

# 2017



## Environmental, Social and Governance Report

Producing Food with Conscience and Building a Century-Aged Enterprise



**Zhou Hei Ya International Holdings Company Limited**

Incorporated in the Cayman Islands with limited liability (Stock Code:1458)





**2017** Environmental, Social and  
Governance Report



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# Chairman's Statement

Since starting from "Fuyu Mixed Taste Duck" – the first store opened, Zhou Hei Ya has developed into a listed group with 1,027 self-operated stores in 15 provinces and municipalities with annual revenue of more than 3.2 billion yuan. Over a decade of entrepreneurship, Zhou Hei Ya has borne in mind its original concept that "as for running an enterprise, if we are greedy for profits, it leads to failure, while if we perfect products, it earns popularity." Zhou Hei Ya upholds its core value of "customer first" and strives to be among the world's top rank of casual food brands.

Zhou Hei Ya knows well that the Company's steady development is inseparable from its fulfillment of social responsibility. In 2017, based on the ESG management framework established in the previous year, we further clarified the ESG responsibilities and goals and put them into action, and continued to enhance ESG management. On that basis, we issued the second ESG Report in accordance with HKEX Environmental, Social and Governance Reporting Guide. The report disclosed our performance of responsibilities in the following five aspects.

## Food Safety

As a food producer, Zhou Hei Ya bears a bound duty to protect food safety. Zhou Hei Ya continues to improve its food safety control in all aspects, such as raw material control, production testing, product storage, cold chain logistics, store management, and so on. Our factories obtained the certifications of ISO 9001 Quality Management System and ISO22000 Food Safety Management System. In 2017, Wuhan factory obtained the "Certificate of Export Registration for Food Manufacturers" for its braised duck meat products and passed the HACCP (Hazard Analysis and Critical Control Point) System Certification. We have always adhered to the conscience of a food producer and provided customers with safe and delicious food.

## Green Production

Based on the "Tree-Roots" culture, we strictly abide by environmental laws and regulations. Through a sound environmental management system, we effectively improve our capabilities in environmental management and risk control, laying a solid foundation for our sustainable development. In respect of energy saving and consumption reduction, the Group adopted a series of effective measures, including setting targets for assessment of energy consumed per unit of production volume, upgrading and renovating production equipment, and replacing plastic packaging bags with environmentally-friendly bags in stores. In terms of reducing emissions, we expanded and reconstructed sewage treatment facilities, which greatly improved our capacity and efficiency of wastewater treatment; conducted meticulous management of solid wastes and ensured compliance in storage and disposal; and shifted to clean energy and strictly implemented exhaust emission standards.

## Customer Comes First

With the development of China's economy and steady growth of Chinese per capita disposable income, customers have increasing demands for better experiences of consuming. Adhering to the brand philosophy of "More Entertainment, More Happiness", we use more accurate user profiles to develop and improve products so as to further enhance the quality of customer services. At the same



time, we are constantly expanding our communication channels to provide customers with more considerate services.

#### **Employee Development**

Zhou Hei Ya cannot develop without the hard work of each of our employees. In the course of business operations, we respect human rights, ensure that all employees receive fair treatment, and strive to create a safe and healthy workplace for our employees. At the same time, we do our utmost to create a fair and equitable work environment and a platform for sustained professional development for all employees, so that employees from different regions and different cultural backgrounds can apply their respective expertise to achieve common development with Zhou Hei Ya.

#### **Philanthropy**

We vigorously repay the state and society for their supports to our growth. Bearing a beautiful aspiration of "sharing benefits with the community", Zhou Hei Ya roots itself in the society. It establishes cooperation with the community, pays attention to charitable causes, cares for vulnerable groups, and encourages employees to participate in volunteer activities, among other efforts in charitable activities and donations. In 2017, in cooperation with multiple platforms, we continued to practice social responsibility and actively contribute to the harmonious development of the community.

Cherishing the dream of "century brand known to the world", in the new year, Zhou Hei Ya will embrace the opportunities brought by consumption upgrade and new retail model, continue to carry forward the "Food" character theory, continue to innovate and further elevate the ESG management level. We will continue to maintain close communication with each of our stakeholders to respond to the expectations of customers, shareholders, employees and other stakeholders!

Chairman **Zhou Fuyu**

# About this Report

## Overview

This report is the second Environmental, Social and Governance ("ESG") Report of Zhou Hei Ya International Holdings Company Limited (referred to as "Zhou Hei Ya", "We", "the Group", or "the Company"). It focuses on disclosure of the Company's economic, social and environmental performance and relevant information for the reporting period from January 1<sup>st</sup> 2017 to December 31<sup>st</sup> 2017. Some information was sourced before 2017.

## Reporting Reference

This report was prepared with reference to The Environmental, Social and Governance Reporting Guide of the Stock Exchange of Hong Kong Limited ("HKEX"), which was amended on December 2015.

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, etc.

## Scope of the Report

All policies, statements, data disclosed in this report were collected from the Company and its subsidiaries. Unless otherwise stated, the currency used in this report is "yuan" in RMB.

## Source of Material and Assurance

All material and cases contained in this report were collected from the statistical 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 March 22<sup>nd</sup>, 2018 after confirmed by the management.

## Access and Feedback to this Report

This report can be browsed by readers in traditional Chinese and English. The electronic version 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 suggestions will help us continuously improve this report and the environmental, social and governance performance of Zhou Hei Ya.

**Telephone number:** 400 1717 917

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

**Postal address:** No. 8-1, Huitong Avenue, Zoumaling, Dongxihu District, Wuhan City, Hubei Province



# Dialogue with Stakeholders



## Dialogue with Customers



*"Zhou Hei Ya is committed to providing customers with safe casual food, and based on mainstream social media platforms, actively interacting with customers to enhance their participation and service experience."*

*"Zhou Hei Ya, you're my favorite all the time, and now I like you even more! This time, I bought two boxes of Zhou Hei Ya at a high-speed rail station. Learning that there was a lucky draw on WeChat platform, I tried my luck. OMG! I won the trip to Bali! It felt surreal, as luck had always slipped by me since childhood. This time I won the jackpot! "*

**—Little Orange, a Weibo user**



## Dialogue with Employees



*"As a production supervisor of Zhou Hei Ya, what do you think of working here?"*

*"It's like a big family. New recruits find mentors and receive on- job training. The work atmosphere is very good. I can feel the humanistic care. The Company is generous for veterans. No pain, no gain. I've been on this post for 13 years. My persistence leads to my achievements. Now, the Company is developing so well and I'm very proud of it."*

**—Mr. Peng, a production supervisor**



## Dialogue with Communities



### **Zhou Hei Ya:**

*In 2017, Zhou Hei Ya exclusively sponsored a youth charity campaign "Love Brings Together Charity". The campaign launched a charity bazaar in mountainous areas, so that children in the mountains can feel more hope for the future. Together with Zhou Hei Ya, let us exclaim: "We're always there for you!"*

*"Since I went to school, this is my first time to have a new backpack. I also received my favorite storybooks. In the past, our playground was large but empty. Now, we have skipping ropes, shuttlecocks and footballs brought by volunteers, we can finally have fun on the playground!"*

**— Xing Xing, a Grade 3 primary school student.**

# Summary of Key Performance on ESG in 2017

## *Economy*

- Total revenue: **3,248.94** million yuan, increased by **15.4%** from 2016.
- **0** corruption case

## *Products*

- Total investment of the Company into food safety reached **4.17** million yuan.
- **100%** of suppliers have signed environmental protection agreements with the Company.
- **93** suppliers attended our supplier summit meeting-- "Joining Hands for Quality Control".
- **0** case of product recall.
- The Company holds **48** patents, is authorized for **19** copyrights and applied for **344** trademarks.

## *Environment*

- Total energy consumption was **13,176** tons of standard coal, and energy consumption per ten thousands yuan revenue was **0.04** tons of standard coal.
- Total greenhouse gas emissions (Scope I and Scope II) amounted to **38,444** tons of CO<sub>2</sub>e, and greenhouse gas emissions (Scope I and Scope II) per ten thousands yuan revenue were **0.12** tons of CO<sub>2</sub>e.
- Total water consumption was **573,993** tons, and running water consumption per ten thousands yuan revenue was **1.77** tons.
- **0** environmental punishment event occurred.

## *Employees*

- As at December 31<sup>st</sup>, 2017 there were **4,651** employees in the Company, increasing **653** employees compared to the previous year.
- The turnover rate of employees decreased by **0.51%** compared to 2016.
- Total times of employee training in the Company were **21,686** and the total hours were **55,331**.
- The Company carried out **18** safety drills with **528** participants and **100%** coverage of safety training.

## *Community*

- We donated **100,000** yuan to the public as well as charitable supplies equivalent to **147,164** yuan.
- Tax paid was **238** million yuan.



# APPROACHING ZHOU HEI YA



- 1.1 About Us
- 1.2 Business Performance
- 1.3 Corporate Governance
- 1.4 ESG Management

The Group is a leading casual braised food brand and retail enterprise in China. Over the past decade of growth, based on the values of "customer first, team second, and shareholder third" we have been pursuing the vision and mission of becoming one of the world's top casual food brands. Through the forging of four highlights: product quality, brand connotation, operating standards and operating models, we have obtained a strong competitive edge that distinguishes us from peers in China.

## 1.1 About Us

Founded in Wuhan, Hubei Province, the Group pursues "More Entertainment, More Happiness" as the brand philosophy, striving to become a young, dynamic brand with cultural heritage and sense of lifestyle. Zhou Hei Ya believes that delicious, hygienic and convenient products can bring greater pleasure and better experience to customers.

Zhou Hei Ya's products are not only popular among young white-collar workers and students, but the brand also enjoys reputation and visibility among all customers. We constantly develop new products to enhance our product portfolio, with particular focus on creative and trendy products that are expected to attract young customers. During the reporting period, we launched new products such as braised Chiba tofu, braised dried tofu, braised crayfish ("Ju Yi Xia") and braised beef to enrich the product structure of modified atmosphere packaging, vacuum-packed and sauce-based products, so as to meet the diverse needs of different groups of people.

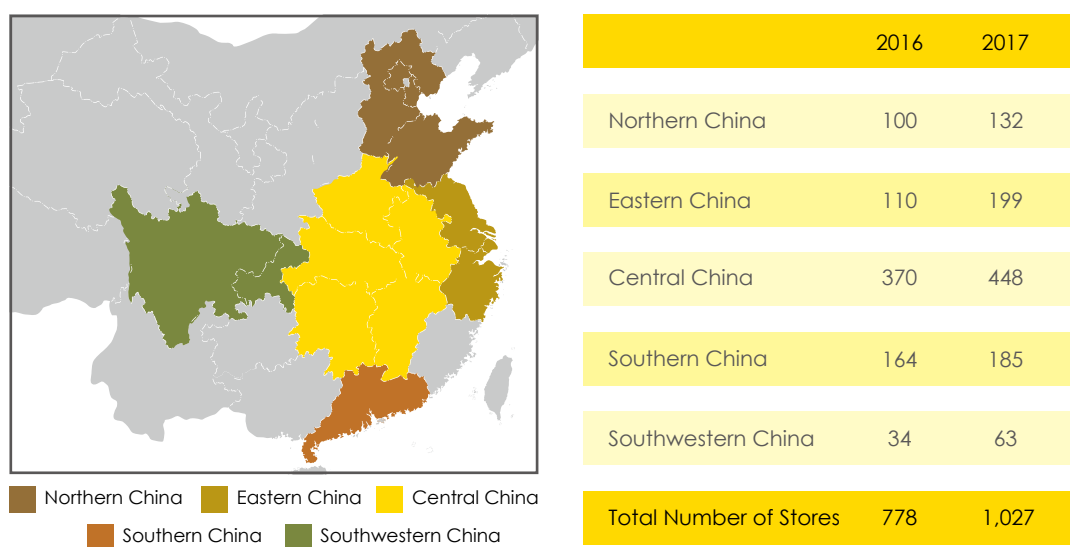


More Wide Varieties of Products

The Group owns two production centers in Wuhan and Shanghai. In order to support the expanding network of retail outlets and evolving online channels, we continue to optimize production scheduling to scale up and increase efficiency. The second phase of the new Wuhan factory was put into operation in 2017. Hebei Zhou Hei Ya Food Industrial Park Co., Ltd. has already put into operation at early 2018. The Group also upgraded its existing Wuhan factory, which is expected to operate at late 2018. Moreover, the Group's new plant in southern China is expected to operate in 2019. The Group has also been actively exploring opportunities to set up processing plants in southwest China and eastern China. The Group believes that as soon as the new plants go into full operation as planned, our total production capacity will be further increased.

The Group also expects to continue upgrading production technology and production capacity across the country to meet increasing consumer demand. The Group also believes that the existing and planned production facilities will effectively shorten the transportation distance and expand the sales radius of the Group, which will facilitate the entry into new market areas and effectively extend the shelf life of the products.

In 2017, the Group continued to expand its store network with further penetration in existing markets and layout in new cities. During the reporting period, we opened 313 self-operated stores and closed 64 existing ones. As of December 31<sup>st</sup>, 2017, our total number of self-operated stores reached 1,027, covering 60 cities in 15 provinces and municipalities in China, including Beijing, Shanghai, Tianjin, Chongqing, Wuhan, Guangzhou, Changsha, Hangzhou, Zhengzhou, Nanjing, Nanchang, and other capital cities.



**Comparison of the Number of Stores**

### Our Concept on Store Expansion

To further penetrate existing markets and strategically expand to new areas

Focus on strategic regions and locations, continue to expand store network

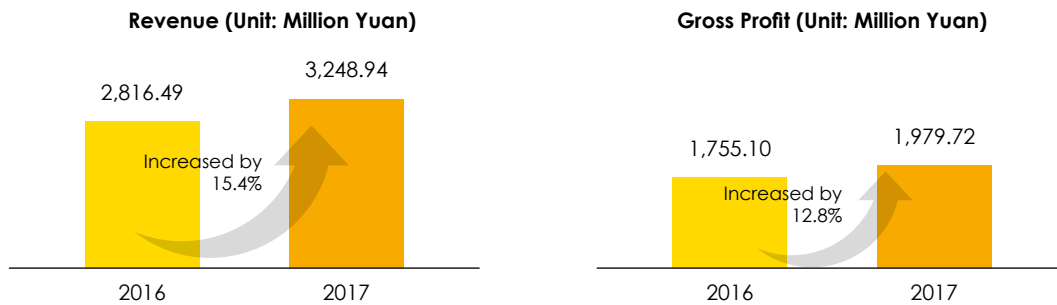
Focus on the development of stores in transportation hubs, and increase sales per store, number of stores, and market coverage.

During the reporting period, the national transportation hubs remained the strategic focus of the Group's store network expansion. The Group is committed to deepening its strategic cooperation with the contractors of subway stations, high-speed rail stations, airports and commercial complex developers. As of December 31<sup>st</sup>, 2017, of all the self-operated stores of the Group, over 300 were located at transport hubs with total annual revenue representing about 40.7% of the Group's total. In addition, the Group strengthened its development in Eastern China where it opened 102 self-operated stores during the year, accounting for 32.6% of the total new stores opened during the year. The revenue contribution from Eastern China in 2017 increased by 60.1% from 2016.

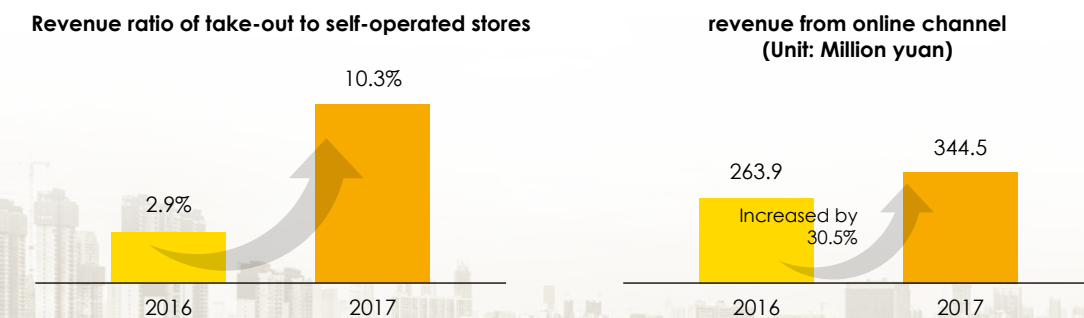
Over a decade of development, Zhou Hei Ya has always practiced the "Food" Character Theory and the "Tree-Roots" culture, striving for the rejuvenation of Chinese national industry, determined to repay the motherland with industrial success, and committed to realizing its dream of "century brand known to the world"!

## 1.2 Business Performance

Thanks to its unique taste, stable quality, sustainable expansion of sales network and impressive brand, the business performance of Zhou Hei Ya had a successive and dramatic increase in 2017. Total revenue and gross profit increased by 15.4% and 12.8% respectively compared with the previous year.



In addition, the Group continue its e-business strategy to promote online sales by cooperating with the third party e-commerce platforms. As at the end of 2017, the group's business had covered 15 major domestic e-commerce platforms. Revenue from online channel increased by 30.5% from the previous year. Besides, the Group has explored opportunities to cooperate with many take-out platforms since 2016 and embraced the changing trend to expand nationwide the number of stores with take-out service. In 2016 and 2017, the revenue ratio of take-out to self-operated stores were 2.9% and 10.3% respectively.



### 1.3 Corporate Governance

Zhou Hei Ya has always maintained sound corporate governance by strictly abiding by principles of business ethics, constantly improving the effectiveness of the accountabilities mechanisms, and implementing a highly transparent operating structure. We place high emphasis on transparent operations, due diligence and business integrity. We also strictly abide by the HKEX regulation by establishing a sound, timely and transparent information disclosure system and promptly releasing relevant information to the capital market.

#### Zhou Hei Ya won the "HKIRA 3rd Investor Relations Awards 2017" issued by HKIRA (Hong Kong Investor Relations Association)

By virtue of effective communication with investors and open and transparent information disclosure system, Zhou Hei Ya's efforts put to maintain investor relations are widely recognized by the capital market and investors. In 2017, Zhou Hei Ya won the "HKIRA 3rd Investor Relations Awards 2017" issued by HKIRA (Hong Kong Investor Relations Association).

In addition, on March 6th, 2017, the Company was included in the constituent stocks of the Hang Seng Composite LargeCap & MidCap Index and became an object of transaction of HKEX Stock Connect Scheme. Since June 1st, 2017, Zhou Hei Ya has been included in the MSCI (China Small Cap Index), which reflects the recognition of Zhou Hei Ya in the international capital community and further enhances its brand value and investment value in the international capital market.



\*For more information about corporate governance, please see the Corporate Governance Report in the Zhou Hei Ya's Annual Report of 2017.

#### Anti-Corruption

During the reporting period, Zhou Hei Ya strictly ensured discipline compliance by improving our anti-corruption documents including the *Anti-corruption Working System* and *Article of the Discipline Inspection Committee of Zhou Hei Ye* and strictly implementing the same. In addition, we actively launched education on clean governance, strengthened propaganda and supervision to anti-corruption and anti-bribery in our important positions, and enhanced the management level's awareness of honesty

and self-discipline to prevent corruption.

In business dealings with suppliers, we pay attention to maintaining the normal business order of both parties in order to prevent commercial bribery and safeguard the legitimate rights and interests of both parties. We signed anti-corruption agreements with all of our suppliers, prohibiting them from transferring illegitimate commercial benefits to our procurement personnel through kickbacks and commissions. If any procurement personnel use of their position to solicit benefits from suppliers, suppliers are encouraged to report to us directly. At the 2017 Zhou Hei Ya Supplier Conference, we repeatedly stressed the importance of honest operation and anti-corruption to our suppliers. We also conducted propaganda on clean governance to business leaders and company executives of the visiting suppliers. During the conference, we signed the *Integral Anti-corruption Commitment Attached to the Master Contract with Hubei Zhou Hei Ya Enterprise Development Co., Ltd.* and *An Anti-corruption Letter to Suppliers* with major suppliers.

During the reporting period, no corruption case was reported in Zhou Hei Ya.

### **Industry Responsibility**

It is our vision to work with peers in the industry and make progress together. We actively join industry associations, paying attention to interaction and exchange with peers and seeking opportunities to complement each other in the interactive process. At the same time, industry associations can help us gain insight into the latest industry dynamics and provide professional trainings on food safety in due course.

Zhou Hei Ya has been putting efforts to promote food safety in the industry, and has actively contributed to the formulation of various industry standards. In September 2017, we submitted an application—the *Braised Lotus Root* registered as one of local food safety standards, to the Health and Family Planning Commission of Hubei Province. By participating in the formulation of standards, we promoted our industry experience and standards, thus driving the progress of the entire industry.

## **1.4 ESG Governance**

A clear ESG management structure is the fundamental for our effective work on ESG. Based on the ESG management structure headed by the Board of Directors established in the previous year, the Group further clarified the ESG responsibilities and goals. It conducted work summary, evaluation and improvement on a regular basis, and formulated the overall ESG management plan for the following year.

During the reporting period, for the effectiveness of our ESG management, the Group specially established an ESG Work Committee composed of functional departments, which assigned full-time personnel to carry out ESG-related affairs' communication, data collection and report preparation. In addition, the working committee actively attended external trainings on the HKEX ESG Reporting Guide and sharing of advanced experiences in social responsibility and sustainable development at home and abroad. We also summarized training achievements and concepts, launched in-house introduction of ESG-related guidance, and spread our ESG ideas.

The ESG Executive Committee and Working Committee report to the Board of Directors on a regular basis to help the Board to assess and determine whether the Company's ESG-related risk management and internal control systems are appropriate and effective.



<b>The Board of Directors of Zhou Hei Ya</b>	<p>Consisting of Directors, responsible for</p> <ul style="list-style-type: none"> <li>• Assessing and identifying the risks of ESG</li> <li>• Ensuring that the Company establishes an appropriate and effective risk management and internal monitoring system on ESG</li> <li>• Reviewing and approving ESG related policies</li> <li>• Reviewing and approving the ESG report</li> </ul>
<b>ESG Executive Committee</b>	<p>Consisting of management, responsible for</p> <ul style="list-style-type: none"> <li>• Directing the work of ESG Work Committee</li> <li>• Implementing the risk management and internal monitoring on ESG</li> <li>• Directing ESG related policies</li> <li>• Confirming the accuracy of all performance data in the ESG report</li> </ul>
<b>ESG Work Committee</b>	<p>Consisting of ESG leaders from every department, responsible for</p> <ul style="list-style-type: none"> <li>• Assigning full-time staff to collect the data relevant to ESG and compiling an ESG report</li> <li>• Reporting to the management periodically, in order to provide support to assess and identify the risk management of the company on ESG issues and to examine whether its internal monitoring system is appropriate and effective</li> </ul>

## Stakeholder Engagement

Zhou Hei Ya has identified several key stakeholders, including: Shareholders/investors, the Government Authorities, suppliers, employees, community members, media and customers. By establishing a long-term and effective communication mechanism with various stakeholders, Zhou Hei Ya can timely acknowledge the core needs of all stakeholders and then adjust the ESG plan and execution to meet the expectations of all stakeholders on us.

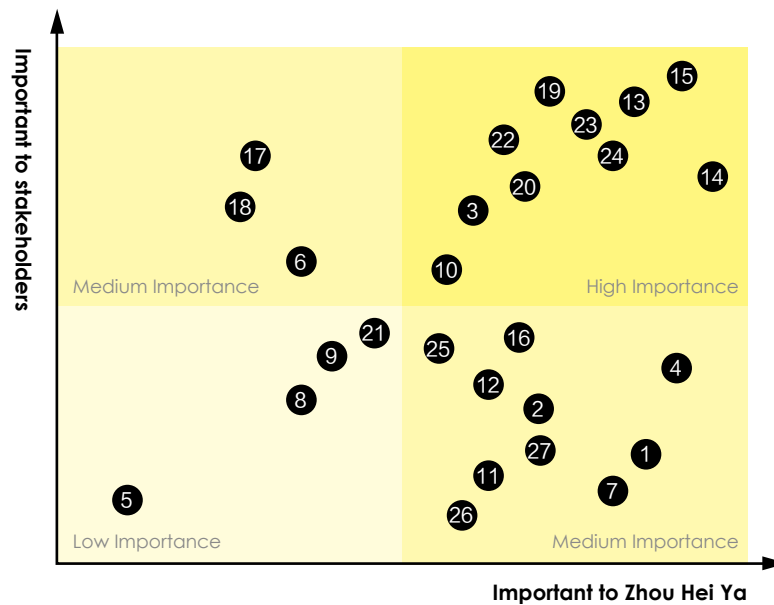
During the reporting period, Zhou Hei Ya communicated and interacted with all stakeholders by means of online and offline activities. The following table listed material issues concerned by different stakeholders.

Stakeholders	Concerned Major Issues	Communication Channel/ Feedback Approach	Frequency/ Times
Shareholders/ Investors	<ul style="list-style-type: none"> <li>- Operating performance</li> <li>- ESG governance</li> <li>- Food safety</li> </ul>	<ul style="list-style-type: none"> <li>- General meeting</li> <li>- Annual report, interim report and ESG report</li> <li>- Investors meeting</li> <li>- Performance press conference</li> <li>- Press release/ announcements</li> <li>- On site investigation</li> </ul>	<ul style="list-style-type: none"> <li>- Annual general meeting</li> <li>- Releasing annual report, interim report and ESG report in the scheduled time</li> <li>- Annual and interim meetings of business performance in the scheduled time</li> <li>- Non-scheduled activities</li> </ul>

Stakeholders	Concerned Major Issues	Communication Channel/ Feedback Approach	Frequency/ Times
Government Authorities	<ul style="list-style-type: none"> <li>- Food safety</li> <li>- Green production</li> <li>- Use of energy and resources</li> </ul>	<ul style="list-style-type: none"> <li>- On site investigation</li> <li>- Major conference Meetings</li> <li>- Reporting</li> <li>- On-Site random checking</li> <li>- Business management</li> </ul>	<ul style="list-style-type: none"> <li>- Non-scheduled activities</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>- Supply chain management</li> <li>- Food safety</li> <li>- Industry communication</li> </ul>	<ul style="list-style-type: none"> <li>- On-site investigation</li> <li>- Supplier assessment</li> <li>- Quality communication meeting</li> <li>- Suppliers meeting</li> <li>- Suppliers anti-corruption education</li> <li>- Telephone/ written correspondence</li> </ul>	<ul style="list-style-type: none"> <li>- Annual suppliers meeting</li> <li>- Quarterly quality communication meeting for raw materials, accessories and packaging materials</li> <li>- Other non-scheduled activities</li> </ul>
Employees	<ul style="list-style-type: none"> <li>- Employment and labor</li> <li>- Compensation and benefits</li> <li>- Training and development</li> </ul>	<ul style="list-style-type: none"> <li>- Training report</li> <li>- Satisfaction questionnaire</li> <li>- Class interview</li> <li>- Telephone interview</li> <li>- Communication activities and training</li> <li>- Video meeting</li> </ul>	<ul style="list-style-type: none"> <li>- Once a month during the training and development projects</li> <li>- Other non-scheduled activities</li> </ul>
Community members	<ul style="list-style-type: none"> <li>- Green production</li> <li>- Food safety</li> <li>- Use of energy and resources</li> </ul>	<ul style="list-style-type: none"> <li>- On site investigation</li> <li>- Meeting</li> </ul>	<ul style="list-style-type: none"> <li>- Non-scheduled activities</li> </ul>
Media	<ul style="list-style-type: none"> <li>- Community investment</li> <li>- Food safety</li> <li>- Pollution and emissions</li> </ul>	<ul style="list-style-type: none"> <li>- Press releases/ announcement</li> <li>- Interview</li> <li>- Conference</li> </ul>	<ul style="list-style-type: none"> <li>- Non-scheduled activities</li> </ul>
Customers	<ul style="list-style-type: none"> <li>- Food safety</li> <li>- Green production</li> <li>- Service satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>- Online promotion and announcement</li> <li>- Offline exhibitions</li> <li>- Offline promotion</li> <li>- Customer service call</li> <li>- WeChat/ Weibo</li> </ul>	<ul style="list-style-type: none"> <li>- Non-scheduled activities</li> </ul>

## ESG Materiality Analysis

We established a materiality matrix from a survey and interviews with stakeholders in the previous year. During the reporting period, we carried out 19 times in-depth interviews with stakeholders to learn about their opinions and expectations on Zhou Hei Ya's response to and disclosure of ESG issues. By combining the results of the survey and interviews in the two years, we understood that stakeholders were very concerned about the use of resources and energy, employee's compensation and benefits, and our performance on food safety. According to the results of stakeholders investigations, we adjusted and updated the matrix of material ESG issues in 2016, and then sorted out the material ESG issues for Zhou Hei Ya in 2017.



#	ESG Issues
1	Business performance
2	Corporate governance
3	<b>Use of resources and energy</b>
4	Waste water treatment
5	Greenhouse gas emissions
6	Exhaust fume treatment
7	Solid waste treatment
8	Raw materials usage
9	Packaging materials usage
10	<b>Compensation and benefits</b>
11	Diversified employees and equal opportunities
12	Turnover rate
13	<b>Safe and comfortable working environment</b>
14	<b>Employee development and training</b>

#	ESG Issues
15	<b>Child labor and forced labor</b>
16	Environmental and social screening code of conduct for suppliers
17	Food safety management of suppliers
18	Food nutrition
19	<b>Food safety</b>
20	<b>Product traceability</b>
21	Food recall
22	<b>Customers service and communication</b>
23	<b>Customers information and privacy</b>
24	<b>Intellectual property rights</b>
25	Anti-corruption and anti-bribery
26	Community contribution
27	Philanthropy



# QUALITY FIRST HEALTHY ZHOUHEIYA



- 2.1 Food Safety
- 2.2 Health Innovation
- 2.3 Improvement of Communication

As a conscientious food company, Zhou Hei Ya adheres to the food safety standards and upholds the quality concept --"Quality Makes Brand". Food safety and quality, product and technology innovation and service quality are the cornerstone of our sustained growth.

In 2017, we were awarded the "National Leading Brand of Quality in the Food Industry" and "National Model Enterprise for Product and Service Quality and Integrity" issued by China Association for Quality Inspection (CAQI), etc., and the "Innovation Leading Award" for food enterprises issued by Hubei Food Industry Association. These serve as recognition and inspiration for Zhou Hei Ya's enduring devotion to our quality products and services, pushing us to continue to move forward bravely.



## 2.1 Food Safety

Combining the concept of "giving priority to prevention, implementing risk management" proposed in the *Food Safety Law of the People's Republic of China*, Zhou Hei Ya continues to improve food safety control in all aspects from raw material management and control, product production and storage, product testing and cold chain logistics, to food safety management in stores. Its annual investment in food safety reached 4.17 million yuan.

Our annual investment in food safety reached

**4.17** million yuan

In order to ensure food safety, we established a complete quality management system. Our factories obtained certifications of ISO9001 quality management system and ISO22000 food safety management system. In 2017, our Wuhan factory obtained the "Certificate of Export Registration for Food Manufacturers" for its braised duck meat products and passed the HACCP (Hazard Analysis and Critical Control Point) system certification. The HACCP system helps to identify the key control points in every aspect of our operations. We also took a series of practical preventive and corrective measures to ensure food quality and safety from all aspects.



### Data-Based Supply Chain

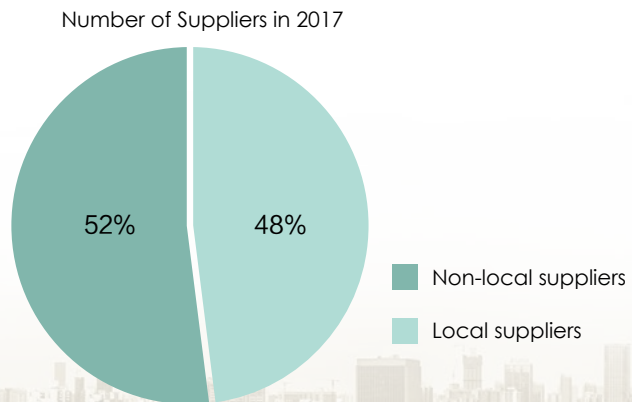
Zhou Hei Ya's supply chain management system applies centralized administration for all major operational data of purchasing, processing, logistics, and inventory. Our ERP (Enterprise Resource Planning) and POS (Point of Sale) systems track store inventory levels and adjust store supply through intelligent replenishment systems in real time. We guarantee the safety and quality of products from the source, for instance, direct purchase from domestic leading poultry processing companies in a safe and compliant manner, buying a variety of spices from places of origin, and local procurement of cartons, bean products and others as much as possible. We formulated the *Supplier Management Procedure* and *Control Procedure for External Supply of Products and Services*. The supply chain center is responsible for organizing the review of new suppliers to ensure fair and objective selection, evaluation and reevaluation of suppliers, in order to enhance the daily management and quality assessment for suppliers. The recheck of qualified suppliers is conducted every year to ensure that their product quality, delivery and service meet the requirements.

### Supplier Risk Control

In 2017, we completed the scrutiny of the *Supplier Management Procedure*, *Supplier Admission System* and *Rules for Prevention and Control of Supplier Risks*, which will be implemented in succession in 2018. To our suppliers, we will continue to comprehensively evaluate their performance from various aspects, implement graded management and conduct annual quality audits. Our second-party audit covers all important suppliers.

### Increasing the Proportion of Local Suppliers

Zhou Hei Ya continues to support the local economic development. Under the premise of ensuring product quality, it cooperates with local suppliers as much as possible. During the year, Zhou Hei Ya had a total of 145 suppliers for raw materials, including 69 local suppliers (in Hubei and Shanghai) and 76 non-local suppliers (other than Hubei and Shanghai). The percentage of local suppliers was 48%.



## Win-Win Cooperation with Suppliers

Suppliers are our important partners. Zhou Hei Ya has been committed to win-win cooperation with suppliers aimed at the apex of quality. We are fully aware of the importance of maintaining good communication with suppliers. We keep actively communicating with suppliers in our day-to-day management and organize supplier quality-themed seminars regularly in order to timely communicate quality requirements to suppliers and improve their quality awareness.

### “Joining Hands for Quality Control” – Zhou Hei Ya's 2017 Supplier Summit Meeting

On May 23rd, 2017, we held the 2017 Zhou Hei Ya Supplier Summit Meeting. A total of 189 participants from 93 suppliers attended the meeting. To commend suppliers for maintaining stable cooperation with us and ensuring quality of raw materials and services, the conference issued eight suppliers the "Accompanying All the Way" Award to acknowledge and inspire our strategic partners.

During the conference, we organized quality-themed seminars with suppliers of raw and auxiliary materials and packaging materials, laying a solid foundation for the quality of future supply. In addition, we conducted propaganda on integrity to business leaders and company executives of suppliers.

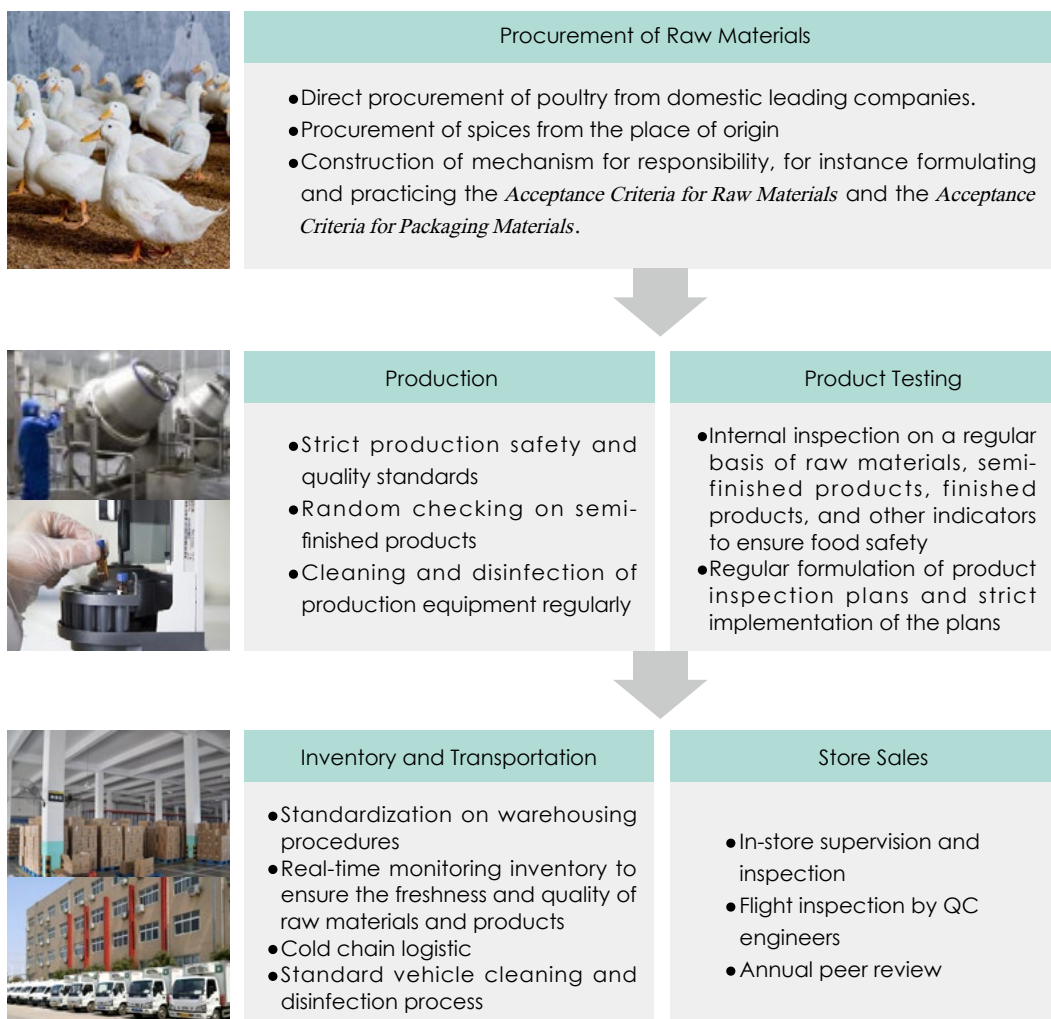
To further improve the Company's ESG management, we included suppliers' social responsibility performance into the supplier assessment index. At the conference, we asked the suppliers to sign the *2017 Supplier Conference Commitment to Quality and Environmental Safety, Integral Anti-corruption Commitment Attached to the Master Contract with Hubei Zhou Hei Ya Enterprise Development Co., Ltd., and An Anti-corruption Letter to Suppliers*, urging suppliers to do a good job in environmental protection, labor law compliance and anti-corruption affairs.



## Conscientious Production

Zhou Hei Ya strictly follows the requirements of relevant laws, regulations, and quality management systems. It strives to improve every aspect including raw material procurement, product production, storage, transportation, sales, testing, etc. It regards food safety as a cause of conscience and makes customers rest assured in choosing its products.

## Whole Process Quality Assurance System



The development of an enterprise is inseparable from technological update. In 2017, while steadily implementing food safety controls, we constantly tried to adopt advanced technology and management methods at all levels to prevent food safety risks and improve management efficiency.

### Upgrading Production Equipment

- New crayfish cleaning equipment to enhance the internal and external cleanliness of raw materials;
- New double-helix spread cooling tunnels to improve the spread cooling effect and increase production efficiency;
- New slicers to enhance the effect of beef slicing, and reduce process retention time and process risks;
- New particle product mixers to enhance the mixing effect, ensure product flavor, and reduce the risk on contamination from manual operation;
- New automatic particle packaging machines to reduce the risk on contamination of manual operation and improve production efficiency.



<p><b>Improving Production Environment</b></p>	<ul style="list-style-type: none"> <li>● Further improved refrigeration system to ensure that the temperature of each link is within the controllable range in the hot season of summer;</li> <li>● Renovated trench filter device in the braising workshop to reduce the circulation frequency of wastes in the workshop and reduce pollution sources.</li> </ul>
<p><b>Improving Product Inspection</b></p>	<ul style="list-style-type: none"> <li>● Installed aquatic products quick-check boxes for the new product – "Ju Yi Xia";</li> <li>● Stationed a raw material inspection team in the raw material procurement bases for on-site inspection and acceptance to ensure that only qualified raw materials enter the processing plants.</li> </ul>
<p><b>Enhancing Store Management</b></p>	<ul style="list-style-type: none"> <li>● Conducted a multi-department joint quality audit so that in the second half of 2017, a total of 443 stores were audited, with a coverage rate of 43.14% in total.</li> <li>● Expanded the quality control team and increased the average coverage of monthly store inspection tours;</li> <li>● Organized management of sales branches across the country to receive trainings on business regulations and quality control skills;</li> <li>● Organized special inspection tours to stores for March 15 World Customer Rights Day and National Day with a coverage rate of 40% in total.</li> </ul>

**Conscientious Product – Ju Yi Xia**

On May 5, 2017, Zhou Hei Ya launched a new product ——“Ju Yi Xia”. We attach great importance to every production procedure of “Ju Yi Xia” to ensure that the product becomes a safe choice for customers:

- Raw material selection: crayfish from superior aquaculture environment in Qianjiang, Hubei;
- Cleaning process: large-scale ultrasonic cleaning in place of traditional manual cleaning;
- Production environment: advanced disinfection technology adopted in the plant, designed according to clean-room requirements for the food industry, which reaches the Class 100,000 cleanliness standard;
- Packaging for preservation: modified atmosphere packaging (MAP) filled with nitrogen;



**Food Traceability and Recall**

Zhou Hei Ya is one of the few domestic casual food companies which could realize the finished product to be traced back to the main raw materials. According to the Product Identification and Retroactive Control Procedures, the product could be traced back to the relevant products and the

inventory if the sales and the suppliers find some problems about the finished product, as well as the inventory of raw materials, accessories and packaging materials, relevant data of its use or sale. In addition, it can verify the adequacy and effectiveness of retrospective and recall system through the simulation exercise of recall.

We're dedicated to protecting the health of customers and would recall any unsafe products. The Company formulated the Unsafe Product Recall Procedure, in which the responsibility of each department was clarified. Regarding to products recall, the policy clearly regulates their categories, procedure, formulation and implementation of a recall plan, and review and disposal as well. Based on the serious and urgent degree of food safety risks, the food recalls were divided into three levels:

Grade I Recall	Grade II Recall	Grade III Recall
<ul style="list-style-type: none"> <li>- Have caused or will probably cause serious health damage or even death after eating</li> <li>- Recall within 24 hours after noticing the safety risk</li> </ul>	<ul style="list-style-type: none"> <li>- Have caused or will probably cause general health damage after eating</li> <li>- Recall within 48 hours after noticing the safety risk</li> </ul>	<ul style="list-style-type: none"> <li>- Label and identification are falsely marked but will not cause health damage</li> <li>- Recall within 72 hours after noticing the safety risk</li> </ul>

In addition, we rehearse on recall annually to evaluate whether the recall procedure is sufficient to know our own ability to deal with emergencies and to regularly assess our ability to communicate with the public in response to the food recall events.

During the reporting period, no product recall caused by food safety occurred in Zhou Hei Ya.

## 2.2 Health Innovation

With the growth of national economy, consumer lifestyles are undergoing tremendous changes. Zhou Hei Ya promotes a healthier lifestyle among customers. During the year, a number of new products were launched to meet the different needs of customers. At the same time, for the sake of customers' health, we continue to seek improvement and breakthroughs in production technology. In 2017, our R&D team expanded with 4 new professional R&D personnel to help us make new progress in product innovation, technological improvement and breakthrough.

The auxiliary materials selected for braising are both medicinal and edible. In addition, we have been working hard to provide customers with low-sugar and low-sodium healthy foods, enriching customer's choices for a healthy diet.



#### Nutrition Mix

- In order to provide customers with more nutrition choices, Zhou Hei Ya launched braised Chiba tofu and braised dried tofu to meet customers' health needs.



#### Technological Breakthrough of "Ju Yi Xia"

- To ensure food safety from the source, we visited a number of crayfish farms and finally selected the crayfish grown in the crayfish-and-rice symbiotic system.
- Ultrasonic cleaning technology is adopted to replace the chemical cleaning method that is fast but has significant food safety hazards. The physical cleaning method not only can remove completely the crayfish shell and gut, but also eliminate environmental pollution by waste water generated by chemical cleaning.



#### Product Breakthrough

- In order to meet the diverse preferences of customers, we launched the new product braised beef. The raw material is premium beef shank from Inner Mongolia which is marinated with dozens of natural spices through the unique processes of Zhou Hei Ya.

### 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 December 31<sup>st</sup>, 2017, Zhou Hei Ya had applied for 61 patents (48 authorized), 20 copyrights (19 authorized) and 344 trademarks in total.

In order to protect Zhou Hei Ya's brand image and avoid health incidents caused by customers mistakenly eating counterfeit products, the Company has never stopped anti-counterfeiting activities and has established an effective protective shield. We crack down on counterfeit products of Zhou Hei Ya by three different ways:

- |          |  |          |   |          |   |
|----------|--|----------|---|----------|---|
| <b>1</b> | To actively communicate with the local administrative department | <b>2</b> | To sue the infringers for their infringements | <b>3</b> | To request the local police to carry out administrative penalties |
|----------|--|----------|---|----------|---|

### 2.3 Improvement of Communication

We adhere to our mission to "let products bring a healthy life for customers, and let service bring a happy life for customers". We continue to optimize communication with customers. While listening to customers' opinions and improving service quality, we continue to broaden communication channels to provide customers with more considerate and timely services.

## Listen to Customers

Accepting consumer comments and complaints through multiple channels such as telephone, e-mail, etc., we contact them as soon as possible to understand their detailed demands and then takes follow-up steps. Customers can offer us advice and complaints in the following ways:



To learn customers' needs more efficiently, we classify complaints into five categories: service complaints, quality complaints, activity complaints, public relation complaints and internal complaints. In order to keep abreast of the quality of products sold and to be responsible for customers' health, we developed four solutions to quality complaints according to consumer wishes to ensure the proper handling of these complaints. In addition, for different types of complaints we assign a main handling department and assistance department who would properly handle consumer complaints according to the relevant complaint handling procedure.

Based on our internal statistics in 2017, the quality complaints by production was 43 ppm and service complaints by customers' orders was 39 ppm in Zhou Hei Ya. Zhou Hei Ya internally established a comprehensive improvement program to improve product quality and service quality.

## Dynamic interaction

Zhou Hei Ya has registered official accounts with mainstream social media platforms, including Weibo, Wechat, etc. to accurately grasp market trends. It actively interacts with customers with a vibrant corporate image and regularly pushes marketing campaigns to increase customers' awareness and participation.

In 2017, two of the articles that Zhou Hei Ya created and pushed onto its official WeChat account received 100,000-plus views. Its official Weibo account created four threads which triggered vigorous exposure and discussions by making into the hot topic list on Weibo. The four threads received a total of 6.315 million views and 135,300 comments. One of the threads made into the Top 7 of the list.



Gourmet Battle themed of "More Entertainment, More Happiness"

A coupon of 50 yuan off for everyone and plus 1,000 boxes of delicious food for free. Enjoy Chinese Valentine's Day together with only 1 yuan.

The trumpet of 'Searching for Little Zhou Hei Ya All the Way' campaign will sound soon.

666, High-end guide to living a romantic life

We continued our offline interaction with customers. In July 2017, we organized a lucky draw entitled "Zhou Hei Ya Global Foodie Tour - Bali Tourism Award" to reward our members. This event received a total of 409,004 participants, an increase of 31.4% from the same type of activities last year.



## Privacy Protection

Zhou Hei Ya has established a comprehensive management method for member system, cooperating with the implementation of other relevant reports and documents about member management of the consumer service department, in order to protect the safety of customers personal information and membership cards to ensure all the members' private information is for internal use only, hence, the information leakage for other commercial use is strictly prohibited. Meanwhile, it is strictly forbidden to copy the documents without authorization, and provide business, technical information and service to the peers and customers. The Group will terminate the labor contract with employees who disclose confidential information, for example, consumer information.

The Group has done well on protecting consumer complaint data. The head of the department and the person in charge of the complaint will take full responsibility for data leakage. If the branch office needs the complaint data, a contact letter signed and confirmed by the leader of department is needed. To avoid the leakage of consumer information, Customer Service Department should replace the consumer contact information with "\*" when sending complaint data.



# ENVIRONMENTAL PROTECTION GREEN ZHOUHEI YA



- 3.1 Use of Resources
- 3.2 Energy Management
- 3.3 Emissions Management

The Group adheres to the "Tree-Roots" culture for sustainable development, which takes root in strong anti-risk capabilities to continuously improve green production and operation. As a leading brand of the casual braised food industry, Zhou Hei Ya strictly abides by environmental laws and regulations including the *Environmental Protection Law of the People's Republic of China*, *Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution*, *Law of the People's Republic of China on Water Pollution Prevention and Control* and *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*. It has set up special funds to invest in upgrading green production equipment.

We believe that a good management system is an important foundation for better environmental protection. During the reporting period, our Wuhan factory obtained the certification of ISO 14001 environmental management system. In addition, we are preparing for FSC (Forest Stewardship Council) certification. By implementing the requirements of management systems, our capabilities in environmental management and risk control have effectively enhanced, laying a solid foundation for sustainable business operations.

### 3.1 Use of Resources

The Group regularly examines the use of resources, formulates plans and targets for the use of resources, and analyzes the effectiveness and deficiencies of management through comparison so as to constantly improve its own level of resource management.

#### Use of Water

The water resources used by Zhou Hei Ya in food processing and sales are mainly tap water. During the reporting period, we consumed a total of 573,993 tons of tap water, and the consumption of tap water per ten thousand yuan revenue was 1.77 tons.

In 2017, in order to avoid the waste of water resources, we continued to reform water-saving facilities and developed a series of measures for water resources management:

#### Measures for water resources management

- Installing water recycling equipment for water reuse
- Recording daily water consumption of each production link in the workshops with water sub-metering equipment to save water
- Strengthening water-saving assessment. Putting water consumption per unit and other environmental indicators into the selection of outstanding teams so as to urge employees to save energy and reduce consumption in their daily work, gradually building the awareness of sustainable development.
- Enhancing water management in production workshops and office areas and preventing "non-stop running water"
- Launching an advertising campaign for water conservation by posting notice and slogans in areas where water is needed.

## Second Water Recycling

Zhou Hei Ya's braising process requires the use of demineralized water from reverse osmosis treatment of tap water, in which a part of the water is wasted.

At the end of 2017, in order to further reduce the waste of water in demineralization, the Wuhan factory formulated a secondary recycled water use plan. It customized and purchased a series of related equipment and facilities, planning to use the secondary recycled water to clean the workshops.

The estimated daily water consumption

**Reduced by**  
**30~60** tons

## Consumption of Packaging Materials

The use and management of packaging materials is an important part of resource management. We are committed to improving the utilization of packaging materials and trying actively to use more environmentally friendly packaging materials in order to reduce the impact on the environment.

### Consumption of Packaging Materials in 2017

	Use of Resource	2017	Unit
Main products' packaging materials	Packaging film	4,362	Tons
	Vacuum packaging bag	553	Tons
	Packaging materials per ton of product sales	0.13	Tons/Tons

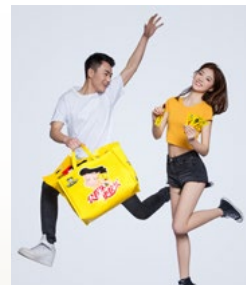
In 2017, we further optimized the use of packaging materials by formulating various measures for packaging material management:

### Measures for packaging material management

- Selecting premium packaging material suppliers to reduce the use and loss of packaging materials
- Use of food transfer containers in transportation that are reusable after disinfection
- Compliance with laws and regulations and rejection of excessive packaging
- Encouraging paper card users to use e-cards by giving certain subsidies
- Paper coupons fully replaced by e-coupons

## Comprehensive use of eco-bags

Zhou Hei Ya has been actively demonstrating the feasibility of replacing plastic bags with non-woven bags, and has conducted several trials. In 2017, regardless of the cost increase, we replaced completely the plastic bags in our stores with environmentally-friendly non-woven bags, a practical action to improve the environment, which received a positive response from the market. Non-woven fabric is an environmentally friendly material that is easy to decompose, non-toxic and non-irritating. The environmentally-friendly cloth bag made of non-woven fabrics is tough, pliable, and reusable, which can effectively reduce the pressure of environmental degradation from waste plastic bags.





### Premium package materials to reduce loss

Zhou Hei Ya selected premium packaging film suppliers to reduce the loss rate of film.

In 2016, the Shanghai factory changed the supplier of packaging materials to a new one, and then saw the quality of packaging film was greatly improved and the loss rate reduce by 48.99%-78.26%. In 2017, we used the new packaging film launched by the same supplier to see the loss rate further reduce by 0.53%-0.95%.

Packaging film loss rate in 2016 reducing by

**48.99%–78.26%**

Packaging film loss rate in 2017 steadily reducing by

**0.53%–0.95%**

In the future we plan:

- To further improve equipment and processes, use recyclable containers for distribution as much as possible and reduce the use of packaging materials.
- To continue to try new materials that are more environmentally friendly and biodegradable, actively explore the "circular economy" model of resource recycling, and be a responsible corporate citizen.

## 3.2 Energy Management

The Group strictly abides by the *Energy Conservation Law of the People's Republic of China* and strives to reduce its carbon footprint by promoting energy-saving technologies and improving management standards. In response to the national requirements for promoting clean energy such as natural gas, we will continue our efforts to shift the energy mix of the Group towards one based on clean energy and environmental protection.

The following table shows the energy use of the Group for the year 2017:

	2017	Unit
<b>Purchased electricity</b>	44,867,610	kWh
<b>Natural gas</b>	5,606,274	m <sup>3</sup>
<b>Gasoline</b>	670,371	Liter
<b>Diesel</b>	132,371	Liter
<b>Direct energy consumption</b>	7,662	Tons of standard coal
<b>Indirect energy consumption</b>	5,514	Tons of standard coal
<b>Total energy consumption</b>	13,176	Tons of standard coal
<b>Energy consumption per 10,000 yuan revenue</b>	0.04	Tons of standard coal / 10,000 yuan

In 2017, Zhou Hei Ya further improved energy management through a series of effective measures:

**Measures for energy management**

- Strengthening power management in production workshops and office areas to avoid "long-lit lights" and temperature of air conditioning set too low in summer
- Updating production equipment and reducing energy consumption in production
- Further increasing the use of LED lamps
- Launching energy-saving advertising campaigns for production and office work, posting signs to advocate energy-saving, and raising employee awareness of energy conservation
- Improving the efficiency of raw material circulation in factories and reducing the invalid transportation distance

**Reducing energy consumption of boilers**

We are committed to introducing new technologies to improve the efficiency of boilers. During the reporting period, we adopted green and clean natural gas as the energy source, reducing the burning of fossil fuels. In the thermal power planning for Phase II of Zhou Hei Ya Wuhan Industrial Park, we switched from the traditional steam boilers to heat-conducting oil boilers with a smaller heat loss.

Heat-conducting oil boiler's advantages in energy-saving and environmental protection

- No condensate water generated, retaining a lot of heat
- Using heat-conducting oil as cooling medium to reduce waste of water resources
- No heat loss from pollution discharge and oxygen removal, greatly increase thermal efficiency



**Circular economy-based equipment renovation**

In order to save energy and reduce emissions, improve industrial efficiency and the working environment, Zhou Hei Ya launched a series of projects for equipment and facilities renovation to meet the requirements of energy conservation, environmental protection, and safety production. Take the Shanghai processing factory as an example. The factory planned and implemented three major transformation projects concerning production energy sources, packaging machines and refrigeration equipment respectively during the reporting period:

Transformation of energy sources in production	Packaging machine renovation	Refrigeration equipment renovation
Use of oil-fired boilers with annual energy consumption equivalent of 681 tons of standard coal	Adoption of a branded packaging machine with daily capacity of 11,900 boxes	Using air-cooled condensers
<b>Expected performance</b>	<b>Expected performance</b>	<b>Expected performance</b>
Once they are changed to natural gas boilers, the annual energy consumption equivalent will be 605 tons of standard coal, a decrease of 11%	New packaging machines will produce 50,000 boxes per day, increase of 320%	After change to evaporative condensers, the total power consumption will significantly reduce by about 20%-40%.

### 3.3 Emissions Management

The wastewater discharged by the Group mainly includes the production wastewater and domestic sewage. At the Wuhan Factory, we strictly follow the first-class standard in the Discharge Standard of Water Pollutants for Meat Packing Industry (GB13457). We built Phase I and Phase II sewage treatment stations for internal wastewater treatment. The treated water after meeting the standard in testing is transferred to the municipal pipe network. The effluent quality can reach the first-class (the highest) standard in the meat processing industry.

Discharge of wastewater in 2017 as follows:

	2017	Unit
Wastewater Discharged	352,196	Tons
COD Discharged	40.65	Tons
Ammonia Nitrogen Discharged	1.99	Tons

We regularly entrust a third party for wastewater discharge monitoring. The test result in 2017 showed that none of the indicators exceeded the standard. In order to further enhance our wastewater treatment efficiency, we reconstructed the sewage treatment facilities at the Wuhan Factory:

#### Upgrades in sewage treatment facilities

We renovated and expanded wastewater treatment facilities, sludge treatment facilities and ancillary facilities of the Phase I sewage treatment station of the Wuhan Factory. The station was added with biological treatment facilities, advanced treatment facilities, dosing facilities, sludge treatment facilities, accident pools and supporting facilities; and the processing equipment was also updated. After the transformation, the sewage treatment station saw its treatment efficiency and capacity greatly improve, with designed daily capacity of 1,600 tons. The expanded and renovated station is expected to be completed and put into use in the first quarter of 2018.

In addition, we installed an anaerobic reactor to Phase II sewage treatment station, which converts COD into biogas with the efficiency of up to 90%. This action not only improves the effluent quality, but the biogas collected can be also used as fuel. After the renovation, the Phase II sewage treatment station generates about 4,000 cubic meters of biogas per day. In the future, after the completion of Phase I sewage treatment station, we plan to construct a biogas power generation device to use the collected biogas more efficiently and further conserve energy.

Designed daily processing capacity of sewage treatment station's in Phase I

**1,600** tons

Daily biogas generation of sewage treatment station in phase II

**4,000** m<sup>3</sup>

## Waste management

To meet the requirements on the 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 through adoption of systems.

We classify solid wastes for storage, placement and transportation. Classified waste storage bins (barrels) are set up at each workshop to maximize the utilization of waste. During the reporting period, all of the Group's waste was recycled or properly disposed of according to the nature of the waste.

Measures for waste management	
Waste Recyclable	Raw materials' packaging paper, plastic bags, etc., are regularly recycled by recycling agencies.
Non-recyclable waste	Sorted out and transported by qualified processors on a regular basis
Hazardous waste	Waste mineral oil, contaminated chemical reagents, and waste fluorescent 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.

During the reporting period, we conducted meticulous management concerning the classification and disposal of solid waste. We classified the non-hazardous waste into treated and recycled industrial and municipal solid wastes, in which treated industrial solid wastes mainly include chili residues, packaging materials with grease, etc.; recycled solid wastes mainly include paper, plastic bags, etc. The specific emissions are as follows:

Type of Wastes	2017	Unit
Treated industrial solid waste	2,349	Tons
Recycled industrial solid waste	2,886	Tons
Municipal solid waste	344	Tons
Total volume of non-hazardous waste	5,579	Tons
The amount of non-hazardous waste per 10,000 yuan revenue	0.02	Tons /10,000 yuan
Total hazardous waste generated	622	kg
The amount of hazardous waste per 10,000 yuan revenue	1.91	g /10,000 yuan
Total waste	5,580	Tons

## Exhaust Emissions Management

Zhou Hei Ya attaches great importance to the management of exhaust emissions. The exhaust gas produced during the production and operation is mainly the emission of boilers and fumes from

canteens. For each type of emission, we formulated corresponding control measures to reduce the impact on the surrounding environment. At the same time, we strictly abide by the requirements of regulatory authorities to control the total amount of pollutants discharged. We implement the Emission Standard of Cooking Fume (Trial) (GB18483-2001) and Emission Standard of Air Pollutants for Boilers to ensure compliance in terms of exhaust emissions. We produce less SO<sub>2</sub> and NO<sub>x</sub> during our production operations. From the monitoring of pollutant emissions conducted during the reporting period, all our exhaust gas testing results met relevant standards and requirements.

The greenhouse gas emissions in 2017 were as follows:

Greenhouse gas emissions	2017	Unit
Scope 1 *1 Greenhouse gas emissions	13,903	Tons of CO <sub>2</sub> e *2
Scope 2 *3 Greenhouse gas emissions	24,541	Tons of CO <sub>2</sub> e
Total greenhouse gas emissions	38,444	Tons of CO <sub>2</sub> e
Greenhouse gas emissions per 10,000 yuan revenue (Scope 1 and 2)	0.12	Tons of CO <sub>2</sub> e /10,000 yuan

\*1 Scope 1: Covering the greenhouse gas emissions from the combustion of natural gas, unleaded petrol and diesel oil of the Group

\*2 CO<sub>2</sub>e means carbon dioxide equivalent

\*3 Scope 2: Covering the greenhouse gas emissions indirectly generated by the Group's use of purchased electricity

#### Careful Selection of Oil to Reduce Fume Production

Our employees found during the production process that more fume was produced when using rapeseed oil for frying. After receiving feedback from employees, we organized production and R&D personnel to test different oils and found that using refined soybean oil could significantly reduce waste gas production, while not compromising product taste. Therefore, in 2017, we changed to refined first-grade soybean oil.

#### On-Site Odor Control in Sewage Treatment Stations

In the normal operation of sewage treatment stations, odors are unavoidable. In order to reduce the influence of odors on the surrounding environment, we laid a cover plate on the oil-separation sedimentation tank, pumping the waste gas from the tank into the scrubbing tower via exhaust air ducts, and spraying the gas with liquid caustic soda to reduce the emission of hydrogen sulfide gas, thereby reducing greatly the odors from sewage treatment stations.



## TEAM PROFILE DYNAMIC ZHOU HEI YA



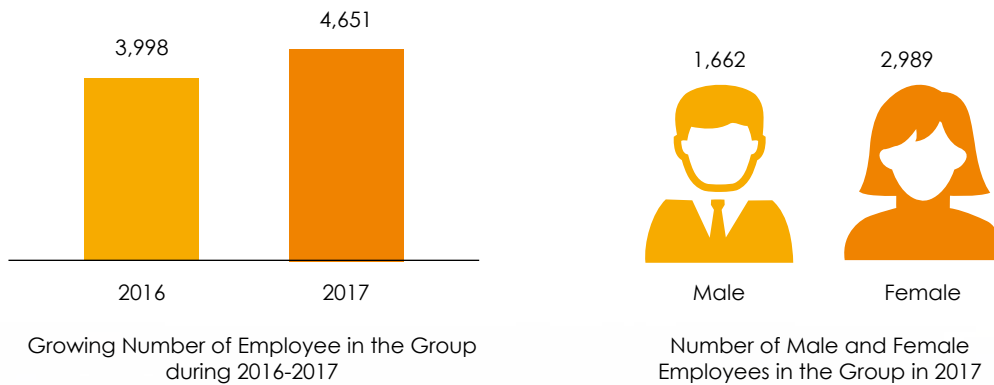
- 4.1 Overview of Employees
- 4.2 Caring for Employees
- 4.3 Career Development
- 4.4 Health and Safety

The Group regards employees as one of the most important factors for our development. In the course of business operation, we stick to the concept of sustainable development as our guide. We respect human rights and ensure that all employees receive fair treatment. Efforts are made to create a safe and healthy working environment for employees. We strive to create a fair and equitable workplace and a platform for sustainable personal development for all employees, so that employees from different regions and cultural backgrounds apply their respective expertise to achieve common sustainable development with us.

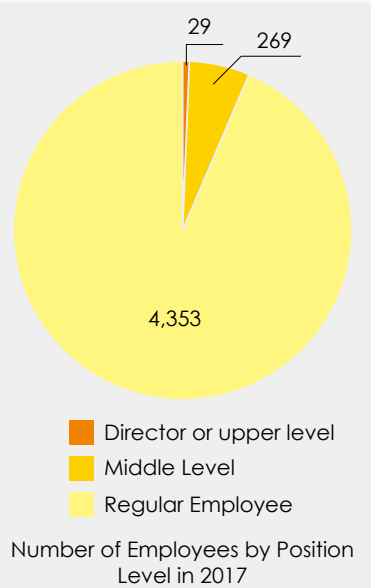
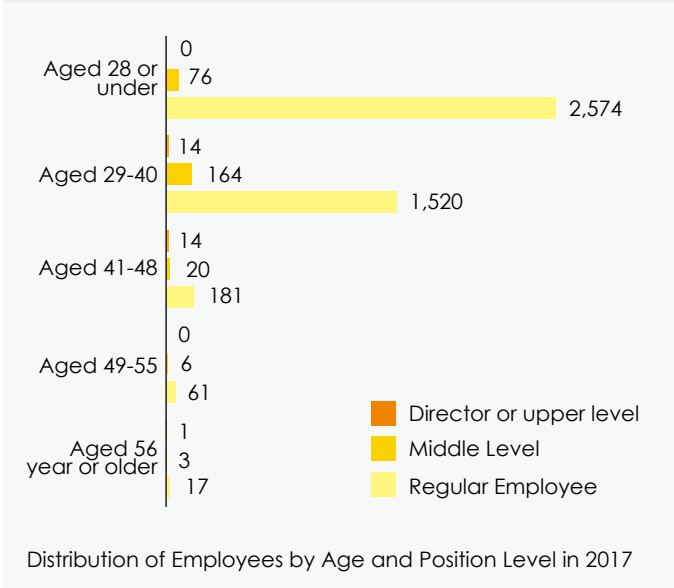
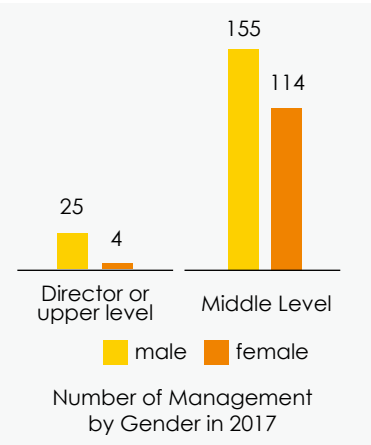
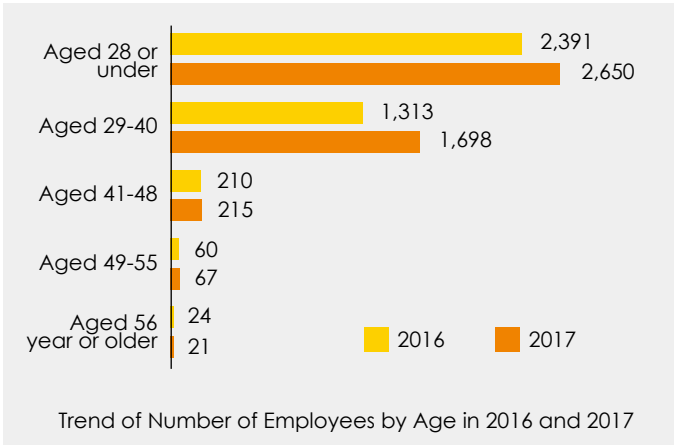
## 4.1 Overview of Employees

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*, Zhou Hei Ya continues to improve its human resources management to meet its own development needs. It standardizes recruitment process and completes talent selection mechanism, clarifies requirements for recruitment and training, optimizes its structure of human resources, and recruits more highly educated and qualified employees. We oppose discrimination and treat every job candidate and employee equally and impartially. The Group has pledged that child and forced labor are prohibited. To eliminate child and forced labor, the Group abides by the *Provisions on Prohibition of Child Labour* issued by the State Council and strictly examines every job applicant's information; and once violations are found, the relevant staff will be immediately suspended.

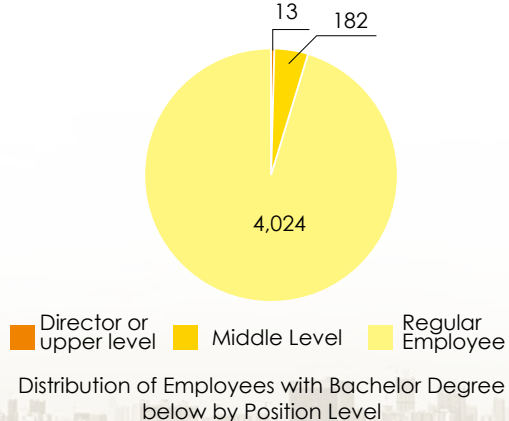
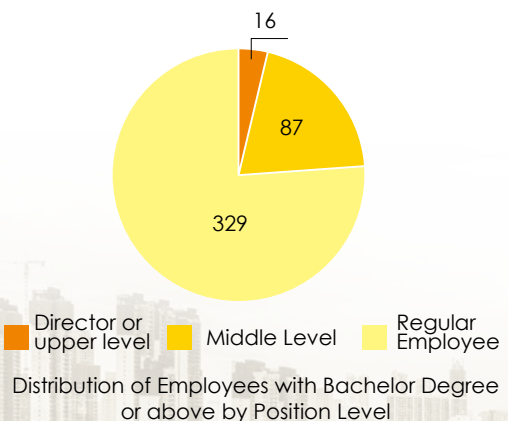
During the reporting period, our scale of operation continued to be expanded, and the demand for talents was also increasing. As of December 31<sup>st</sup>, 2017, there had been a total of 4,651 employees in the Company, 16.3% higher than 2016. Among of them, 36% was male and 64% was female.



Zhou Hei Ya has been striving to be dynamic and innovative. To ensure a sound development and shape a good brand image, we have recruited more young people so as to bring more vitality to the Group. In 2017, the ratio of Group's employees under the age of 28 has increased by 10.8% and employees aged 29-40 has increased by 29.3% compared with 2016.



In 2017, Zhou Hei Ya continued to raise the proportion of the highly educated employees. It increased its on-campus recruiting in undergraduate universities and identified potential leaders for sale management, so as to improve the education level of employees in administrative and front-line management positions.





## 4.2 Caring for Employees

Zhou Hei Ya strictly complies with national laws and regulations, and provides employees with regular compensation and benefits, such as social insurances, housing provident fund, official public holidays, etc. In addition, we actively organize various activities for employees care and communication. Based on their needs and suggestions, we keep providing them with more benefits, including: regular excursions to celebrate employees' birthday, company's gift card, employees' apartment, buffet, internal Internet Cafes and shuttle bus, etc.

The Company launched a "filial piety-oriented benefit cards" initiative to make all employees enjoy a more happy life after work. The employee welfare policy aims to thank their family members for their contributions to Zhou Hei Ya.

### Regular Benefits

- Social insurance, housing provident fund, etc.
- Paid leave, marriage leave and maternal leave, etc.

### Other Benefits

- Shuttle bus, buffet, internet cafes in employees' apartment and other high-quality living facilities
- Birthday benefits, including paid one-day tour, gift card, birthday party, etc.
- Filial piety-oriented benefit cards

We hold the philosophy of "More Entertainment, More Fun", strive to balance employees' work and life. We have organized all kinds of group activities to enhance cohesion among employees, interaction and communication among departments, employees' recognition of and integration into corporate culture.

In 2017, we had fantastic social life and thematic activities like lantern riddles contest, the Water-Splashing Festival, DIY cloth art and mobile photography tips sharing and so on, which not only help employees reduce their stress and find their hobbies, but also enriched their lives after work.



Lantern Riddles Contest



DIY Cloth Art



Water-Splashing Festival

### “Enjoying Light”— A Workshop of Mobile Film-Making

To enrich the content of employees' activities and develop their hobbies, the Group organized a workshop for employees entitled “Enjoying Light: Learning Mobile Film-making” on June 9<sup>th</sup>, 2017. The employees learned key techniques and tips on taking pictures and video by mobile phone. Guided by the lecturer, they gave full play to their imagination and actively tried to take satisfactory photos.



In addition, the Group has organized outdoor sports activities for employees to improve their team collaboration and enhance the cohesion among employees, which laid a solid foundation for corporate culture building and sustainable development.

### “Overcoming Difficulties with Determination and Creating Brilliance Together”— Outdoor Sports for Zhou Hei Ya's Employees

On May 10<sup>th</sup>, 2017, Zhou Hei Ya invited 70 outstanding employees to attend an outdoor activity in the Gongqing National Forest Park. The activity had two themes, which were “Team building” and “Challenging Myself”. The employees built several teams to compete with each other in a friendly manner. During the activity, they not only raised their team awareness, but also built a mutually trusted partnership.



Illness has no any mercy, but Zhou Hei Ya does. Apart from organizing various activities for employees, we actively help those employees who are in trouble. In 2017, we called on all employees to donate money to the employees and their family members who suffered from sudden illness or accidents. The donation in total was 71,687 yuan, which brought considerable hope and blessings to the families in need.

In 2017, the donation to the employees and their family members who suffered from sudden illness or accidents in total was

**71,687** yuan

As a result of our meticulous work on employee care, the turnover rate of employees of the Group in 2017 was only 16.74%, 0.15% lower than 2016.

### 4.3 Career Development

Zhou Hei Ya highly values the career development of employees. It strives to build a reasonable and competitive salary structure as well as launches diversified training and evaluation programs so as to improve their competences and promote their professional and personal development.

#### Employee Training

To enhance employees' professional level and increase their and Group's competitiveness among the same industry and cross-industries, the Group highly values employee training. It persists in providing employees with diverse training opportunities, and constantly improves its training system in practice. In 2017, employees of Zhou Hei Ya participated in training program 21,686 times and the total hours reached to 55,331.

In 2017, total Times of Employees Attending Training Program

**21,686** times

In 2017, total Training Hours of Employees

**55,331** hours

We are dedicated to widening employees' knowledge and supporting them to master and improve their job skills. It has established a department mentor system, in-house trainer system and Zhou Hei Ya business school to provide multiple ways to learning, such as one-to-one tutoring, mutually sharing work skills among employees, professional study and so on.

<p><b>Department Mentor System</b></p>	<ul style="list-style-type: none"> <li>•To help new employees integrate into the Group's culture quickly, understand their working environment, become familiar with their working procedures, get to know the Company's system, learn to use a variety of tools, and promote their growth.</li> <li>•To help the old employees (who are transferred to new positions) get to know their new positions as soon as possible, and improve their work skills.</li> <li>•To lead the employees to learn conscientiously, develop their potentials and inspire their passion for work, while in the meantime improving mentors' abilities to be leaders so as to cultivate and select potential team leaders for the Company in the future.</li> <li>•To help the potential first-level in-house trainers become familiar with their work quickly.</li> </ul>
<p><b>In-house Trainer System</b></p>	<ul style="list-style-type: none"> <li>•To strengthen communication and sharing in-house knowledge and experience, and help build an organization with learning spirit.</li> <li>•To further upgrade Zhou Hei Ya's in-house trainer system to lay a solid foundation for the Company's long-term talent training and development by helping its employees to communicate with others, providing more space for self-development for its employees, creating an excellent internal working environment, and refining its in-house knowledge and experience.</li> </ul>
<p><b>Zhou Hei Ya Business School</b></p>	<ul style="list-style-type: none"> <li>•To provide access to business wisdom for its employees, help them fix the Company's problems, and open the door of wisdom to them through a systemic, professional and most optimal educational model. Founded in 2010, the School has designed specialized curricula, opened new courses and recruited good teachers to teach its students. As a result, a surge of new thinking, new perspectives and new counter-measures have been rolled out from within the School.</li> </ul>

To meet the needs of employees in different positions and for their professional and personal development, the Group has also provided various training courses, in which universal and specific education are combined. Those courses are offered in various ways like training camps, in-house training and external training, aiming to improve employees' competitiveness.



**Training Camp for Future Leaders**

In August 2017 the Group organized the activity ——“Training Camp for Future Leaders”. The training program aimed to coach employees eight core skills, including: team leadership, sales data analysis, customer service skills, Office software skills, human resources management for non-HR manager and efficient manager. This program strengthened trainees to systematically improve their management capabilities.



**“Six Hats of Thought” A Training Program for Middle and Senior Management**

In October 2017 the Group invited 176 middle and senior employees to attend a training program,“Six Hats of Thought”, which aimed to cultivate managers' groundbreaking thinking and to enhance the ability to analyze problems in a systematic way and make a good decision.



**“Executive Ability” Training for Junior Employees**

In October 2017 the Group launched an “Executive Ability” training for grassroots employees, and 315 participants in total attended it. Through case study to introduce concepts and behaviors in execution, the training program cultivated employees to build a positive attitude towards execution and improved their executive skills by expounding common cases. It also helped them to enhance their executive abilities in using tools and methodologies by course walk-through.



**Monthly Training in the Business School for All Employees**

The Group organized monthly training in its Business School for all employees. According to the nature of the Company and to respond to national policy, this year the Company have carried out training on the Food Safety Laws and Regulations, the Food Safety System, the Safety Management System and the Occupational Health. In addition, to improve their work efficiency and cultivate a positive attitude, it has offered employees some universal courses, such as Time Management.

The group not only actively organizes in-house training, but also works with famous training organizations to organize external training to meet different needs varying on departments. In 2017, our employees participated in various external training and courses, covering four fields, i.e. production system, HR system, operation system and general management.

Production System	HR System	Operation System	General Management
<ul style="list-style-type: none"> <li>• Practical Skills of Recruitment</li> <li>• Skill Practice Training Camp</li> </ul>	<p>Modern Company File Management Based on Information and Knowledge Management</p>	<p>Store and Business Circle Marketing</p>	<ul style="list-style-type: none"> <li>• The Eight Core Skills of Highly Effective Managers</li> <li>• Job Value Evaluation Methods</li> </ul>

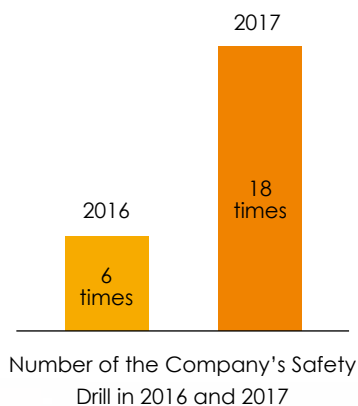
## Promotion

The group not only provides various training for employees, but also pays much attention to their career promotion. Upholding the principle of fairness, impartiality and transparency, we provide employees with a smooth promotion channel. We offer development opportunities to them and select outstanding employees for promotion through rotation and evaluation.

In 2017, we carried out individuals and departments appraisal. We set multiple performance indicators such as food safety, operation specifications and safe production to make an appraisal of the individual and team performance. Meanwhile, to urge employees to save energy and reduce consumption during their daily work and to instill the concept of sustainable development in them, environmental indicators like water consumption and power consumption were integrated into the performance indicators of excellent teams. We rewarded those selected excellent individuals and groups for their high-quality work and good performance, so that they could be rewarded, which encouraged outstanding employees to take lead in building a better team.

## 4.4 Health and Safety

The Company is dedicated to offering employees a healthy and safe working environment. In strict compliance with the *Production Safety Law of the People's Republic of China* and other laws and regulations, we have formulated a series of management specifications of work safety and established a safety management system. This year, we increased safety management personnel in factories and branch companies so as to effectively guarantee the health and safety of employees.

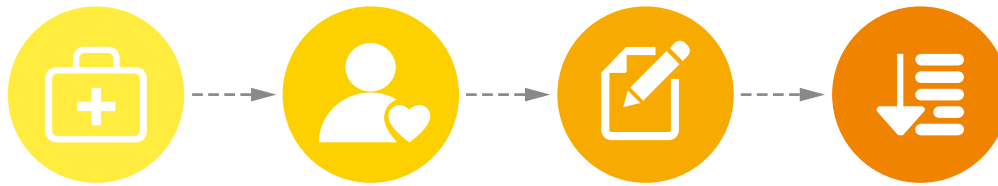


In this year, work-related fatality: **0 times**

In this year, lost hours caused by work-related injury: **2,376 hours**

Number of work-related injury accidents is **7 times**, 3 of which occurred during commute.

The Company takes a series of measures to minimize the impacts of work injury on employees.



Immediately sending the injured employees to the hospital and understanding their injury

Visiting and caring the injured employees and comforting their family members

Actively assisting the injured employees in the work injury reporting

Follow-up and proper arrangement for the later process of work injury reporting

The Group puts safety management mechanism into action through work safety management, drills of emergency response plans, occupational diseases prevention and treatment as well as health and safety training. With all these efforts, the Group aims to improve employee 'safety and health, raise their awareness of work safety and ensure that they have a safe and healthy work and life.

### Work Safety Management

In accordance with the requirements of relevant laws and regulations, the Group in 2017 kept improving its work safety management system from multiple ways. Apart from strengthening management, meanwhile, it also established reward and punishment mechanisms.

<p><b>Factory Work Safety</b></p>	<p>Improving the work safety management of factory. Patrolling on a daily basis the factory areas including office building, factory building, warehouse, staff canteen and dormitory, sewage plant, attic, etc. Checking the parking violation, security isolation, electric safety and fire safety. Then writing down the safety hazards on the safety inspection record and issuing the hidden danger rectification notice. Actively following up the rectification progress.</p>
<p><b>Store Safety Management</b></p>	<p>Conducting store safety inspection in different regions. It makes regular inspection on 13 items, including: store's infrastructure, pipes and wire, firefighting facilities, etc. Putting someone in charge of the hidden danger rectification work and following up it.</p>
<p><b>Fire Safety Management</b></p>	<p>Entrusting a third-party testing company to make a comprehensive test on the Company's firefighting system annually. In 2017, a mini fire house was established and a volunteer fire brigade was founded at Zhou Hei Ya Wuhan factory where employees are equipped with various protective gears and fire extinguishers.</p>
<p><b>Reward and Punishment Mechanism</b></p>	<p>Setting up an annual reward and punishment system. Each year, safety goals and indicators will be set. And in order to encourage its factories to achieve safety goals, the Company will give cash bonus to the factories that achieve their goals.</p>

## Drills of Emergency Plans

In addition to the improvement in safety management system, the Company revised the emergency plan of Wuhan Factory in 2017, which has been evaluated by experts and put on the record of Wuhan Administration of Work Safety. As of December 31<sup>st</sup>, 2017, total 15 drills had been carried out in the Wuhan Factory; and among them, 11 for firefighting, 2 for special equipment exercise, and 2 for responding to food poisoning.



Food Poisoning Response



Drills of Boiler Water Shortage Accident

## Occupational Diseases Prevention and Treatment

In strict compliance with the *Law of the People's Republic of China* on the Prevention and Control of Occupational Diseases, the Company works hard to meet its requirement. The Company designed special facilities for occupational diseases prevention and treatment and made pre-assessment of vocational health prior to the launch of occupational diseases prevention and treatment project. Occupational health assessment will be completed in the acceptance check of the project.

The Company took more effective measures in 2017 in terms of occupational diseases prevention and treatment in helping employees prevent occupational diseases. For example, protective gears will be distributed to each staff according to their jobs. Staffs need to wear the protective gears during the work. Field inspection will be carried out occasionally and those without wearing protective gears will be criticized and educated by the Company.

### Measures for Occupational Diseases Prevention and Treatment

Safety Warning	Safety Protection	Health Care
<ul style="list-style-type: none"> <li>• Setting up safety warning signs at workshops or positions with potential harm of occupational diseases.</li> <li>• Setting up a notice board of occupational diseases at the entrance of workshops, informing the staffs the existence of occupational diseases harm and control measures the company will take.</li> </ul>	<ul style="list-style-type: none"> <li>• Equipping staff with occupational diseases protective gears such as noise-proof headset, earmuffs, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• High-temperature workplace such as boiler house should be equipped with exhaust fans. Duty room should be also installed with air-conditioners. High-temperature subsidy and sunstroke items such as fruits, drinks and drugs should be given to the employees.</li> </ul>

## Health and Safety Training

Raising staff's work safety awareness and spreading the knowledge of health & safety and the use of emergency equipment are critical to the vocational health and work safety of staffs. Therefore, the Company formulated the requirements of annual firefighting training and launched the activity of "2017 Work Safety Month". In response to the demand, all Zhou Hei Ya factories and branch companies carried out various training courses including work safety, special equipment, fire safety, fire escape, office safety, fire extinguisher maintenance, paroxysmal diseases and other



Health and Safety Training in the Wuhan Factory in 2017

## Fire Safety Training in the Shanghai Factory

In order to achieve the following goals of improving work safety, preventing disastrous fire accidents, protecting life and property safety of staff, strengthening their awareness of fire safety and encouraging them to know more about fire safety knowledge and the use of firefighting equipment, the Shanghai Factory offered its staffs the fire safety training courses in June 2017 based on the demand of annual fire safety training plan and the activity plan of "2017 Work Safety Month" formulated by the Group. Enhanced staff's awareness of fire safety, this training improved their capacity in protecting and saving themselves. It also improved their capabilities in identifying and handling fire hazards. Thus in this way, this training laid a solid foundation for the Company to create a good working and living environment for employees.







**PRACTICE  
SOCIAL RESPONSIBILITY  
CARING ZHOUHEI YA  
WARM AND**



The sustainable development of an enterprise is inseparable from the support of the community and the public. While seeking its own development, Zhou Hei Ya persists in fulfilling the social responsibilities. We pay attention to charity, care for vulnerable groups, and make a lot of efforts to practice social responsibility. At the same time, we encourage employees to actively participate in volunteer activities.

In 2017, we cooperated with multiple platforms to engage into philanthropy. We donated 100,000 yuan to the public. We also donated supplies equivalent to 147,164 yuan to support the harmonious development of the community.

**Cooperation with Tencent in "SEE Donation" Campaign**

In 2017, Zhou Hei Ya participated in the annual public welfare event "99 Public Service Day" initiated by Tencent in united hundreds of NGOs, well-known companies, celebrities, and top PR agencies. The theme of the event was "Love Together". We displayed the SEE's supplies for "99 Public Service Day" in our stores and encouraged consumers to participate in public services.



**"Love Together", the Second Charitable Road Show of Guangdong Province**

By joining hands with the Tencent Foundation, the GD.QQ.COM and the Meitan, the South China Branch of Zhou Hei Ya hosted the second Grand Non-Profit Road Show of Guangdong Province, aimed to make it a famous brand of Guangdong philanthropy. During the roadshow, a charity bazaar was held to raise funds and goods for rural students, sharing charity spirits with the residents of Guangzhou and Shenzhen. Through the charity bazaar, the Company want to create an image of benevolent corporate and contribute to Chinese public welfare undertakings.



**"Boundless Love of Wuhan: A Border Visit and Seeking Soldiers from Wuhan", A Grand Campaign Themed with National Defense Education**

In 2017, by cooperating with the Publicity Department of CPC Wuhan Committee, the Political Department of Wuhan Garrison, the Wuhan Military-Civilian Mutual Support Office and the Wuhan Broadcasting and Television Station, the Company co-launched a grand campaign of national defense education, i.e. "Boundless Love of Wuhan: A Border Visit and seeking the Soldiers from Wuhan", and sponsored 235 gift boxes.



## “Smile of the Yangtze River” Campaign

To protect the Yangtze finless porpoises, SEE Project Center of Hubei Province took the lead in launching an ecological conservation project named “Save the Smile of the Yangtze River”. In 2017, the center launched a sub-project called “Save Finless Porpoises with the Joint Efforts of the Whole Society”, which turned 1,000 fish men into the protector of Yangtze finless porpoises. “Assisting patrol” is one of the cores of the whole project, to which Zhou Hei Ya mobilized all its employees (8 teams from different branches companies of Zhou Hei Ya) and other enterprises to donate money. 7,091.8 yuan was raised from 1,407 employees of Zhou Hei Ya. Finally, 13.01 million yuan was raised from 197 thousand donors.



## Appendix: Content Index

### Index of HKEX ESG Reporting Guide

Disclosures and KPIs		2017 ESG Report
A. Environmental		
Aspect A1	Emissions	
General Disclosure:	Information on a) the policies and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	3. Green Zhou Hei Ya – Environmental Protection
A1.1	The types of emissions and respective emissions data	3.3 Emissions Management
A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate intensity.	3.3 Emissions Management
A1.3	Total hazardous waste produced (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	3.3 Emissions Management
A1.4	Total non-hazardous waste produced (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	3.3 Emissions Management
A1.5	Description of measures to mitigate emissions and results achieved.	3.3 Emissions Management
A1.6	Description of how hazardous and non-hazardous wastes are handled reduction initiatives and results achieved.	3.3 Emissions Management
Aspect A2	Use of Resources	
General Disclosure:	Policies on the efficient use of resources, including energy, water and other raw materials.	3.Green Zhou Hei Ya – Environmental Protection
A2.1	Direct and 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).	3.2 Energy Management
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	3.1 Use of Resources
A2.3	Description of energy use efficiency initiatives and results achieved.	3.2 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.	3.1 Use of Resources
A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	3.1 Use of Resources
Aspect A3	The Environment and Natural Resources	
General Disclosure:	Policies on minimising the issuer's significant impact on the environment and natural resources.	3. Green Zhou Hei Ya – 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. Green Zhou Hei Ya – Environmental Protection

Disclosures and KPIs		2017 ESG Report
<b>B. Social</b>		
<b>Employment and Labor Practices</b>		
<b>Aspect B1</b>	<b>Employment</b>	
General Disclosure:	Information on a) the policies and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4.Dynamic Zhou Hei Ya - Team Profile
B1.1	Total workforce by gender, employment type, age group and geographical region.	4.1 Overview of Employee
B1.2	Employee turnover rate by gender, age group and geographical region.	The Company has disclosed the overall employee turnover rate and plans to disclose the details in the future.
<b>Aspect B2</b>	<b>Health and Safety</b>	
General Disclosure:	Information on a) the policies and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.4 Health and Safety
B2.1	Number and rate of work-related fatalities.	There is no work-related fatality during the reporting period.
B2.2	Lost days due to work injury.	4.4 Health and Safety
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.4 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.	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 will have fine management on this issue in the future.
<b>Aspect B4</b>	<b>Labour Standards</b>	
General Disclosure:	Information on: a) the policies and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	4.1 Overview of Employees
B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Overview of Employees
B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Overview of Employees During the report period, no child and forced labor occurred.

Disclosures and KPIs		2017 ESG Report
Operating Practices		
Aspect B5	Supply Chain Management	
General Disclosure:	Policies on managing environmental and social risks of the supply chain.	2.1 Food Safety
B5.1	Number of suppliers by geographical region	2.1 Food Safety
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	2.1 Food Safety
Aspect B6	Product Responsibility	
General Disclosure:	Information on a) the policies and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	2. Healthy Zhou Hei Ya - Quality First
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	2.1 Food Safety During the reporting period, no product was recalled.
B6.2	Number of products and service related complaints received and how they are dealt with.	2.3 Improvement of Communication
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 Food Safety
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	2.3 Improvement of Communication
Aspect B7	Anticorruption	
General Disclosure:	Information on a) the policies and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	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 During the reporting period, no corruption case was reported.
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	1.3 Corporate Governance
Community		
Aspect B8	Community Investment	
General Disclosure:	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5. Warm and Caring Zhou Hei Ya—Social Responsibilities
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	5. Warm and Caring Zhou Hei Ya—Social Responsibilities
B8.2	Resources contributed (e.g. money or time) to the focus area.	5. Warm and Caring Zhou Hei Ya—Social Responsibilities





# Zhou Hei Ya International Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1458