass probation or resign. During the reporting period, we held two focus interviews with the middle and senior management to learn their suggestions for the development of the Group.





### Creating a Learning Atmosphere

As part of the thematic activities for the Group's corporate culture, and to enrich employees' cultural life, we held a series of activities, such as *Cultural Practitioners*, *Zhou Hei Ya's Articles Solicitation*, and *Online Reading during the reporting period*.



To help employees form good reading and studying habits, we continuously encouraged internal employees to read online. So far, the activity has attracted over 500 employees from the headquarters and the subsidiaries. During the reporting period, about 70–100 employees read books online every day.







### Diversified Festivals

During the reporting period, Zhou Hei Ya South China Industrial Park held a series of fun activities such as Zongzi (sticky rice dumpling) making and lantern riddles guessing during the Dragon Boat Festival and Mid-Autumn Festival.



### Outdoor Team-building

In order to promote team spirit, increase cohesiveness, and encourage the members to mingle with each other through exciting games and interactions, we organized a retreat in March 2019. We drove all the way east to the team-building base of the China University of Geosciences for full-day team-building activities.



### Fun Sports Games

13 April 2019 witnessed the kick-start of the first spring sports games in Zhou Hei Ya. The thrilling games strengthened exchanges among employees, enriched cultural activities, increased team cohesiveness and encouraged physical exercises.



### “Reassurance” Protection Against the COVID-19 Pandemic

Zhou Hei Ya promptly released the *COVID-19 Pandemic Guidelines in 2020*, calling on all employees to protect themselves and their families by wearing masks, taking body temperature, washing hands frequently, disinfecting and sterilizing stores daily, and implementing protective measures as required.





5.1

Community Mobilization

5.2

Fight against the Pandemic





“What taken from the people should be used to benefit them” is the creed that Zhou Hei Ya adheres to as a national enterprise. We integrate sustainable development into corporate culture by actively participating in community construction and charitable causes to give back to the public, advance together with society, and build an evergreen enterprise.

## 5.1 Community Mobilization

The Group adheres to the corporate philosophy of “being a creator and transmitter of happiness” and is committed to passing on happiness and warmth through society. During the reporting period, we held book donations, took advantage of WeMedia and local radio stations to call for the society’s concerns about left-behind children and their extracurricular reading. Zhou Hei Ya South China Industrial Park, in combination with relevant policies of the Ma Chong Government, provides employment opportunities for the local “4050 groups”<sup>6</sup> and helps them apply for employment subsidies. In August 2019, Zhou Hei Ya won the title of “Hubei Social Innovation Model 2019”.

### Zhou Hei Ya Book Donation Activities in 2019 World Reading Day

On 23 April 2019, the World Reading Day, Zhou Hei Ya donated 606 books, worth RMB 7,206 in total – including what were required by the new primary school curriculum and calligraphy copybooks – to Hu Si Primary School in Jiangxia District, Wuhan City. The Group also presented 100 Zhou Hei Ya products as gifts to the children.



<sup>6</sup> “4050 groups”: refers to vulnerable groups of laid-off men over 50 years old and women over 40 years



## 5.2 Fight against the Pandemic

As the COVID-19 broke out in early 2020, countless anonymous “heroes” risked being infected to fight the pandemic on the front-line day and night. While vigorously conducting COVID-19 prevention, the Group flexibly allocated its national production capacity, increased community and online marketing, gave full play to its product advantage of “locked freshness for guaranteed safety”, and ensured a steady supply of high-quality products.

As a corporate citizen, we are well aware of our social responsibilities. In order to help medical institutions that were working hard on the front line to fight the novel coronavirus pandemic, Zhou Hei Ya donated RMB10 million to Wuhan Charity Federation on 25 January 2020. The money was used for supporting the procurement of much-needed medical protection materials and testing facilities.

|                  |  |  |
|------------------|--|--|
| <p><b>01</b></p> | <p><b>Participation in the Fight against COVID-19</b></p>                |  |
| <p><b>02</b></p> | <p><b>Flexible Allocation of National Production Capacity</b></p>        |  |
| <p><b>03</b></p> | <p><b>Community Marketing and Online Investment</b></p>                  |  |
| <p><b>04</b></p> | <p><b>Product Advantages: Locked Freshness for Guaranteed Safety</b></p> |  |
| <p><b>05</b></p> | <p><b>Public Donation</b></p>  |  |





### Zhou Hei Ya employees joined the front line to fight the Pandemic together.



Employees of Zhou Hei Ya stuck to their posts during the pandemic so that fewer citizens would need to go out. Those employees worked on the front line have interpreted their responsibilities with actions.

During the epidemic, Wu, who was initially in charge of driving the bus during the Spring Festival, decided to deliver supplies to the front-line. With the increase of epidemic prevention procedures and difficulties in goods delivery, Wu had to deliver goods to at least 30 apartment complexes every day. He started at 7:00 a.m. and came back home very late. Sometimes there were so many orders that he had to work till midnight.

By 21 February 2020, thanks to the efforts of its brave employees, Zhou Hei Ya had delivered and donated more than RMB 850,000 worth of materials to 7 hospitals, 7 medical teams, 2 field hospitals, and some coronavirus quarantine camps in the East and West Lakes region.

*"We had to deliver both the orders of communities and donations to the hospitals, but we don't think that was hard because we know the company is together with us."*

— Wu

# APPENDIX 1 HKEX ESG REPORTING GUIDE

| Subject Areas, Aspects, General Disclosures and KPIs |   | 2019 ESG Report  |
|--|---|--|
| <b>A. Environmental</b>                              |   |  |
| <b>Aspect A1</b>                                     | <b>Emissions</b>  |  |
| General Disclosure                                   | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | 3. Sustainable Development with Environmental Protection |
| A1.1   | The types of emissions and respective emissions data  | 3.4 Emission Control                                     |
| A1.2   | Greenhouse gas emissions in total (in tons) and, where appropriate intensity.   | 3.3 Energy Management                                    |
| A1.3   | Total hazardous waste produced (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).   | 3.4 Emission Control                                     |
| A1.4   | Total non-hazardous waste produced (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).   | 3.4 Emission Control                                     |
| A1.5   | Description of measures to mitigate emissions and results achieved.   | 3.4 Emission Control                                     |
| A1.6   | Description of how hazardous and non-hazardous wastes are handled reduction initiatives and results achieved.   | 3.4 Emission Control                                     |
| <b>Aspect A2</b>                                     | <b>Use of Resources</b>   |  |
| General Disclosure                                   | Policies on the efficient use of resources, including energy, water and other raw materials.<br>Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.   | 3.1 Environment Management<br>3.2 Resource Consumption   |
| A2.1   | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).  | 3.3 Energy Management                                    |
| A2.2   | Water consumption in total and intensity (e.g. per unit of production volume, per facility).  | 3.2 Resource Consumption                                 |
| A2.3   | Description of energy use efficiency initiatives and results achieved.  | 3.3 Energy Management                                    |
| A2.4   | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.   | 3.2 Resource Consumption                                 |
| A2.5   | Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.  | 3.2 Resource Consumption                                 |
| <b>Aspect A3</b>                                     | <b>The Environment and Natural Resources</b>  |  |
| General Disclosure                                   | Policies on minimizing the issuer's significant impact on the environment and natural resources.  | 3. Sustainable Development with Environmental Protection |
| A3.1   | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.   | 3. Sustainable Development with Environmental Protection |

# APPENDIX 1 HKEX ESG REPORTING GUIDE

| Subject Areas, Aspects, General Disclosures and KPIs |  | 2019 ESG Report  |
|--|--|--|
| <b>B. Social</b>                                     |  |  |
| <b>Employment and Labor Practices</b>                |  |  |
| <b>Aspect B1</b>                                     | <b>Employment</b>  |  |
| General Disclosure                                   | Information on<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | 4. Talent Reserve to Tackle Challenges   |
| B1.1   | Total workforce by gender, employment type, age group and geographical region.   | 4.1 Employee Profile   |
| B1.2   | Employee turnover rate by gender, age group and geographical region.   | The Company will have fine management on this issue in the future.   |
| <b>Aspect B2</b>                                     | <b>Health and Safety</b>   |  |
| General Disclosure                                   | Information on<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.   | 4.2 Health and Safety  |
| B2.1   | Number and rate of work-related fatalities.  | 4.2 Health and Safety  |
| B2.2   | Lost days due to work injury.  | 4.2 Health and Safety  |
| B2.3   | Description of occupational health and safety measures adopted, how they are implemented and monitored.  | 4.2 Health and Safety  |
| <b>Aspect B3</b>                                     | <b>Development and Training</b>  |  |
| General Disclosure                                   | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.<br>Note: Training refers to vocational training. It may include internal and external courses paid by the employer.  | 4.3 Career Development   |
| B3.1   | The percentage of employees trained by gender and employee category. (e.g. senior management, middle management).  | The Company will have fine management on this issue in the future.   |
| B3.2   | The average training hours completed per employee by gender and employee category.   | The Company has disclosed average trained hours and will have fine management on this issue in the future. |
| <b>Aspect B4</b>                                     | <b>Labor Standards</b>   |  |
| General Disclosure                                   | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.  | 4.1 Employee Profile   |
| B4.1   | Description of measures to review employment practices to avoid child and forced labour.   | 4.1 Employee Profile   |
| B4.2   | Description of steps taken to eliminate such practices when discovered.  | 4.1 Employee Profile   |

| Subject Areas, Aspects, General Disclosures and KPIs |  | 2019 ESG Report                           |
|--|--|---|
| <b>Operating Practices</b>                           |  |   |
| <b>Aspect B5</b>                                     | <b>Supply Chain Management</b>   |   |
| General Disclosure                                   | Policies on managing environmental and social risks of the supply chain.   | 2.3 Responsible Supply                    |
| B5.1   | Number of suppliers by geographical region.  | 2.3 Responsible Supply                    |
| B5.2   | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.  | 2.3 Responsible Supply                    |
| <b>Aspect B6</b>                                     | <b>Product Responsibility</b>  |   |
| General Disclosure                                   | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress. | 2. Prosperity Based on Food Safety        |
| B6.1   | Percentage of total products sold or shipped subject to recalls for safety and health reasons.   | 2.1 Quality First                         |
| B6.2   | Number of products and service related complaints received and how they are dealt with.  | 2.4 Thoughtful Service                    |
| B6.3   | Description of practices relating to observing and protecting intellectual property rights.  | 2.2 Health Innovation                     |
| B6.4   | Description of quality assurance process and recall procedures.  | 2.1 Quality First                         |
| B6.5   | Description of consumer data protection and privacy policies, how they are implemented and monitored.  | 2.4 Thoughtful Service                    |
| <b>Aspect B7</b>                                     | <b>Anti-corruption</b>   |   |
| General Disclosure                                   | General Disclosure<br>Information on<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.  | 1.3 Corporate Governance                  |
| B7.1   | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.   | 1.3 Corporate Governance                  |
| B7.2   | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.   | 1.3 Corporate Governance                  |
| <b>Community</b>                                     |  |   |
| <b>Aspect B8</b>                                     | <b>Community Investment</b>  |   |
| General Disclosure                                   | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.   | 5. Evergreen Enterprise Rooted in Society |
| B8.1   | Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).   | 5. Evergreen Enterprise Rooted in Society |
| B8.2   | Resources contributed (e.g. money or time) to the focus area.  | 5. Evergreen Enterprise Rooted in Society |

# APPENDIX 2 LIST OF LAWS, REGULATIONS AND STANDARDS

## Laws

|  |
|--|
| <i>Constitution of the People's Republic of China</i>  |
| <i>Food Safety Law of the People's Republic of China</i>   |
| <i>Product Quality Law of the People's Republic of China</i>   |
| <i>Standardization Law of the People's Republic of China</i>   |
| <i>Metrology Law of the People's Republic of China (Revised Edition)</i>                             |
| <i>Animal Epidemic Prevention Law of the People's Republic of China (Revised Edition)</i>            |
| <i>Law of the People's Republic of China on Quality and Safety of Agricultural Products</i>          |
| <i>Advertising Law of the People's Republic of China</i>   |
| <i>Trademark Law of the People's Republic of China</i>   |
| <i>Criminal Law of the People's Republic of China</i>  |
| <i>Law of the People's Republic of China Against Unfair Competition</i>                              |
| <i>Contract Law of the People's Republic of China</i>  |
| <i>Environmental Protection Law of the People's Republic of China</i>                                |
| <i>Environmental Protection Tax Law of the People's Republic of China</i>                            |
| <i>Law of the People's Republic of China on Air Pollution Prevention and Control</i>                 |
| <i>Law of the People's Republic of China on Water Pollution Prevention and Control</i>               |
| <i>Law of the People's Republic of China on Environmental Noise Pollution Prevention and Control</i> |
| <i>Law of the People's Republic of China on Solid Waste Pollution Prevention and Control</i>         |
| <i>Law of the People's Republic of China on Soil Pollution Prevention and Control</i>                |
| <i>Law of the People's Republic of China on the Promotion of Clean Production</i>                    |
| <i>Law of the People's Republic of China on Environmental Impact Assessment</i>                      |
| <i>Law of the People's Republic of China on Energy Conservation</i>                                  |
| <i>Intellectual Property Law of the People's Republic of China</i>                                   |
| <i>Labor Law of the People's Republic of China</i>   |
| <i>Labor Contract Law of the People's Republic of China</i>  |
| <i>Law of the People's Republic of China on Occupational Diseases Prevention and Control</i>         |
| <i>Safety Production Law of the People's Republic of China</i>                                       |
| <i>Fire Control Law of the People's Republic of China</i>  |
| Other applicable relevant laws   |



## Regulations, Ordinances, and Rules

|   |
|---|
| <i>Regulations on the Implementation of the Food Safety Law of the People's Republic of China (2016 Revision)</i>                                     |
| <i>Regulations of the People's Republic of China on the Administration of Production License of Industrial Products</i>                               |
| <i>Measures for the Implementation of the Regulation on the Administration of Production License of Industrial Product</i>                            |
| <i>Regulations on the Implementation of the Trademark Law of the People's Republic of China</i>   |
| <i>Measures for the Administration of Food Production License (2017 Revision)</i>   |
| <i>Regulations on the Administration of Food Labeling</i>   |
| <i>Measures for the Administration of Food Recall</i>   |
| <i>Measures for Investigation of Internet Food Safety Violations</i>  |
| <i>Regulations on the Administration of Environmental Protection of Construction Projects</i>   |
| <i>Measures for the Implementation of Successive Punishment by the Day by Competent Departments of Environmental Protection</i>                       |
| <i>Measures for the Implementation of Seizure and Distraint by Competent Departments of Environmental Protection</i>                                  |
| <i>Measures for the Implementation of Production Limitation and Suspension for Rectification by Competent Departments of Environmental Protection</i> |
| <i>Measures for Investigation and Handling of Sudden Environmental Incidents</i>  |
| <i>Measures for the Administration of Emergency Response Plan for Sudden Environmental Incidents of Enterprises and Institutions (Trial)</i>          |
| <i>Opinions of the General Office of the State Council on Strengthening the Administration of Waste Oil and Kitchen Waste</i>                         |
| <i>Administrative Measures for Occupational Health Surveillance of Employers</i>  |
| <i>Technical Specifications on Occupational Health Monitoring</i>   |
| <i>Administrative Measures for Occupational Health Inspection</i>   |
| <i>Regulations on Prohibition of Child Labor</i>  |
| Other applicable relevant Regulations, Ordinances, and Rules  |

# APPENDIX 2 LIST OF LAWS, REGULATIONS AND STANDARDS

## Product Standards

|  |
|--|
| <i>GB2726-2016 National Food Safety Standards for Cooked Meat Products</i>           |
| <i>GB/T23586-2009 Seasoned and Braised Meat Products</i>                             |
| <i>GB10136-2015 National Food Safety Standards for Aquatic Animal Products</i>       |
| <i>GB/T22106-2008 Non-fermented Soy Products</i>                                     |
| <i>GB2714-2015 Pickles</i>   |
| <i>GB/T23970-2009 Marinated Eggs</i>   |
| <i>GB2749-2015 Eggs and Egg Products</i>   |
| <i>GB2712-2014 National Food Safety Standards for Soy Products</i>                   |
| <i>GB7096-2014 National Food Safety Standards for Edible Fungus and Its Products</i> |
| <i>GB10133-2014 National Food Safety Standards for Aquatic Seasonings</i>            |
| <i>Q/HZHY0001S-2017 Marinated Vegetarian Products</i>                                |
| <i>Q/HZHY0002S-2017 Marinated Squid Products</i>                                     |
| <i>Q/HZHY0003S-2018 Seasoning Powder</i>   |
| <i>Q/HZHY0004S-2018 Food Flavorings</i>  |
| <i>Q/HZHY0005S-2017 MAP Braised Meat Products</i>                                    |
| <i>Q/HZHY0006S-2017 Semi-solid Seasonings</i>  |
| <i>Q/HZHY0007S-2016 Marinated Vegetarian Foods</i>                                   |
| <i>Q/HZHY0008S-2016 Braised Eggs</i>   |
| <i>Q/HZHY0009S-2016 Cooked Crayfish</i>  |
| Other applicable relevant product standards  |





**Zhou Hei Ya International Holdings Company Limited**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1458