



Zhou Hei Ya International Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1458

2018

Environmental, Social and Governance Report



Producing Food with Conscience,
and Building a Century-Aged Enterprise

Contents

Message from the Management	4
About This Report	6
Summary of Key Performance on ESG in 2018	8
1. Vision for the Future	10
1.1 About Us	11
1.2 Operational Performance	13
1.3 Corporate Governance	15
1.4 ESG Governance	16
2. Exploration in Intelligence	20
2.1 Quality First	21
2.2 Health Innovation	25
2.3 Responsible Supply	28
2.4 Thoughtful Service	31
3. Green Operation for Sustainability	36
3.1 Resource Consumption	37
3.2 Energy Management	39
3.3 Emission Control	40
4. Collaboration to Forge Strength	44
4.1 Employee Profile	45
4.2 Health and Safety	47
4.3 Employee Development	52
4.4 Caring for Employees	55
5. Firmly Rooted in Society	58
Appendix 1 HKEX ESG General Disclosures and KPIs	61
Appendix 2 Laws and Regulations	64



Message from the Management

In 2018, with the acceleration of the Internet development and the spread of new media, China's casual food industry faced increasingly fierce competition in the context of deepening consumption upgrading and the "new retail". That posed a test to Zhou Hei Ya as to how to seek opportunities from challenges in the casual food industry. We believe that an enterprise's vigorous development is based on its practice of corporate social responsibility. Therefore, we continued to improve the four aspects of quality service, environmental protection, employee care and public service to fulfill our social responsibility, to create social value, and to achieve sustainable development of the Group.

Quality Service

Upholding the "food" (*shi*)¹ character theory, Zhou Hei Ya insists on producing food with conscience, committed to improving product quality and ensuring food safety. In 2018, using the newly launched SAP (System Applications and Products) system and MES (Manufacturing Execution System) we enhanced program control, material management, and product traceability in product processing, created a food safety matrix, and continuously optimized and upgraded production equipment and facilities to improve automation and product quality. To further standardize food safety management, we continued to build food safety systems in various industrial parks and to obtain certification, strengthened food safety training, and achieved food safety throughout the process from raw materials to final products. At the same time, we optimized production scheduling, continuously upgraded production equipment to increase construction level, built new production plants, and expanded store network to increase production capacity and efficiency and to meet the needs of all regional markets. In order to better serve the main consumer groups of Zhou Hei Ya – young people born in 1990s and 2000s – we continued to optimize online and offline channels as well as strengthened brand promotion and marketing to meet the increasing consumer demand for quality, service and experience.

Environmental Protection

Zhou Hei Ya is deeply aware that the sustainable development of an enterprise is inseparable from the environment. Thus, environmental protection compliance and green production are continuously its focus in daily operation management, and efforts are made to reduce the environmental impact of its production and operation activities. During the Reporting Period, we continued to improve the environmental management system and the environmental performance of production equipment to promote energy efficiency, and carried out recycling of production spare parts and packaging materials to promote circular economy. At the same time, we continued to transform wastewater treatment facilities, launched an on-line wastewater monitoring system, and installed fume purification devices to ensure emissions compliance, striving to improve the Group's overall green production operation.

¹ The Chinese character structure of "food" (*shi*, "食") is composed of "people" and "conscience", which means people who make food must be conscientious.





Employee Care

Zhou Hei Ya follows the talent philosophy of “cultivating talents in accordance with the survival of the fittest.” It provides employees with a fair and impartial promotion channel, a training system to help their own career development, a healthy and safe working environment, and competitive remuneration packages and benefits. It continuously attracts and motivates employees and strives to enhance team cohesion in order to achieve the common growth of employees and the Group. During the Reporting Period, we launched the “Star of the Future” talent training program to discover potential management talents, set annual safety goals for branches and subsidiaries to strengthen employees’ awareness of safe production, and organized a variety of employee activities from time to time to enhance employees’ cohesiveness and sense of belonging.

Community Service

Zhou Hei Ya insists on organizing and participating in various social activities. During the Reporting Period, we continued the finless porpoise protection program from last year by creating the first member store with the theme of finless porpoise protection. We carried out targeted poverty alleviation, sending gifts and blessings to Kenong village located in Husi Street, Jiangxia District, Wuhan. We made a donation to the Secretariat of Hubei Youth Development Foundation for carrying out a charity project for the care of left-behind children in Jianshi County. We took practical actions to give back to society, for instance, actively participating in activities organized by Beijing Entrepreneur Environmental Protection Foundation, involving events launched by SEE Foundation and making donations to programs that renovate houses of poor households.

As a leader in China’s casual braised products industry, Zhou Hei Ya will undertake more social responsibility in the future. We will continue to ensure food safety, promote environmental protection, strengthen employee care and practice charity and philanthropy, in order to achieve sustainable development and win the trust of stakeholders.

Chairman
Zhou Fuyu



About This Report

Overview

This report is the third Environmental, Social and Governance (ESG) Report of Zhou Hei Ya International Holdings Company Limited (referred to as “the Company”). It focuses on disclosure of the Company’s economic, social and environmental performance and relevant information from January 1, 2018 to December 31, 2018 (“Reporting Period”). Some information is sourced before 2018.

Scope and Boundary of the Report

The policies, statements, materials and data in this report cover the Company and its subsidiaries (hereinafter referred to as “the Group”, “we”, or “Zhou Hei Ya”). During the Reporting Period, the production of the Group’s Shanghai processing plant was transferred to the new Hebei processing plant, and the information and data range in this report was changed accordingly. Unless otherwise stated, all types of funds involved in this report are denominated in RMB.

Reporting Reference

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

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

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

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

Balance: This report strives to achieve objective, fair and truthful reflection of the Group’s ESG effectiveness and practices in 2018. The contents of the report are from the Group’s internal management documents, statistics, public disclosure, as well as media coverage, with no improper modification.

Consistency: The report follows a consistent range of statistics. The scope of coverage is the Company and its subsidiaries with no major adjustments compared to previous years. The Reporting Period is January 1, 2018 to December 31, 2018. For some indicators, data for three consecutive years since 2016 are disclosed.



Source of Material and Assurance

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

Confirmation and Approval

This report was approved by the Board on March 27, 2019 after being confirmed by the management.

Access and Feedback to the Report

This report can be browsed for readers in Traditional Chinese and English. The electronic one is available both in Zhou Hei Ya's "Financial Statements/ESG Information" at the website of HKEX and the website of the Company.

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

Telephone: 400 1717 917

Email address: IR@zhouheiya.cn

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



Summary of Key Performance on ESG in 2018

Economy

- Total revenue: **3,211.52** million yuan
- **0** corruption case

Products

- Class **100,000** of air cleanness in packaging workshop
- **100%** of new suppliers have signed environmental protection agreements with the Group
- **126** suppliers attended our supplier summit meeting
- **0** product recall
- The Group holds **66** patents, is authorized for **20** copyrights and applied for **411** trademarks

Environment

- Total environmental protection investment reached **13.02** million yuan
- Total energy consumption was **13,995** tons of standard coal, and energy consumption per ten thousand yuan revenue was **0.04** tons of standard coal
- Total greenhouse gas emissions (Scope I and Scope II) amounted to **41,479** tons of CO_{2e}, and greenhouse gas emissions (Scope I and Scope II) per ten thousand yuan revenue were **0.13** tons of CO_{2e}
- Total water consumption was **677,350** tons, and water consumption per ten thousand yuan revenue was **2.11** tons
- Total packaging materials usage was **3,491** tons, and packaging materials usage per ton of products sold was **0.09** tons
- **0** environmental punishment



Employees

- As of December 31, 2018, there were **5,148** employees in the Group, an increase of **497** employees compared to the previous year
- Total person-times of employee training in the Group were **22,984**, **6.0%** up from 2017; total hours were **64,477**, **16.5%** up from 2017
- The Group carried out **16** safety drills with **2,563** times; coverage of safety training reached **100%**

Community

- Donated **334,817** yuan to Secretariat of Hubei Province Youth Development Fund, especially applied to caring for leftover children series public project in Jianshi Country
- Took part in Hubei Province “Save wishes for children – caring for leftover children ‘hope we-wish’ public planning” and donated stationary and sporting good for **404** leftover children in Jianshi Country
- Tax paid was **186.88** million yuan



Vision for the Future

1.1 About Us

1.2 Operational Performance

1.3 Corporate Governance

1.4 ESG Governance





Sweet and Spicy Gift Box



Thanks-giving Gift Box



"Sincerity" Gift Box



"Warmth" Gift Box

In line with the trend of the Internet and the new retail era, we launched various cross-border retail and strategic cooperation projects during the Reporting Period to expand product portfolio and upgrade customer consumption patterns, continuously improving customer experience in consumption scenarios.



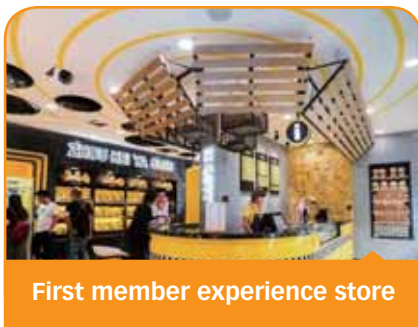
First cross-border retail food and beverage store — Zhou Hei Ya Deli



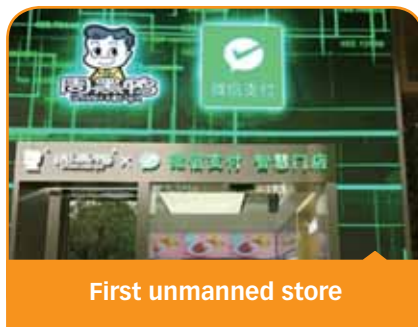
Zhou Hei Ya x Ele.me Joint Takeout Shop



Customized beverage — "Zhou Xiao Ban"



First member experience store



First unmanned store



Zhou Hei Ya + Unifon "Small Spicy Kiss" Lip Balm

Zhou Hei Ya continuously innovates in product types and customer consumption patterns and researches intelligent technology of food production. We combine the ancient braising process with modern equipment and vigorously develop intelligent production. Thus, an intelligent factory with Class 100,000 of cleanliness standards was built in Wuhan Industrial Park. At the same time, we introduce foreign advanced equipment and technology and make full use of advanced technologies such as microwave thawing, automatic feeding and weighing, intelligent sorting and robotic packaging to further improve production efficiency and product quality.





Microwave Thawing Tunnel Equipment

- Microwave principle is used to defrost products, reducing water loss and protein precipitation, ensuring yield and meat quality. It replaces the traditional process of using hot water or natural thawing, reducing labor intensity.



Automatic Feeding and Weighing Equipment

- Multihead weigher is used to weigh products to meet the required weight. The products are then put into the packaging machine for packaging at a speed of 64 boxes per minute.



Intelligent Sorting System

- Conveyor belts and RFID intelligent sorting system are used to transport materials, empty containers, load containers to designated locations, and automatically recover containers for cleaning and disinfection.



Automatic Packing, Palletizing and Packaging Equipment

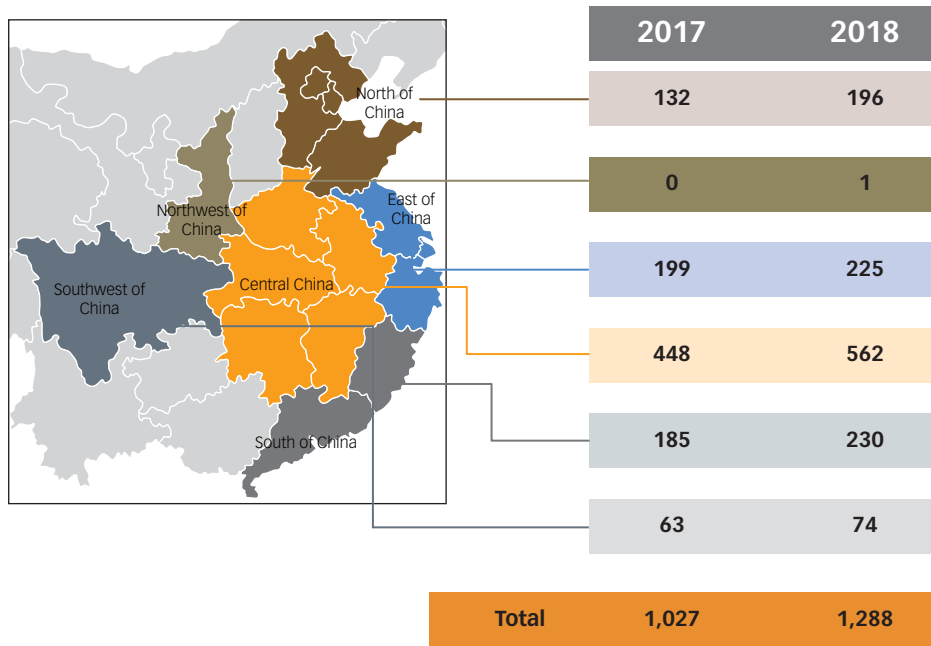
- Robots are used to pack and palletize, and equipment used for automatic molding, sealing and bundling to reduce packaging personnel, reduce quality risks and improve production efficiency.

1.2 Operational Performance

During the Reporting Period, the Group's total revenue reached 3,211.52 million yuan through expansion of stores, commissioning of new production plants, upgrading of production capacity and development of e-commerce take-out business.

During the Reporting Period, we continued the store network expansion plan to further penetrate existing markets and enter new cities. We opened 392 self-operated stores and closed 131 stores. As of December 31, 2018, our total number of self-operated stores reached 1,288, covering 90 cities in 17 provinces and municipalities in China, including Beijing, Shanghai, Tianjin, Chongqing, Wuhan, Guangzhou, Changsha, Hangzhou, Zhengzhou, Nanjing, and Nanchang.

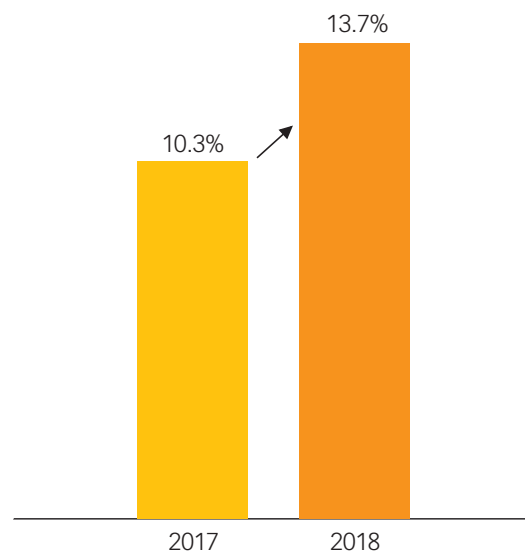




Comparison of Self-Operated Store Number (Unit: Store)

In order to meet the consumption needs of more regions and enhance regional radiation, the Group continued to optimize its production scheduling to increase production capacity and efficiency, while continuously upgrading production equipment to improve automation. The Group’s Shanghai processing plant was used to meet the needs of the East China region. During the Reporting Period, we transferred the production to the North China processing plant in Hebei and the processing plant in Hubei. In addition, we are building four new processing plants in Guangdong, Jiangsu, Sichuan and Hubei.

During the Reporting Period, we continued to expand e-commerce take-out business with its share in self-operated store revenue up 3.4% from 2017. As of December 31, 2018, we had settled in about 22 domestic e-commerce platforms, offering take-out services in 90 cities. In addition to third-party take-out platforms, the Group developed WeChat mini-program during the Reporting Period to provide take-out services and deepened cooperation with major domestic logistics service providers.



Proportion of Takeout Revenue in Self-Operated Store Revenue



We welcome shareholders, investors and regulators to supervise the Group's business operation and financial performance. At the same time, the Group shows zero tolerance to malicious slander on the Group, the Group's reputation and business prospects based on own personal interests. In the event of any material damage to the Group and/or its shareholders and investors, the Group will reserve all of its rights and, in appropriate or necessary circumstances, defend its rights by law or by any other means.

1.3 Corporate Governance

Adhering to the principles of integrity, accountability, transparency, independence, responsibility and fairness, Zhou Hei Ya is committed to maintaining high-standard corporate governance. We strictly abide by business ethics, constantly improves its power-responsibility system, and implements a highly transparent operating structure. In strict compliance with the rules of the Hong Kong Stock Exchange, we formulate and implement corporate governance policies and measures and assign the board of directors the responsibility of fulfilling corporate governance related duties.

In addition to the regular large-scale performance conferences held twice a year, Zhou Hei Ya communicates with the investor community through daily investor meetings, roadshows, etc. to strengthen the market's understanding of the Group's performance and development strategy, to consolidate long-term shareholder base, and to explore more potential long-term investors to continually optimize shareholder structure. During the Reporting Period, we had face-to-face meetings with more than 400 investment institutions, including meetings during the roadshow, the strategy meetings organized by brokers from time to time, corporate meetings, etc., as well as meetings scheduled on our own initiative. Among them, the interim performance roadshow is mainly for long-term investors in Hong Kong and the United States to increase investment opportunities for long-term investors in the context of overall capital market slump.

Zhou Hei Ya awarded the "Investor Relations Award" by the Hong Kong Investor Relations Association for Two Consecutive Years



With good investor communication and open and transparent information disclosure, Zhou Hei Ya's efforts to maintain investor relations are widely recognized by the capital market and investors. We were awarded the "Investor Relations Award" by the Hong Kong Investor Relations Association for the second consecutive year.

* For more detailed disclosure on corporate governance, please refer to the Corporate Governance Section in Zhou Hei Ya 2018 Annual Report.



Anti-Corruption Management

Zhou Hei Ya strictly abides by the *Criminal Law of the People's Republic of China* and the *Law of the People's Republic of China against Unfair Competition*, and strictly implements the anti-corruption system documents including the *Anti-Corruption Working System* and the *Article of Discipline Inspection Committee of Zhou Hei Ya* to effectively prevent bribery, extortion, fraud and money laundering. In addition, we actively carry out integrity education, strengthen publicity and supervision of anti-fraud and anti-commercial bribery in important positions, and enhance the management's sense of integrity and self-discipline to prevent corruption. During the Reporting Period, we expanded whistle-blowing methods for fraudulent practices by launching anti-fraud WeChat public account and complaint platform, updating our Discipline Inspection Committee's complaint email address (zhyjiwei@163.com), and opening a complaint hotline.

In business dealings with suppliers, we pay attention to maintaining the normal business order of both parties, preventing commercial bribery and safeguarding the legitimate rights and interests of both parties. We have signed an anti-corruption agreement with our suppliers to prohibit suppliers from giving improper business benefits to purchasers in the form of rebates and commissions. Zhou Hei Ya encourages suppliers to report directly to us the behavior of purchasing personnel using their positions to obtain benefits. At the 2018 Zhou Hei Ya Supplier Summit Meeting, we released the *White Paper on the Supply Chain of Zhou Hei Ya*, which clearly stated that any violation of integrity and business ethics is strictly prohibited. During the Reporting Period, we added integrity related provisions to the contract with suppliers, and enriched the *Integral Anti-corruption Commitment Attached to the Master Contract with Hubei Zhou Hei Ya Enterprise Development Co., Ltd. and Anti-corruption Letter to Suppliers*.

Based on our comprehensive anti-corruption management system, Zhou Hei Ya did not have any corruption case during the Reporting Period.

1.4 ESG Governance

In order to effectively control the risks of ESG, Zhou Hei Ya reviewed fully its ESG governance status, applicable laws and regulations, stakeholder opinions, and corporate culture, and in 2016, the ESG management structure led by the board of directors was established to further clarify responsibilities and objectives for ESG management. ESG work summarization, assessment and improvement are carried out on a regular basis, and overall planning made for ESG management in following year. During the Reporting Period, we were awarded the "BDO ESG Award 2019" by BDO and South China Morning Post jointly.

In order to effectively implement the ESG management, the Group specially established an ESG Working Committee composed of functional departments, which assigns full-time personnel to carry out ESG affairs-related communication, data collection and report preparation. In addition, the working committee actively attends external training programs 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.

**Zhou Hei Ya Awarded the
"BDO ESG Award 2019" by BDO and
South China Morning Post Jointly**



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 Group’s ESG-related risk management and internal control systems are appropriate and effective.



Stakeholder Engagement

Zhou Hei Ya has identified six key stakeholders, including: Shareholders/investors, government, suppliers, employees, media and consumers. By establishing a long-term and effective communication mechanism with various stakeholders, Zhou Hei Ya can timely learn 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.

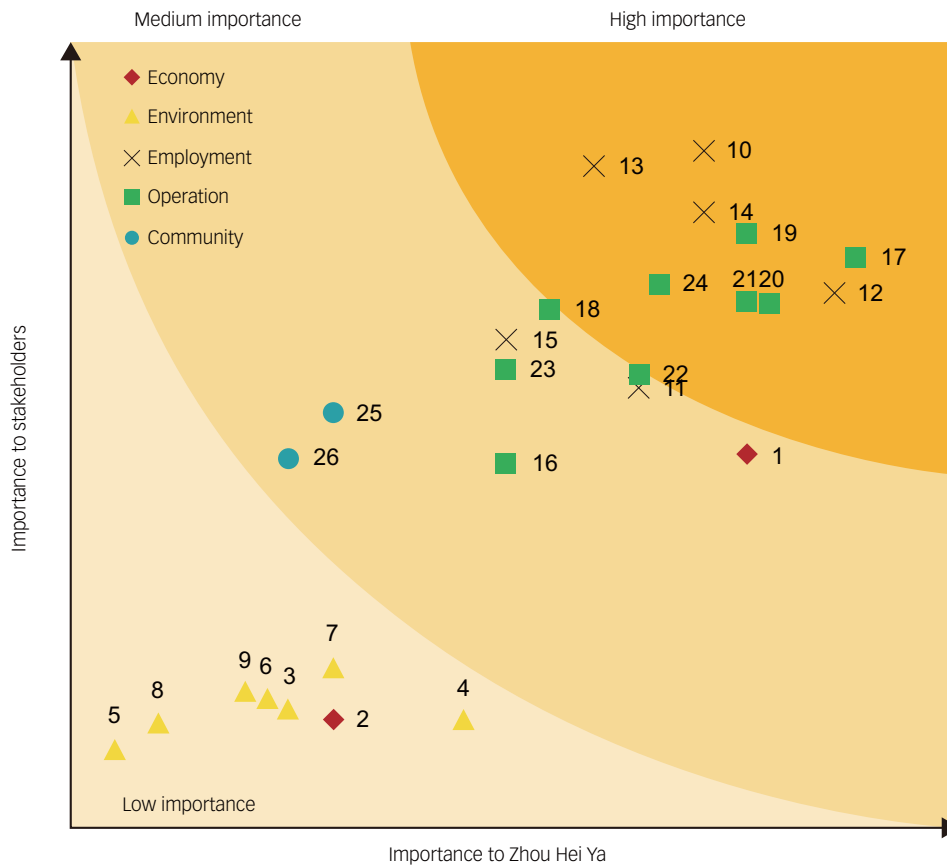
Stakeholders	Concerned Major Issues	Communication Channel/Feedback	
		Approach	Frequency/times
Shareholders/Investors	<ul style="list-style-type: none"> * Operating performance * Corporate Governance * Employee’s Benefits 	<ul style="list-style-type: none"> – General meeting of Shareholders – Annual report, interim report, and ESG report – Investors meeting – Performance conference – Press release/ announcements – On site investigation 	<ul style="list-style-type: none"> – Annual general meeting of Shareholders – Annual report, interim report and ESG report are issued at specified times each year – Annual and interim performance conferences are held annually – Non-scheduled other activities



Stakeholders	Concerned Major Issues	Communication Channel/Feedback	
		Approach	Frequency/times
Government Authorities	<ul style="list-style-type: none"> * Food safety * Consumer Communication * Compliance operation 	<ul style="list-style-type: none"> – On site investigation – Major conference Meetings – Reporting – Spot checks – Business management 	<ul style="list-style-type: none"> – None-scheduled
Suppliers	<ul style="list-style-type: none"> * Supply chain management * Food safety * Anti-corruption 	<ul style="list-style-type: none"> – On site investigation – Supplier assessment – Quality communication meeting – Suppliers meeting – Suppliers anti-corruption education – Telephone/written correspondence 	<ul style="list-style-type: none"> – Annual suppliers meeting – Quarterly quality communication meeting for raw materials, accessories and packaging materials – None-scheduled other activities
Employees	<ul style="list-style-type: none"> * Compensation and benefits * Employee stability * Training and development 	<ul style="list-style-type: none"> – Training report – Satisfaction questionnaire – Class interview – Telephone interview – Community activities and training – Video meeting 	<ul style="list-style-type: none"> – Once a month during the training and development projects – None-scheduled other activities
Media	<ul style="list-style-type: none"> * Food safety * Community investment * Green Production 	<ul style="list-style-type: none"> – Press releases/ announcement – Interview – Conference 	<ul style="list-style-type: none"> – None-scheduled
Consumers	<ul style="list-style-type: none"> * Food safety * Green production * Communication and service 	<ul style="list-style-type: none"> – Online promotion and announcement – Offline exhibitions – Offline promotion activities – Customer service call – WeChat/Microblog 	<ul style="list-style-type: none"> – None-scheduled

During the Reporting Period, we conducted an opinion survey of stakeholders and in-depth interviews with internal and external stakeholders to learn about the opinions and expectations of all stakeholders on the Group's response to and disclosure of environmental, social and governance issues. We distributed and collected a total of 358 questionnaires, including 277 from internal stakeholders and 81 from external stakeholders, and conducted 26 in-depth interviews with internal and external stakeholders. We understood that stakeholders were very concerned about our performance in "suppliers' food safety management", "employee stability" and "food safety management processes and initiatives". Compared with 2017, the management and stakeholders increased their attention to the issues of "employee stability" and "anti-corruption and anti-bribery". According to the results of stakeholder survey, we analyzed and summarized the material ESG issues for Zhou Hei Ya in 2018.





Zhou Hei Ya ESG Materiality Matrix

No.	ESG Issues	No.	ESG Issues
1.	Business performance and economic results	14.	Career development and training of employees
2.	Formulation of environmental and social governance concepts and management approaches	15.	Measures to prevent the use of child labor and forced labor
3.	Consumption of water resources and energies such as electricity, gas and oil	16.	Environmental and social impact of suppliers
4.	Wastewater treatment and discharge	17.	Suppliers' food safety management
5.	Greenhouse gas emissions	18.	Food nutrition
6.	Exhaust fume treatment	19.	Food safety management processes and initiatives
7.	Treatment and disposal of solid waste (production and municipal solid waste)	20.	Food traceability management
8.	Consumption of packaging materials	21.	Consumer communication
9.	Use efficiency of raw materials	22.	Consumer information and privacy
10.	Provision of reasonable remuneration packages and benefits to employees	23.	Intellectual property rights
11.	Diversified employee backgrounds (such as gender, age, region, ethnicity, etc.) and equal opportunities	24.	Anti-corruption, anti-bribery
12.	Employee stability	25.	Investment in philanthropy (money, time, etc.)
13.	Provision of a safe and comfortable working environment	26.	Community contribution (whether to boost local employment, to use local suppliers, etc.)

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



Exploration in Intelligence

2.1 Quality First

2.2 Health Innovation

2.3 Responsible Supply

2.4 Thoughtful Service



After the overall rapid growth of food enterprises in China, the state put forward stricter requirements for food industry management. In the development process of more than ten years, Zhou Hei Ya has been exploring and trying with courage to seek breakthroughs and keep pace with the times and technological progress. It adjusts its strategic development direction in time and works together with partners to provide high-quality products and convenient service experience to consumers. With quality assurance as the primary goal, R&D and innovation as core competence, and consumer satisfaction as the guide, Zhou Hei Ya runs the business philosophy of “quality and reputation first, as well as maintaining characteristics and sustainable development.” throughout the operation of the Company and is determined to achieve the vision of “producing food with conscience and building a century-aged enterprise”.

2.1 Quality First

Zhou Hei Ya always believes that quality creates brand. Trustworthy brand image and brand influence come from the Company’s unremitting pursuit of product quality. From the establishment of quality standards and systems, the setting of quality objectives, quality management throughout the process to the implementation of food traceability and recall procedures, the Group has a comprehensive control of product quality and implements quality improvement measures throughout the production process.

Establishing Quality Standards and Systems

Zhou Hei Ya regularly monitors the laws and regulations promulgated by national and local regulatory authorities. We analyze and interpret quality and food safety related laws and regulations that apply to the Group, such as the *Food Safety Law of the People’s Republic of China*, the *Product Quality Law of the People’s Republic of China*, and the *Regulations on the Implementation of the Food Safety Law of the People’s Republic of China*, includes relevant provisions in its system documents, and timely issues the documents to relevant departments for implementation. During the Reporting Period, we updated the management specifications such as *Regulations on Management of Product Quality Standards and Regulations on Management of Product Shelf Life Determination* to further refine the requirements for management of product quality standards, ensure product quality stability, and manage and control product shelf life stability. In addition, in order to ensure the continuous improvement of product safety, we continuously increase investment in food safety, placing food safety at the forefront of product development. During the Reporting Period, the Group formulated and issued 22 new standards.

The establishment of management systems is an effective means of ensuring high-quality production. Hubei Zhou Hei Ya Foods Industrial Park Co., Ltd. (hereinafter referred to as “Hubei Industrial Park”) has passed ISO 9001 Quality Management System Certification, HACCP (Hazard Analysis Critical Control Point) System Certification and ISO 22000 Food Safety Management System Certification. In July 2018, Hubei Industrial Park passed the FSSC (Food Safety System Certification) 22000. In October 2018, Hebei Zhou Hei Ya Foods Industrial Park Co., Ltd. (hereinafter referred to as “Hebei Industrial Park”) invited third-party experts to conduct a three-day internal auditor training, which made in-depth interpretation of system standards and introduced internal audition skills. In November 2018, Hebei Industrial Park successfully passed ISO 9001 Quality Management System Certification, HACCP System Certification, and FSSC 22000.

Certifications of Hubei Industrial Park



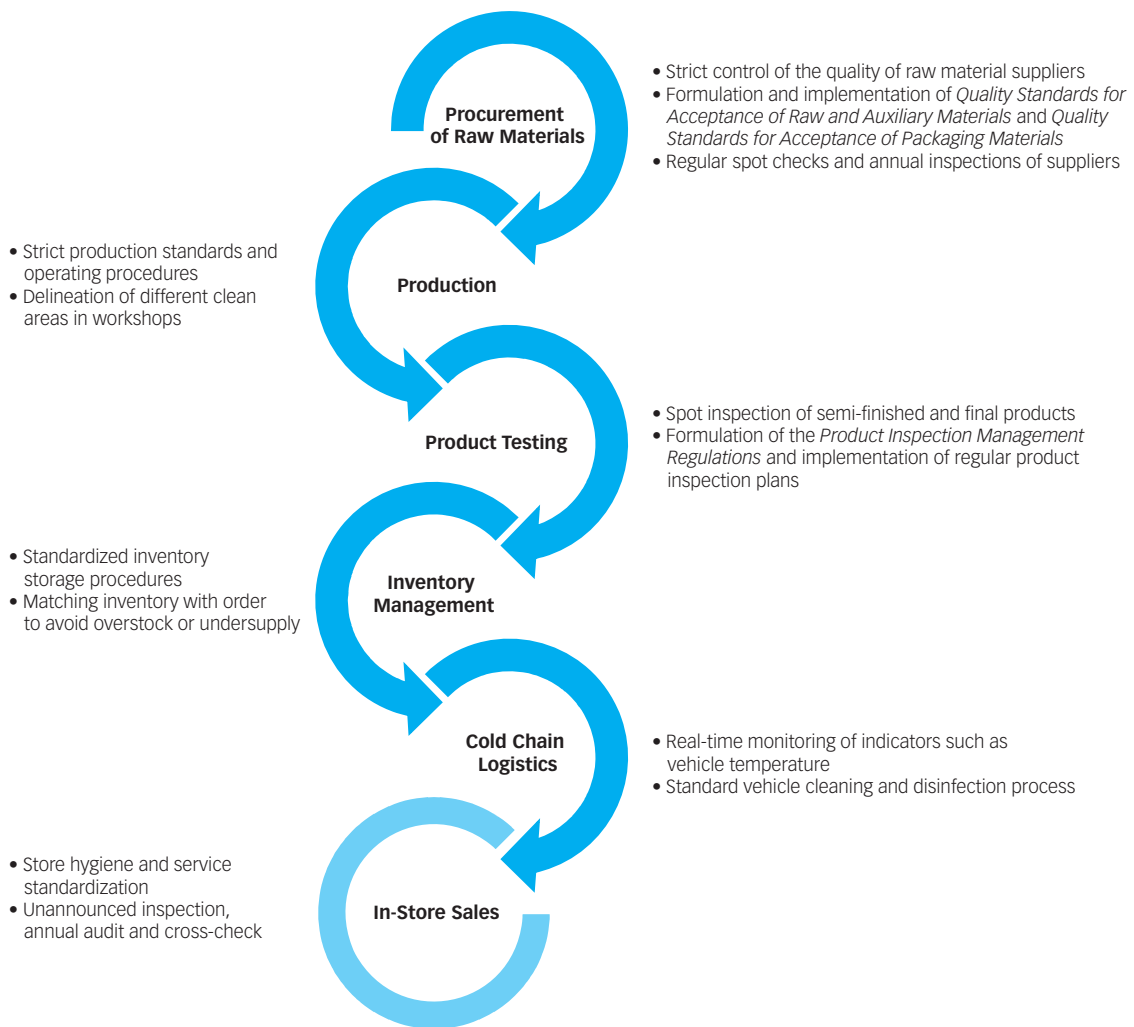
Certifications of Hebei Industrial Park



Whole Process Quality Assurance and Improvement

The Group’s quality control covers the whole process of procurement, production, testing, transportation, and in-store sales. We continuously improve the comprehensive food safety control from raw materials to final products, so as to improve market competitiveness and consumer satisfaction.

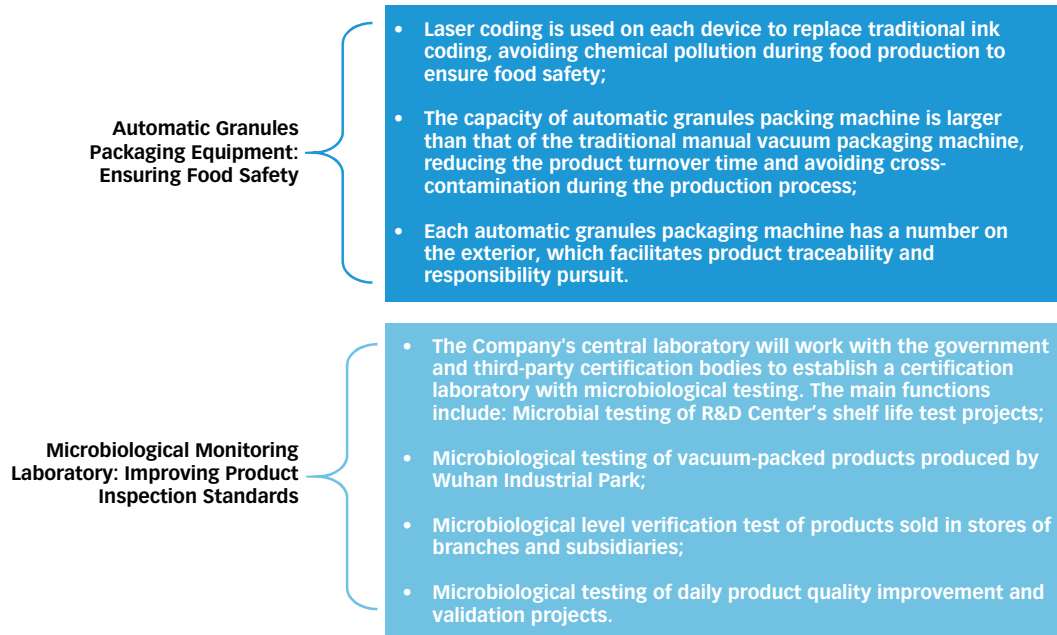
Whole Process Quality Control



The Group actively explores ways and room for quality improvement in each link. While strengthening management and control, it makes breakthroughs in innovation and continuously increases effective means of quality improvement.



Measures to Improve Product Quality



Information-Based Management

Zhou Hei Ya actively introduces information technology into product quality management, which not only improves production equipment, but also promotes the establishment of a Group-wide planning system and refined on-site execution model. MES (Manufacturing Execution System) is a production process execution system of manufacturing enterprises. It emphasizes control of the whole process of food production from raw materials and auxiliary materials storage, production and processing, and finished product sales. It is a production information management system for the execution level of manufacturing enterprises. It helps Zhou Hei Ya optimize business operation modes in production, quality, equipment, warehouse, etc., and ultimately improve the production efficiency of the Company.

MES embodies the management idea of focusing on both planning and execution. It can transfer the on-site information upwards and pass down the management information, so that the whole information system can be integrated into one. It is mainly responsible for production management and process supervision with functions of optimal planning and scheduling of production processes, optimization of production process, optimization of operating conditions, and handling of emergencies, etc., so that production runs in an efficient, coordinated, and stable manner, helping enterprises improve product quality and production efficiency. During the Reporting Period, the Group delivered on a number of quality assurance measures through the system.

MES Application in Product Quality Information Management

- 1 Incoming materials that have not been verified by the quality control acceptance system cannot be put into storage to prevent unqualified incoming materials from being put into production;
- 2 If products in process are found abnormal, the blacklist control function can be enabled through the MES, so that the abnormal products can't be scanned to enter the next step to prevent unqualified products from being used unexpectedly;
- 3 Finished vacuum-packed products cannot be put into storage without going through the quality control release system, preventing unqualified products from entering the sales process;
- 4 Through the system, the shipment information of finished products can be accessed to ensure that products are traceable throughout the process;
- 5 If MAP (Modified Atmosphere Packaging) finished products are found abnormal, the blacklist function can be enabled to control the abnormal products.



Workshop Management

The product workshop is an important place for production. Zhou Hei Ya has always made unremitting efforts in ensuring the cleanliness of the workshop and improving the hygiene management of the workshop. Every employee who enters the workshop must strictly follow the process requirements in terms of gear, disinfection, drinking equipment, and clothing. It is required to wear workshop uniforms that combine foreign design of protective clothing and our own production process, specially customized to eliminate potential pollution sources. In addition, Zhou Hei Ya equips the workshop with multiple sets of cleaning facilities to improve the cleanliness. We are committed to reducing food safety risks from the source and creating a clean workshop that makes consumers rest assured.

Workshop Hygiene Management Devices

		
<p>Air Shower System</p>	<p>Automatic Workshop Cleaning</p>	<p>Automatic Spray Disinfection System</p>
<ul style="list-style-type: none"> • Before entering the workshop, employees need to go through the hand disinfection system, metal detector, air shower system, etc. to ensure no pollution brought in. 	<ul style="list-style-type: none"> • The workshop’s central cleaning system is controlled by the central terminal with dedicated piping configuration. Traditional manual cleaning is replaced by different modes to avoid physical work and ensure the cleanliness of equipment. 	<ul style="list-style-type: none"> • Disinfectant sprays are sprayed across the workshop through an automatic spray disinfection system, which maintains the workshop’s cleanliness at Class 100,000 standard, meeting national pharmaceutical standards.

Food Traceability and Recall

Transparent, efficient production processes and accurate data collection ensure food traceability. The introduction of information technology helps Zhou Hei Ya create a refined and traceable production quality assurance system, efficient and accurate production site data collection, and realize traceability of product quality from raw materials to factories to final products to sales, so that consumers can enjoy completely assured food.

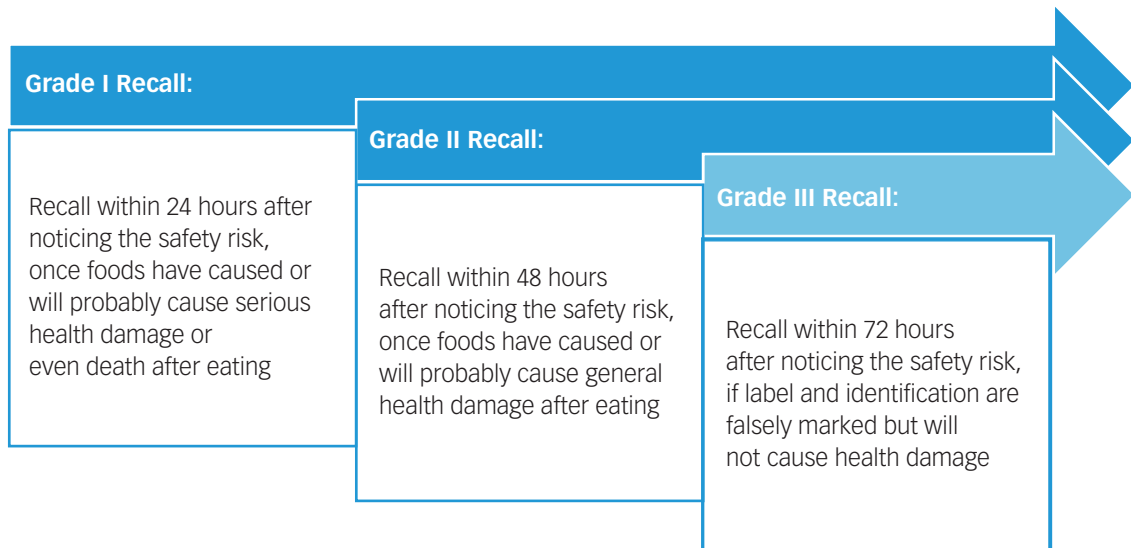
In terms of system management, we manage the traceability of products through the *Product Identification and Retroactive Control Procedures*, so that problems found from the sales side and suppliers can be traced back to relevant data on inventory, use or sale of related products and related raw materials, auxiliary materials, packaging materials, etc., and recall exercises are carried out to verify the coverage and effectiveness of the traceability and recall system.



In order to protect consumer rights and respond quickly to emergencies, the Group formulated the *Unsafe Product Recall Procedure*, clarifying the control required to implement the recall of unsafe products, which is designed to respond to such incidents quickly and efficiently and to protect consumers' health and safety. At the same time, combining recall exercises, we constantly review whether the recall procedure is complete and whether our emergency response capability is sufficient.

Based on the serious and urgent degree of food safety risks, the food recalls were divided into three levels:

Food Recall Levels



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

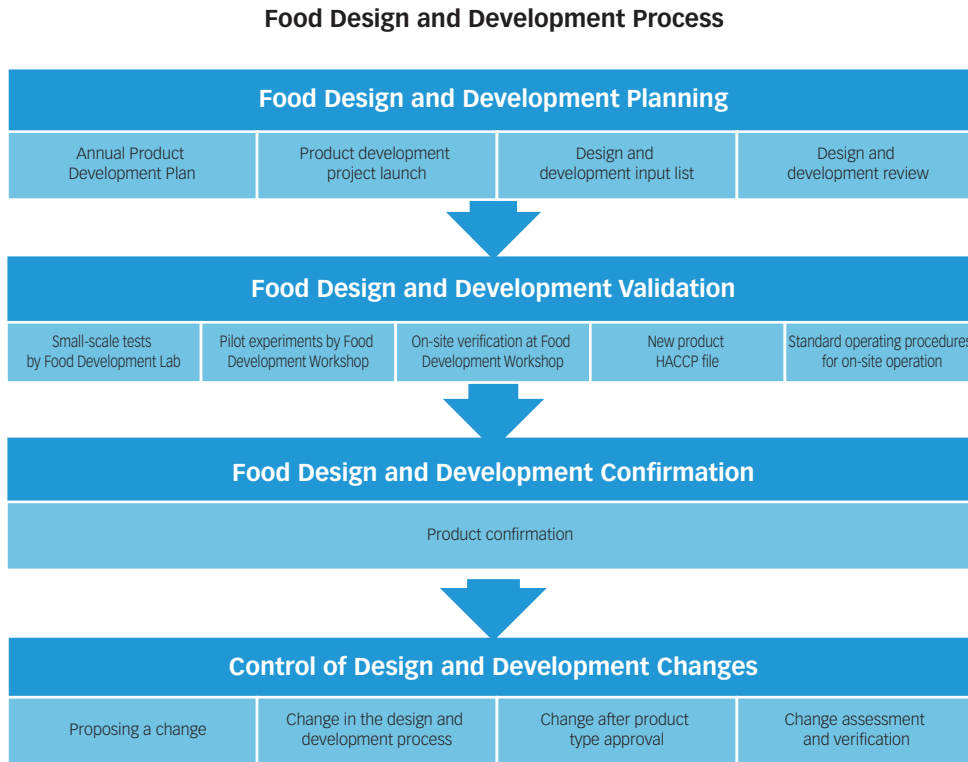
2.2 Health Innovation

R&D and innovation are the core strengths for the steady development of the Company. Through the development and improvement of production technology, Zhou Hei Ya continuously innovates and upgrades its products to cope with the rapidly changing consumer environment and the continuously rising consumer demand for quality. At the same time, the Group follows the market trend and introduces new products for different consumer groups through market demand analysis, leading the development direction of the industry. In order to cater to the more fashionable needs of young consumers, we actively communicate with young consumers to understand their preferences and create healthy and fashionable marinated foods.



Design and Development

The Group has established a scientific food design and development process. It continuously increases investment in research and development, purchases and upgrades advanced R&D equipment for the R&D Center to further consolidate its R&D foundation.



Health Concept

Zhou Hei Ya is always committed to providing customers with nutritious and delicious casual food. It constantly explores low-sugar and low-sodium recipes without changing the taste, thus attracting a wider consumer group. We have always believed that healthy and high-quality products are the key to winning consumer market.

During the Reporting Period, Zhou Hei Ya focused on technological breakthroughs and realized the perfect integration of vegetables and crayfish, further achieving the goal of nutritional balance. Using the experience with braising process accumulated over many years and the experience of building a professional supply chain, we carefully select vegetable varieties and create healthy products with focus on both taste and nutrition, thus cracking the “pain point” regarding noisy environment and food safety of takeout and dine-in crayfish.



Whole Process Quality Control of “Ju Yi Xia”

Procurement

After passing 25 tests, the crayfish grown in crayfish-and-rice symbiotic system of three leading aquatic products companies in Qianjiang was finally selected;

Cleaning

The most advanced ultrasonic cleaning in the industry is adopted to ensure thorough cleaning;

Braising

Constant temperature and oil control with secret recipe featuring selected spices, vegetables and crayfish slowly simmered together;

Packaging

The packaging workshop with air cleanliness of Class 100,000 standard is equipped with a modern intelligent production line which injects nitrogen into the package to lock the freshness;

Transportation

Online and offline channels are connected and cold chain transportation used throughout the process to ensure the taste and flavor of the product to the greatest extent.



In order to give consumers more choices of nutritional mix, Zhou Hei Ya has launched a variety of vegetarian foods, including braised Chiba tofu, dried tofu and marinated mushrooms to meet the health needs of consumers. At the same time, the auxiliary materials selected for braising are both medicinal and edible and the products are preserved by MAP filled with nitrogen and cold storage. We actively make efforts to protect and improve the health of consumers.

Intellectual Property Protection

The Group attaches great importance to the protection of intellectual property rights in research and development and strictly abides by the *Intellectual Property Law of the People's Republic of China*. We resolutely protect intellectual property rights by legal means while ensuring that we do not infringe on the intellectual property rights of others. Important measures have been taken in the protection of intellectual property rights, and corresponding management systems have been formulated. As of December 31, 2018, Zhou Hei Ya had applied for 87 patents of which 66 were granted, 26 copyrights of which 20 were authorized, and 411 trademarks.

We actively carry out rights protection activities such as increasing anti-counterfeiting efforts and establishing effective protection thresholds. We crack down upon Zhou Hei Ya counterfeiting by means of communication with local administrative departments, suing infringers for their infringements, working with local public security departments to impose administrative penalties, etc. to ensure that consumer safety, rights and interests are protected.



2.3 Responsible Supply

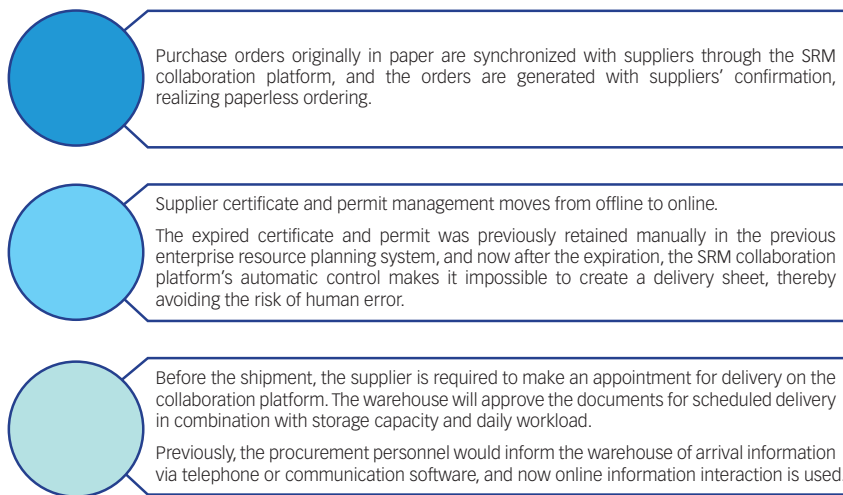
In order to ensure the safety and quality of products from the source, Zhou Hei Ya constantly improves supply chain management, explores efficient and rigorous management and control methods, and centralizes all major operational data of procurement, processing, logistics and inventory. We built an effective supply chain management system in line with the Company. At the same time, it gives preference to local suppliers, continuously supports strategic suppliers, and works with downstream and upstream partners to create a high-quality food supply chain and implement responsible supply.

Intelligent Supply Chain Management

The establishment of MES has helped Zhou Hei Ya promote the intelligent management of supply chain, providing a seamless and efficient supply chain process management approach for the macro supervision of supply chain. The highly integrated, easy-to-use and process-configurable management process will continue to improve the quality and efficiency of Zhou Hei Ya supply chain.

In June 2018, Zhou Hei Ya launched the SAP (System Applications and Products) and SRM (Supplier Relationship Management) collaboration platform. SAP involves 27 procurement processes, creating a flexible, transparent and efficient supply chain system and realizing multi-level and cross-regional supply chain synergy.

SRM for online procurement



Supplier Risk Management

In order to control supplier risks to the greatest extent, Zhou Hei Ya combed and optimized the management systems such as *Supplier Management System*, *Supplier Access System*, and *Rules for Supplier Risk Prevention and Control*, which are implemented in all links. According to the systems, the Company conducts hierarchical management of suppliers. A supplier review team was established across departments to conduct a comprehensive risk control audit of suppliers.

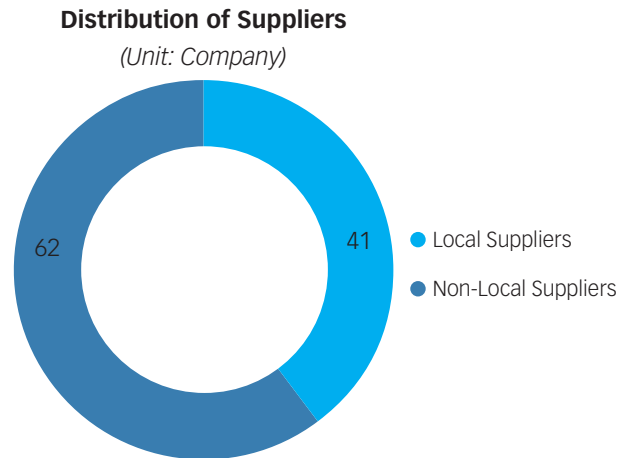
From April to December 2018, we organized relevant functional departments to conduct an annual two-party audit of the top ten food raw material suppliers in terms of single-product purchasing amount and the packaging materials suppliers directly in contact with food. We also conducted a comprehensive review of food safety, environmental sanitation and quality management of the supplier's source of breeding, processing, etc., of which the completion rate reached 100%. The reviewing results were also used to eliminate suppliers scored E.



In addition, Zhou Hei Ya focuses on the risks of suppliers in ESG. In order to further improve the Company’s environmental and social governance, we have included the supplier’s social responsibility performance into the supplier’s assessment indicators, and required suppliers to sign the *Letter of Commitment to Environmental Safety, Integral Anti-corruption Commitment Attached to the Master Contract with Hubei Zhou Hei Ya Enterprise Development Co., Ltd., and Anti-corruption Letter to Suppliers*, urging suppliers to do a good job in environmental protection, labor law compliance and anti-corruption affairs.

Increasing the Proportion of Local Suppliers

Zhou Hei Ya always pays attention to its own impact on the society and the economy and continuously increases support for local economy. Under the premise of ensuring product quality, we tap the advantages of cooperation with local suppliers. During the Reporting Period, Zhou Hei Ya had a total of 103 raw material suppliers, including 41 local (within Hubei and Hebei) suppliers, and 62 non-local (outside Hubei and Hebei) suppliers. Local suppliers accounted for 39.8% of the total.



Improving Supplier Quality

Stable and high-quality supplier resources have a profound impact on the quality of Zhou Hei Ya products. Good communication between the two sides is a solid foundation for achieving consistency in quality objectives. In daily management, Zhou Hei Ya maintains effective communication with suppliers, regularly organizes supplier quality-themed seminars, and improves suppliers’ quality management awareness.

In order to continuously improve the quality of supplier supply, Zhou Hei Ya during the Reporting Period held 4 quality-themed seminars for suppliers of raw materials in Shandong and Anhui and 2 for suppliers of auxiliary materials in Zunyi and Wuhan, as well as a quarterly quality-themed seminar for suppliers of packaging materials. In these seminars, product quality problems that arise in the supply were analyzed and discussed with guidance provided on further corrective and preventive measures, key prevention directions, and on-site workshop management for such problems.

During the Reporting Period, Zhou Hei Ya held a total of 25 supplier quality-themed seminars on raw materials, auxiliary materials, packaging materials, consumables and spare parts. The topics included but were not limited to: quality, order execution, information exchange and follow-up work.



Working with Suppliers to Achieve Win-Win Outcome

Adhering to the concept of win-win cooperation, Zhou Hei Ya regards suppliers as important partners and an indispensable part of the supply chain. We develop together with suppliers, constantly explores cooperation modes, and improves the quality of cooperation to realize common progress of the company and the entire industry chain.

Common Development – Supporting Sichuan Pepper Suppliers

Since the cooperation with Zhou Hei Ya, Tianshui Liancheng Agricultural Development Co., Ltd. (hereinafter referred to as “Tianshui”) has continuously improved the quality of pepper with the help of Zhou Hei Ya, ensuring win-win outcome for both parties.

2016

The Company recommended the addition of manual selection process, which significantly brought down the amount of foreign bodies in the pepper.

2018

The Company continues to increase support for Tianshui. On-site guidance was carried out and the foreign bodies in pepper reached 66%.

2017

A number of on-site instructions were given to change processing technology and install hoist and color sorter, so that the whole process of pepper processing did not touch the ground. Fine-tuning training was offered to pepper pickers. In 2017, foreign bodies in pepper were reduced by 70%.

By the end of 2018, the total amount of cooperation between Zhou Hei Ya and Tianshui had increased from about 2 million to about 40 million yuan, and the cooperation will continue to expand in the future.

Forging Ahead in the New Era with Original Aspiration in Mind – Zhou Hei Ya 2018 Supplier Summit Meeting

On May 15, 2018, the Company organized a supplier conference with the theme of “Forging Ahead in the New Era with Original Aspiration in Mind”. A total of 292 representatives from 126 suppliers attended the meeting. At the meeting, Zhou Hei Ya Executive Director and Chief Officer of the Supply Chain Center read the *2018 White Paper on the Supply Chain of Zhou Hei Ya* and introduced the supplier cooperation standards, supplier screening process, supplier elimination mechanism, supplier information receiving channels (including but not limited to cooperation information, complaint information, problem feedback) and so on based on the Company’s strategic development needs. In addition, after the meeting, the Company offered special training for some suppliers on the collaborative platform launched on June 1, 2018.



2.4 Thoughtful Service

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

Opinions Listening and Processing

The establishment of communication channels is the key to ensuring that Zhou Hei Ya can get customer feedback in time. We opened a variety of communication channels to keep abreast of customer suggestions and appeals in order to continuously improve product quality and service processes.

Ways of Consumer Communication



Zhou Hei Ya has established a transparent, practical and efficient closed-loop customer feedback processing mechanism. We classify customer complaints and feedback and develop appropriate handling plans accordingly to ensure customer feedback and that complaints are properly addressed. During the Reporting Period, Zhou Hei Ya received a total of 860 complaints about quality and service.



General Quality Complaint Handling			
Communication is made with customers immediately, and the problematic product is confirmed on site or mailed to the Company for verification.	If the problematic product is confirmed attributable to the Company, communication is made with customers on the compensation, and the compensation is made in accordance with the <i>Law of the People's Republic of China on the Protection of Consumers' Rights and Interests and the Food Safety Law of the People's Republic of China</i> . If it is confirmed not due to the Company's quality problems, a soothing explanation can be made euphemistically to the customer.	In the case that the customer request the Company to confirm the problematic product and require an immediate compensation, the relevant personnel of the Company should communicate with the customer on compensation, and record whether the relevant product is consistent with the customer description and the relevant processing results.	Information about quality complaints is reported weekly to the relevant responsible (assistance) department by email, and the responsible (assistance) department supervises the rectification. <i>Measures for Correction, Prevention and Control</i> is implemented as necessary.

Service Quality Assurance

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

Customer Service Assessment

<p>Phone Answering Process</p> <ul style="list-style-type: none"> Technique of speech according to the standard process of phone answering Call recording accuracy Call data summary accuracy 	<p>Store Information</p> <ul style="list-style-type: none"> Organizing store filings on time Timely collection of information on good deeds and good people in stores 	<p>Complaint Handling</p> <ul style="list-style-type: none"> Handling customer complaints in a timely manner and closing a compliant case within 24 hours Complaint filing and archiving Complaint data analysis
<p>Suggestions Handling</p> <ul style="list-style-type: none"> Timely report of suggestions or comments from customers Timely verification and handling of fake shop information provided by customers Customer satisfaction with customer service response Timely handling of calls for cooperation 	<p>Daily Administration</p> <ul style="list-style-type: none"> Daily administrative work at the department and timely coordination with other departments Timely completion of tasks assigned Completing emergency assignment at the department within a specified time Updating the database in a timely and accurate manner 	<p>Wechat Account Maintenance</p> <ul style="list-style-type: none"> Daily maintenance of WeChat account, timely and correct reply with no mistakes Timely collection and collating of WeChat data and timely check and organization of WeChat background data



Active Interaction

During the Reporting Period, Zhou Hei Ya accurately disseminated the young and energetic brand image to the target consumer group. We continued to increase online communication, actively interacted with consumers to understand consumer opinions and suggestions on the taste and service of Zhou Hei Ya products.

During the Reporting Period, Zhou Hei Ya launched a number of membership activities to enhance consumer experience. The activities effectively enhanced customer stickiness, and the word-of-mouth communication played a decisive role in the publicity and enhancement of the brand.

Sichuan-Chongqing Tour: A Journey of Flavor Search

From November to December 2018, members of Sichuan and Chongqing could scan the QR code of the event after purchasing any amount of goods in the store to participate in the lucky draw. The event was exposed to 300,000 person-times, and a total of 30 members won the dual-city tour.



Chinese Valentine's Day Flower Arrangement

On August 26, 2018, Zhou Hei Ya held a Chinese Valentine's Day flower arrangement event for members in Wuhan. A total of 20 members participated. Under the guidance of professional teachers, members made flower arrangements at the event site, creating a good atmosphere.

Guangdong Shenzhen Mooncake DIY

On September 15, 2018, on the occasion of the Mid-Autumn Festival, Zhou Hei Ya launched a membership event with the theme of "Mooncake DIY" in Shenzhen. 52 members participated to decorate the event site with Zhou Hei Ya-themed materials, and customer satisfaction with the event execution reached 100%.



Halloween Handwork

On November 27, 2018, Zhou Hei Ya launched a Halloween pumpkin lantern and finger biscuit making activity in Wuhan. A total of 21 members participated in the event with the theme of Halloween. They enjoyed making biscuits and pumpkin lanterns, and harvested the fruits of their own labor.



Service Model Innovation

With the development of the times and technology, the traditional retail model has been unable to fully meet consumer demand. Zhou Hei Ya keeps up with the trend of development by constantly exploring new service models. We developed smart retail, transformed traditional retail model, and created a new “online + offline” retail platform. Zhou Hei Ya hopes to present a smart and enjoyable shopping experience for consumers through the innovation of shopping patterns.

Intelligence Store – Enriching Customer Experience with Cutting-Edge Technology

In May 2018, the first artificial intelligence store of Zhou Hei Ya was officially opened in Shenzhen, realizing the intelligent scene where you can enter the store by facial recognition and present a “thumb-up” to pay.

In our unmanned store, customers can purchase products in the store and complete payment by showing a “thumb-up”. A comfortable and simple shopping environment provides customers with a good shopping experience. At the same time, the store set up a somatosensory interactive game to increase the shopping fun of customers, which better explains the brand concept of “More Entertainment, More Happiness”.



Takeout Mini-Program – Making Shopping Easier

In January 2018, Zhou Hei Ya reached a cooperation agreement with mainstream delivery teams on the market to build an ordering and delivery system. Zhou Hei Ya takeout mini-program was officially launched in March. During the Reporting Period, Zhou Hei Ya gained total exposure of 54.99 million times through the takeout mini-program, providing 330,000 people with quality, convenient home delivery services within 30 minutes.

In May 2018, we officially proposed the concept of “Zhou Hei Ya Takeout Mini-Program Brand Day”. With the huge fan base of Zhou Hei Ya WeChat public account, combined with offline promotion, we launched the “Zhou Hei Ya Takeout Mini-Program Brand Day” around the 7th day, 17th day and 27th day of each month. On the “Brand Day” May 17th, the brand was exposed to 507,000 people.

From June to September 2018, taking advantage of the World Cup night takeout order rush, Zhou Hei Ya combined WeChat message push with offline publicity at stores, to which the response was very enthusiastic.



Zhou Hei Ya Deli – First Attempt at Cross-Border Food and Beverage Retail Outlets

In order to comply with the trend of new retail, meet the multi-facet needs of consumers, and showcase the most essential and pure taste of Zhou Hei Ya, the Company re-engineered Zhou Hei Ya specialty products with braising process on site, serving Zhou Hei Ya delicacy hot. Zhou Hei Ya Deli is the first cross-border retail restaurant of Zhou Hei Ya, which not only made up for the dinner market that Zhou Hei Ya had yet to enter, but also allows consumers to experience the freshness of Zhou Hei Ya delicacy.



Privacy Protection

Zhou Hei Ya always regards the personal information of consumers as important information of the Company, and pays great attention to the confidentiality of consumer data.

On membership system management, we have developed a standard membership management approach and implemented it strictly as required. We strive to protect the privacy of customers' private information and membership card information, and prevent data leakage in any degree.

On confidentiality of employees, Zhou Hei Ya strictly prohibits employees from copying documents without authorization or providing business and technical materials and services to our competitors and customers.

On data transmission, if a branch company requests complaint data, it needs to issue a contact letter that is signed and confirmed by the department head. At the same time, the customer experience department will replace customer's contact information with symbol "*" when transmitting the complaint data, minimizing the risk of data breach.



Green Operation for Sustainability

3.1 Resource Consumption

3.2 Energy Management

3.3 Discharge Control

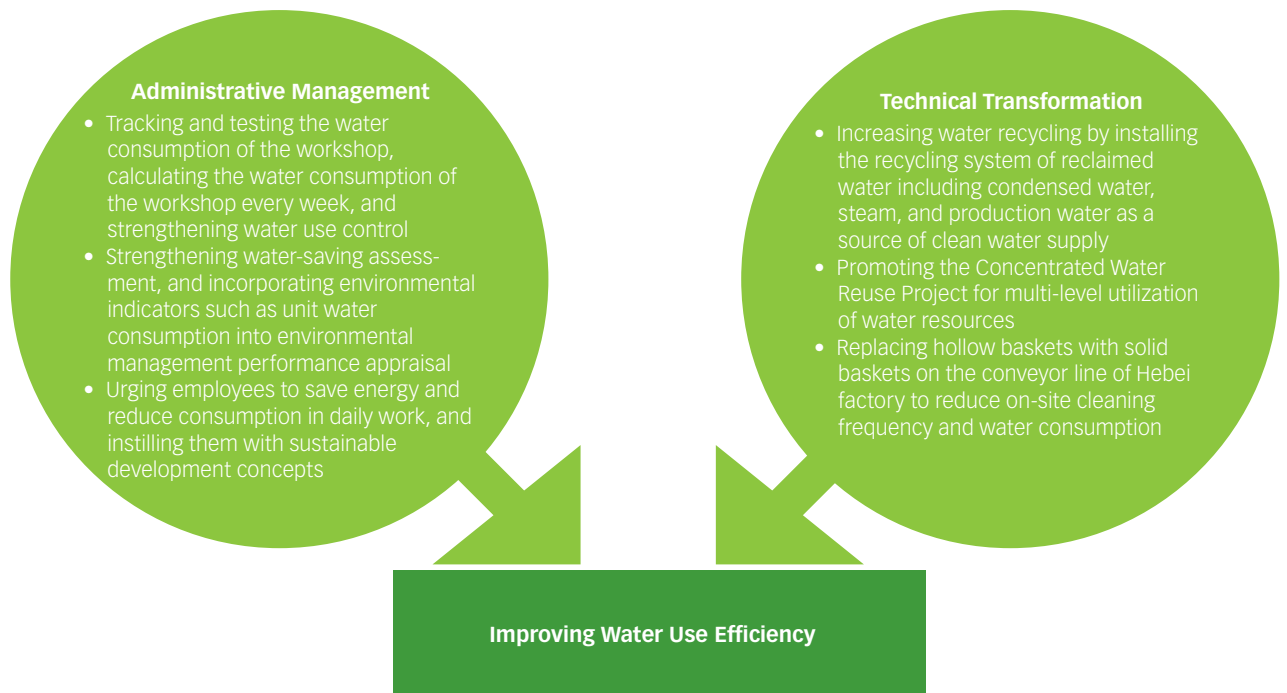


As a leading brand in the casual braised products industry, Zhou Hei Ya strictly abides by *the Environmental Protection Law of the People’s Republic of China, the Law of the People’s Republic of China on Air Pollution Prevention and Control, the Law of the People’s Republic of China on Water Pollution Prevention and Control, the Law of the People’s Republic of China on Solid Waste Pollution Prevention and Control* among other environmental protection laws and regulations. The Wuhan Industrial Park of the Group has the ISO 14001 environmental management system certification, showing a solid capability in internal environmental management. During the Reporting Period, while continuously improving the environmental management system, we invested a large amount of funds earmarked for transformation and upgrading of environmental protection equipment to improve the production efficiency and provide a basis for the future sustainable development of the Company. During the Reporting Period, Zhou Hei Yas invested a total of 13.02 million yuan in environmental protection.

3.1 Resource Consumption

Use of Water Resources

The water used by Zhou Hei Ya in food processing and sales is mainly running water. In order to improve the use efficiency of and avoid waste of water resources, we have made further efforts in administrative management and technological transformation to promote a series of management measures and transformation plans. During the Reporting Period, we consumed a total of 677,350 tons of running water, and the running water consumption per 10,000 yuan of revenue was 2.11 tons.



Concentrated Water Reuse Project

Pure water is required for the braising process of Zhou Hei Ya. The pure water machine will produce some concentrated water in the process of producing pure water, and the direct discharge of concentrated water will cause waste of water resources. During the Reporting Period, the Group actively promoted the concentrated water reuse project and customized a concentrated water tank with a volume of about 40m³ to collect the concentrated water. As part of the supply of clean water, the monthly savings of running water reached 1,000 m³.



Solid Basket Project

The hollow basket used in the transportation container on the conveyor line of the new factory after the blanching process was replaced by the solid basket, so that the grease, collagen and other substances falling on the conveyor line during the product transportation process were greatly reduced; the water consumption required for on-site cleaning was greatly reduced by about 2/3; the frequency of equipment maintenance also dropped significantly.



Use of Packaging Materials

The Group attaches great importance to the effective use of packaging materials by continuously improving the packaging material management system. We have established close cooperative relationships with our suppliers of packaging materials, and continuously improve the packaging structure and provide regular feedback and communication on packaging loss, packaging material quality and packaging equipment manufacturing.

Packaging Equipment Improvement

The stability of MAP box sealing performance is the most direct guarantee for the quality of our MAP products. The stability of sealing strength is mostly related to product packaging intactness during logistics and customer experience of opening the packaging box. During the Reporting Period, in order to reduce the loss of packaging materials, improve the utilization rate of packaging materials and reduce the packaging cost, the Group actively cooperated with packaging materials suppliers to refine the processing of existing sealing plates after surveying and mapping according to the process requirements, so that the abnormality rate of sealing reduced by about 20%.



During the Reporting Period, the use of packaging materials was as follows:

	Use of Resource	Unit	2018
Main products' packaging materials	Packaging film	tons	2,931
	Vacuum packaging bag	tons	560
	Packaging materials per ton of products sale	tons/ton	0.09

In addition to reducing the amount of packaging materials used, we actively promote the use of environmentally friendly cloth bags. During the Reporting Period, Zhou Hei Ya replaced plastic tote bags with environmentally friendly cloth bags in all stores.

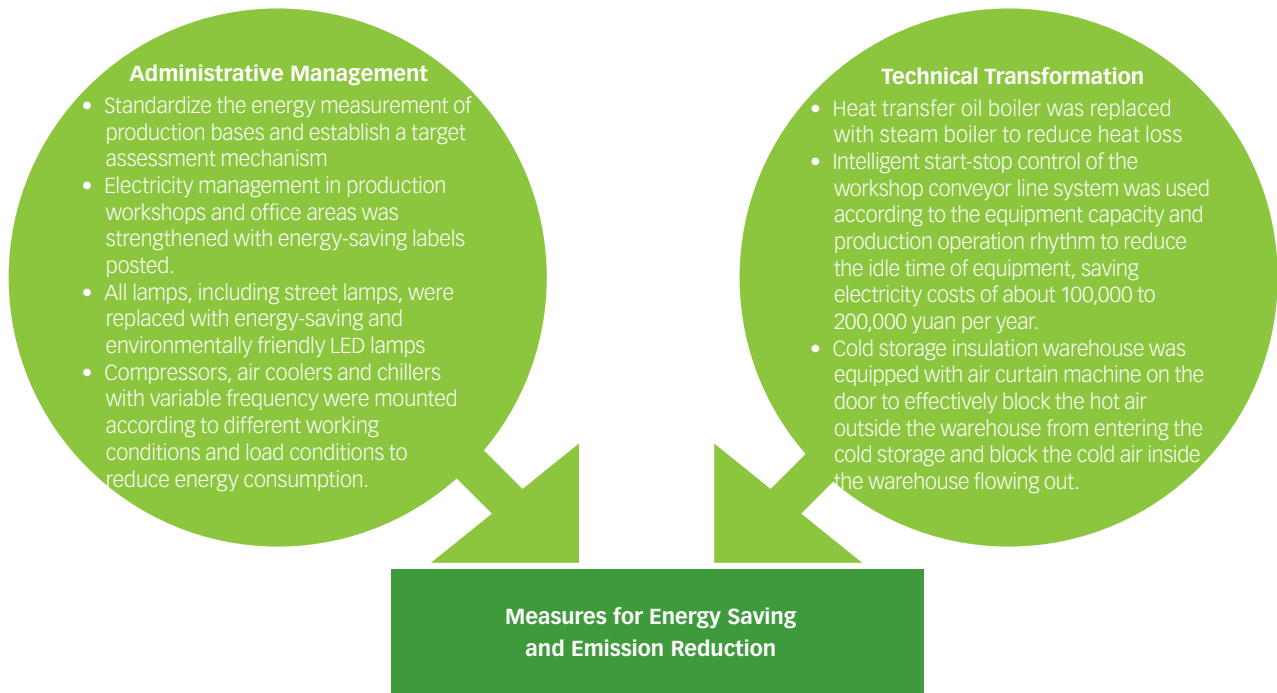
3.2 Energy Management

The Group attaches great importance to energy conservation management. While complying with the *Energy Conservation Law of the People's Republic of China* and other relevant laws and regulations, it strives to improve energy management, select low-energy-consumption equipment as much as possible, and continuously identify opportunities for energy improvement in factories. It tracks and analyzes energy consumption of facilities and equipment, promotes energy-saving renovation projects, and optimizes energy use structure. During the Reporting Period, Zhou Hei Ya started from two aspects of administrative management and technological transformation to promote the implementation of energy conservation and emission reduction measures. The outsourced electricity consumption of Wuhan factory decreased by 20% compared with 2017.

The following table shows the energy use of the Group during the Reporting Period:

	Unit	2017	2018
Purchased electricity	kWh	44,867,610	44,614,735
Natural gas	m ³	5,606,274	6,453,107
Gasoline	liter	670,371	387,366
Diesel	liter	132,371	210,976
Direct energy consumption	tons of standard coal	7,662	8,512
Indirect energy consumption	tons of standard coal	5,514	5,483
Total energy consumption	tons of standard coal	13,176	13,995
Energy consumption per 10,000 yuan of revenue	tons of standard coal/10,000 yuan of revenue	0.04	0.04





Office Area Energy-saving Signs

- Electricity management in production workshops and office areas was strengthened. Attractive energy-saving and resource-saving labels were designed and posted near energy-consuming equipment, so that electricity is cut off as operators leave, and employees' energy-saving awareness was strengthened.



3.3 Discharge Control

Wastewater Management

The Group's wastewater discharge mainly includes production wastewater and domestic sewage. At the Wuhan plant, we built Phase I and Phase II wastewater treatment stations in strict accordance with the most stringent emission standards in the *GB13457 Water Pollutant Emission Standard for Meat Processing Industry* for the treatment of wastewater in the plant. After reaching the standard, the water treated is sent to the municipal pipe network, and the effluent water quality can reach the first-class (highest) standard of the meat processing industry. During the Reporting Period, we installed an online monitoring system at the wastewater treatment station to monitor chemical oxygen demand (COD) and ammonia nitrogen in real time. At the same time, in order to better grasp the situation of wastewater discharge compliance, we added the daily average qualification rate of wastewater monitored online into the environmental management performance evaluation indicators. During the Reporting Period, the Group's wastewater discharge indicators did not exceed the standard.



During the Reporting Period, our wastewater discharge was as follows:

Type of Wastewater Discharge	Unit	2017	2018
Wastewater	tons	352,196	465,046
COD	tons	40.65	36.02
Ammonia nitrogen	tons	1.99	2.03

Phase I Wastewater Treatment Station Upgrading and Transformation

In order to further improve the efficiency of wastewater treatment, the Group completed the transformation and upgrading of the Phase I wastewater treatment station of Wuhan Plant in mid-2018 with an investment of 5.3 million yuan. By adding an accident tank of 900 m³, an anoxic tank of 675 m³, and an aerobic tank of 900 m³, aerobic biochemical treatment capacity increased from 400 tons/day to 800 tons/day, biochemical treatment efficiency of COD and biochemical oxygen demand (BOD₅) reached more than 90%. A deep-end coagulation unit was also added to the back end, so that the removal efficiency of phosphorus reached more than 90%, which greatly increased the wastewater treatment capacity. At the same time, we equipped the wastewater treatment station with corresponding laboratory, testing equipment and automatic control system to ensure the safer and more stable operation of the wastewater treatment system.



Wastewater Treatment station upgrade investment:

5,300,000
yuan

Wastewater treatment capacity increases to:

800
tons/day

Waste Management

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



Recyclable Waste	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 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.

Zhou Hei Ya Waste Disposal

During the Reporting Period, we carried out detailed management of the classification and disposal of solid waste, and classified harmless waste into industrial solid waste, recovered industrial solid waste and municipal solid waste, among which industrial solid waste mainly includes Chili slag, packaging materials with grease, etc., and the solid waste recovered mainly includes paper and plastic bags. The generated solid waste was as follows:

Type of Solid Waste	Unit	2017	2018
Disposed treated industrial solid wastes	tons	2,349	2,419
Recycled industrial solid wastes ²	tons	2,886	2,955
Municipal solid waste	tons	344	320
Total volume of non-hazardous wastes	tons	5,579	5,694
The amount of non-hazardous wastes per 10,000 yuan of revenue	tons/10,000 yuan of revenue	0.02	0.02
Total hazardous wastes generated	kg	622	732
The amount of hazardous wastes per 10,000 yuan of revenue	g/10,000 yuan of revenue	1.91	2.28

We vigorously carry out circular economy featuring programs for recycling spare parts and cartons. At the same time, in order to strengthen the recycling of hazardous waste, we have added hazardous chemicals waste recovery rate in the environmental management performance evaluation indicators.

Spare Parts Recycling

- During the Reporting Period, Zhou Hei Ya collected the spare parts with flaws in the workshop, and reused them after repair to reduce waste discharge and save costs.

Carton Recycling

- During the Reporting Period, the Group began to standardize the recycling of cartons in Hubei. Stores were required to place the products from cartons in the refrigerator before arranging every 10 to 20 emptied cartons in a neat manner. After being bundled with tape, the cartons were transported back to the designated place of the factory by the delivery vehicle. The workshop assigned personnel to unbundle the cartons, classify them according to hardness and appearance, and transport compliant cartons back to the MAP workshop for reuse. Non-compliant cartons were handed over to a paper recycling company for recycling.



² Recycled solid wastes mainly include paper, plastic bags, etc



Air Emissions Management

Zhou Hei Ya attaches great importance to the management of exhaust gas emissions. We strictly follow the exhaust gas emission standards such as *GB18483-2001 Emission Standards for Cooking Fume (Trial)* and *GB13271-2014 Emission Standards for Boiler Air Pollutants*. Emissions from boilers in the production process and soot emissions from the canteens are subject to strict control to realize emission compliance and reduce the impact on the surrounding environment.

During the Reporting Period, greenhouse gas emissions was as follows:

Greenhouse Gas Emissions	Unit	2017	2018
Scope 1 ³ greenhouse gas emissions	tons of CO ₂ e ⁵	13,903	15,323
Scope 2 ⁴ greenhouse gas emissions	tons of CO ₂ e	24,541	26,156
Total greenhouse gas emissions	tons of CO₂e	38,444	41,479
Greenhouse gas emissions per 10,000 yuan of revenue (Scope 1 and 2)	tons of CO₂e/10,000 yuan of revenue	0.12	0.13

Air Emissions Control Measures in Hebei Factory

Installation of a Lampblack Purifier

- There were unorganized oil and gas and soot emissions in the braising and roasting processes of the production base in Hebei. During the Reporting Period, the Group installed a lampblack purifier to the exhaust ports of above-mentioned processes.



Wastewater Treatment Station Fiber Reinforced Plastics (FRP) Sealing Cover

- During the Reporting Period, the Hebei production base spent 400,000 yuan installing a FRP sealing cover on top of the wastewater station to prevent unorganized exhaust emissions and odor emission.



³ Scope 1: Covering the greenhouse gas emissions from the combustion of natural gas, unleaded petrol and diesel oil of the Group

⁴ Scope 2: Covering the greenhouse gas emissions indirectly generated by the Group's use of purchased electricity

⁵ CO₂e means carbon dioxide equivalent



Collaboration to forge strength

4.1 Employee Profile

4.2 Health and Safety

4.3 Employee Development

4.4 Caring for Employees



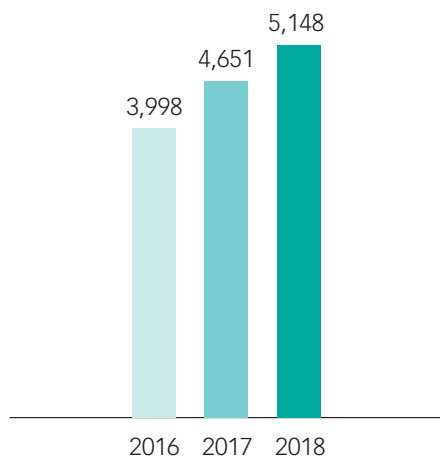
An efficient and professional talent team is the driving force for Zhou Hei Ya to achieve sustainable development. Zhou Hei Ya always adheres to the talent philosophy of “cultivating talents in accordance with the survival of the fittest” believing that the personal growth of employees is inextricably linked with the development of the Group. We adhere to the principle of fairness and justice in the recruitment and promotion of employees and provide employees with attractive rights and benefits, a sound training system and a healthy and safe working environment, so that employees and the Group can grow together.

4.1 Employee Profile

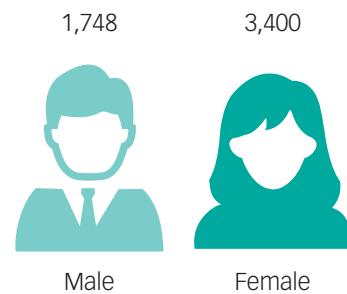
In strict compliance with the *Labor Law of the People’s Republic of China*, the *Labor Contract Law of the People’s Republic of China* and other laws and regulations, Zhou Hei Ya continuously optimizes the human resources management system in accordance with its own development needs, provides employees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

The construction of Zhou Hei Ya’s talent recruitment channel fully follows the Group’s talent development needs and cost principles. Zhou Hei Ya expands corresponding recruitment channels within the range of cost control. During the Reporting Period, we broadened existing talent recruitment channels and divided recruitment channels into several types of from online and offline dimensions such as recruitment website, campus recruitment, and headhunting companies.

During the Reporting Period, we continued to scale up with increasing demand for talents. As of December 31, 2018, the Group had a total of 5,148 employees, an increase of 10.7% compared with 2017, with male employees accounting for 34.0% and female employees accounting for 66.0%.



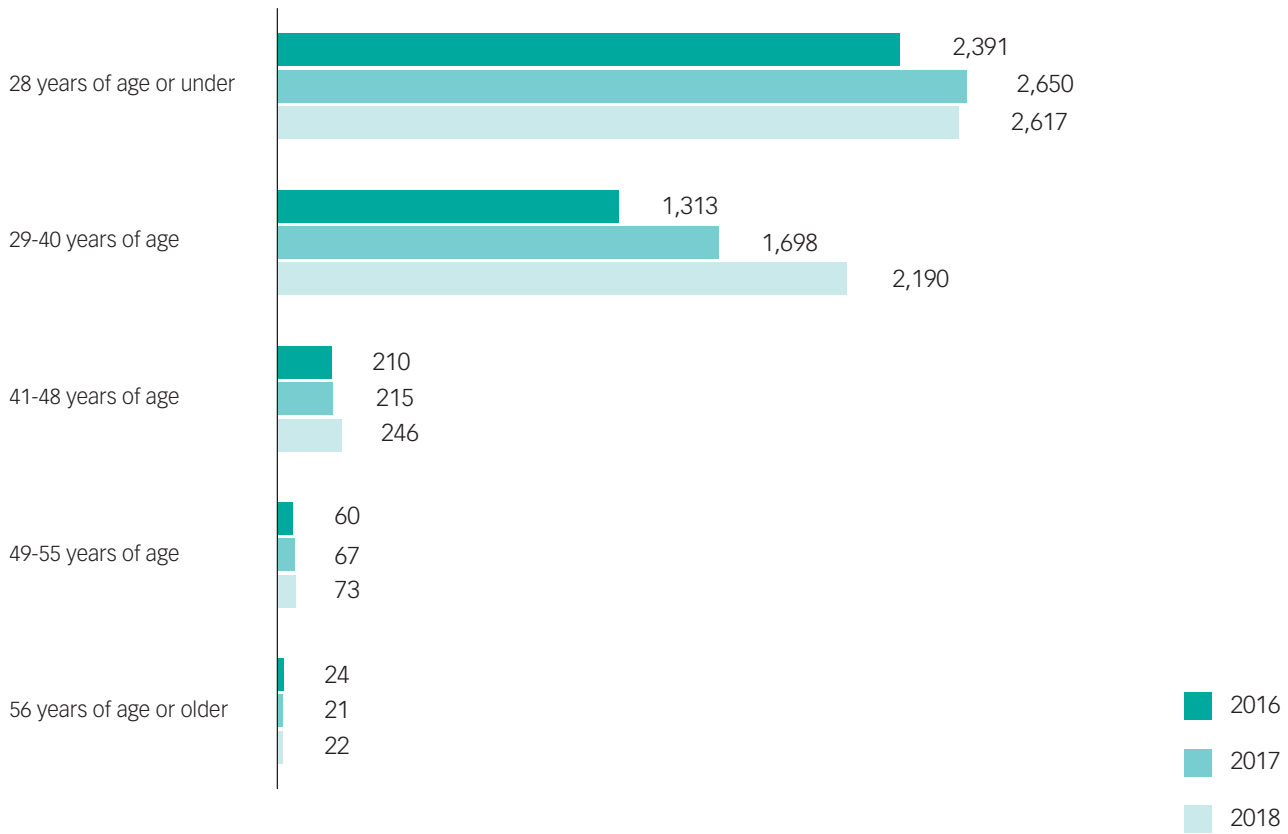
Trend of Total Number of Employees of the Group
(Unit: Person)



2018 Employee Composition of the Group
by Gender (Unit: Person)

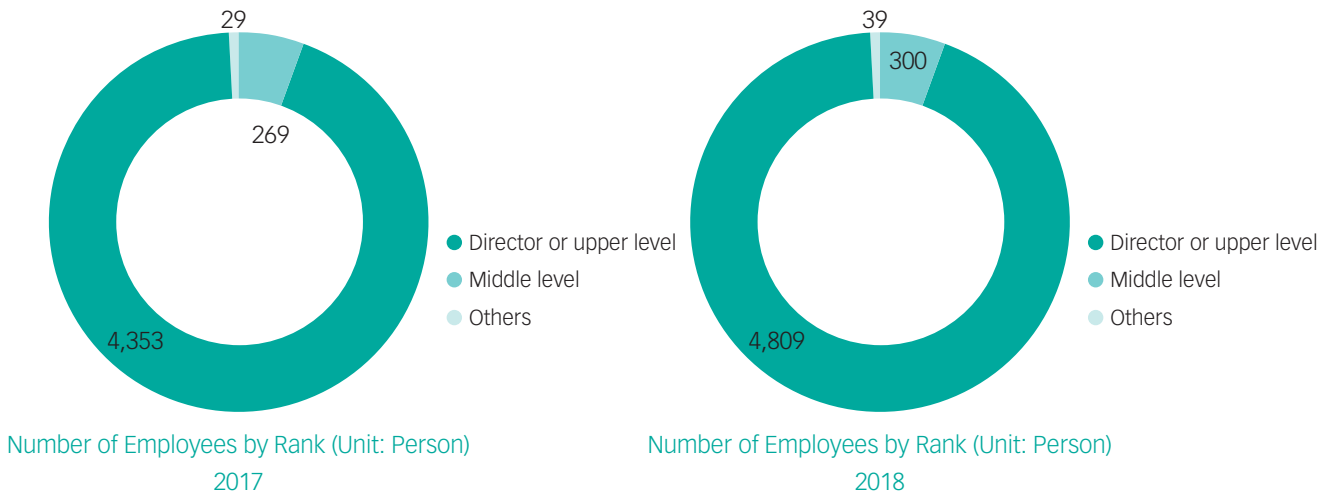


To meet the Group’s current demand for talents with abundant work experience, our main recruitment targets during the Reporting Period were employees over the age of 29. Compared with 2017, the Group’s 29-40 year old employees increased by 29.0%, 41-48 year old employees by 14.4%, and 49-55 year old employees by 9.0%.



Trend of Number of Employees by Age (Unit: Person)

During the Reporting Period, the Group focused on supplementing the strength of management personnel at the middle level and above, so that compared with 2017 our directors and above increased by 34.5%, middle-level management by 11.5% and average employees by 10.5%.



4.2 Health and Safety

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

Safety drill is an important way to prevent safety accidents. During the Reporting Period, we conducted 16 safety drills attended by 2,563 person-times, an increase of approximately 385.4% over 2017.



Through comprehensive safety drills, during the Reporting Period:



The Group has taken a series of actions to help employees reduce the impact of work-related injuries:



Measures to help employees reduce the impact of work-related injuries



In addition to the above-mentioned conventional measures, we organized training on safety production, occupational health, personal accidental injury protection and traffic safety to enhance employees’ awareness of safety production and commuting traffic safety.

In order to ensure the healthy and safe work and life of employees, the Group implements safety management systems in terms of safety production management, emergency plan drills, occupational disease prevention and health and safety training to enhance employees’ awareness of safety production and to improve their health and safety.

Management of Production Safety

Starting from different aspects, the Group actively carried out related laws and regulations and constantly perfected its safety production management process. While strengthening its management, we set corresponding system of rewards and penalties.

Factory Production Safety	Store Safety Management	Fire Safety Management	Reward and Punishment Mechanism Management
Improving the production safety management of factory. Patrolling on a daily basis the factory areas including office building, factory building, warehouse, staff canteen and dormitory, wastewater treatment plant and attic. 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.	Conducting store safety inspection in different regions. Making 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.	Entrusting a third-party testing company to make a comprehensive test on the Group’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.	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, we will pay cash bonus to the factories that achieve their goals.



We formulated *Measures for Rewards and Punishments on Branch Companies' Annual Safety Objective Assessment* during the Reporting Period, requiring all branch companies to sign 2018 annual safety production responsibility letter and assessed various indicators of them each month as well as by the end of the year.

<p>Accident Controlling Objectives</p>	<ul style="list-style-type: none"> To avoid major work-related injures and fatalities, major fire safety accident, occupational health safety accident, major environmental pollution accident, major and extra serious safety accident on facilities and major and extra serious traffic safety accident. Level C and above (including level c) safety accident is 0. According to the practical condition of different branch companies, the controlling objectives of ordinary and below safety accident (level D) is listed as below: a. No more than 1 accident is allowed in Hubei Industrial Park; b. No more than 1 accident is allowed in Hebei Industrial Park; c. No more than 1 accident is allowed in Shanghai Branch; d. The target of other branch companies with no production unit is 0.
<p>Controlling Objectives of Economic Loss</p>	<ul style="list-style-type: none"> No theft accident occurs with loss over 10,000 yuan in all branch companies' factories, office areas and stores.
<p>Work Injury Accident Controlling Objectives</p>	<ul style="list-style-type: none"> Injury rate per 200,000 man-hours < 0.5, serious injury rate per 200,000 man-hours < 11.

Branch companies' 2018 annual safety objectives

During Reporting Period, we updated 13 safety management system including guard management system and electric safety management system. Referring to personnel's and vehicles' safety, we formed specific guard operation regulations. In terms of personnel, we formulated correlated service process on the reception of visitors, outside workers, employees, workers in factories and workers of second gate. For vehicles, we regulated the reception of visiting vehicles, vehicles' leaving, outside construction vehicles, parking and running of them.



13 safety management systems



Emergency Plan Drill

To lower employees' health safety risks and hidden dangers in production process, we developed different types of emergency plan drills in the Reporting Period.



Prevention and Control of Occupational Disease

The Group strictly implemented related requirements in *Law on Prevention and Control of Occupational Disease of the People's Republic of China*. Before getting start, we had designed special writing for occupational disease prevention and made pre-assessment on occupational health; during the acceptance, we had finished corresponding assessment on occupational health. Referring to various occupational disease, we set prevention measures respectively from three aspects: safety warning, safety prevention and health care.

Safety Warning

- Setting up safety warning signs at the workshop or positions with potential harm of occupational diseases
- Setting up a notice board of occupational diseases at the entrance of the workshop, informing the staffs the existence of occupational diseases harm and control measures the company will take

Safety Protection

- Equipping staffs with occupational diseases protective gears such as noise-proof headset, earmuffs and so on

Health care

- 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

Measures of Occupational Diseases Prevention and Treatment

We inspected occupational hazard factors at regular intervals and prevented them through removing, reducing, prevention and so on. During the Reporting Period, in order to realize the target of no occupational hazard area in factory, we formulated related handling measures through distinguishing occupational hazard factors and inspecting areas which may exist these factors. To reduce occupational hazard factors on noise existed in three occupational hazard areas of workplace, following measures were implemented:

1. Purchased new machines of chopping ducks' neck and put them into use, which had characteristics as short stroke, strong impact and low noise;
2. Enhanced workers repairing awareness when production equipment in workplace were abnormal or breaking down. Facilities running with "disease" were forbidden, so that to avoid them to be the noise source of potential safety hazard and occupational disease;
3. The old-style broadband were changed to mute narrow conveyors, to decrease failure rate and noise of conveyor's operation.



Health and Safety Training

The Group organized regular training activities on safety production and occupational health. Within the Reporting Period, we informed and educated employees the specific potential safety hazard in workplace and adopted related measures to regulate workers' behaviors, so as to constantly promote their safety awareness and operation ability.



May



August



November

Occupational Health Training Activities Carried Out by Zhou Hei Ya in 2018

4.3 Employee Development

Zhou Hei Ya attached great importance to employees' occupational development and devoted to the promotion of employees' ability through diversified training and fair and reasonable performance evaluation mechanism. Therefore, employees' occupational and self-development were improved, and the whole company's working efficiency was promoted, which helped realize the win-win of both employees and company.

Employee Training

The Group clearly understood the importance of talent cultivation, keeping providing employees diversified training opportunities. During the Reporting Period, Zhou Hei Ya updated and optimized its training process and formulated proper training plan based on employees' requirements and corporate development. We revised department mentor system and in-house trainer system, perfecting their regulations on employees' tutoring content and tutoring cycle. The certification cycle of mentor was curtailed, whose frequency was changed from three times a year to four times a year. Meanwhile, daily self-study of mentor and in-house trainer was brought into the system, so as to promote their leading ability and lay a solid foundation for the Company's further talent training.



Zhou Hei Ya Business School

- 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.

Department Mentor System

- 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.
- 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.
- 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.
- To help the potential first-level in-house trainers become familiar with their work quickly.

In-house Trainer System

- To strengthen communication and sharing in-house knowledge and experience, and help build an organization with learning spirit.
- Encourage employees to communicate with others and provide more self-development opportunities for employees.
- 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.

While completing its training system, the Group also paid attention to the diversity and efficiency of training course. According to job requirements and employees' self-development planning, we adopted three forms which were respectively internal training, external training and self-study, to carry out training planning, whose content included universality ability promotion training and specific training. During the Reporting Period, we set training record for each employee and concerned their advancement in integrated quality and professional skills. Besides, we established assessment system on training objectives. At the end of each training, we developed anonymous online questionnaire and questionnaire investigation for stores, which provided assessment on indexes as training's participation rate, qualification rate, degree of satisfaction, etc.

During the Reporting Period, the Group's total person-times of employees attending training program were 22,984 times, total training hours of employees were 64,477 hours and average training hours of employees were 12.52 hours, increasing 16.5% compared with last year.

In 2018, total training hours
of employees were

64,477
hours

In 2018, average training
hours of employees were

12.52
hours



Internal Training	New Employees	<ul style="list-style-type: none"> • Pre-job training • One to one tutoring
	Special Topic Training	<ul style="list-style-type: none"> • Food safety training • Fire safety training • Anti-corruption training • Professional ability training (production, human resources, operation) • Occupational health training • Management skill lifting training small scale optional training • Network video training
External Training	Outside Lecturer’s Courses	<ul style="list-style-type: none"> • General management training • External auditor’s lectures training
Self-Study	Employees for Public Relations	<ul style="list-style-type: none"> • Self-study and submit learning materials

Training Programs



Internal Training: Management Skills Promotion Training

During the Reporting Period, the Group organized “Question Analysis and Solving” training, to offer effective solutions for various questions troubled middle and senior managers in their jobs.



Internal Training: Operation Capability Training

To constantly improve service and sales skills of operation department, the Group systematically carried out Service Skill, Sales Skill and Process Specification course training for all employees nationwide.



External Training: General Management Training

The Group organized “Management Psychology” training by employing famous lecturers outside, to share how to switch on psychological power of employees from different class, to elevate managers’ insights and help them to exert a leverage effect, based on different employees’ psychological appeal and hierarchy of needs.



“Future Star” Talent Cultivation Program

For the sake of corporate development in the future and to establish an excellent management troop front and behind, we set “Future Star” talent cultivation program within Reporting Period. We evacuated and investigated employees through structured process, so as to find out potential management talents and provide them integrated training, which helped them acquire essential capability and lift the whole company’s working efficiency.



Assessment and Promotion

We treated employees as the most important factor in sustainable development, insisting that the development and advancement of the Group were closely related with employees’ endeavors and struggles. We made performance assessment management methods clearly in Human Resources Management System, designing reasonable but differential assessment content, pattern and cycle respectively for ordinary employees, basic management workers and middle and senior managers. Meanwhile, the assessment results were taken as reference of training, compensation adjustment, annual evaluation, position remove and assessment of fire.

4.4 Caring for Employees

The Group always held people-oriented management concept, respecting employees and cherishing their value. In Human Resources Management System, we stated compensation and employees’ benefits management system clearly, regulating that indexes as employees’ professional knowledge, professional skills, working performance, etc, were considered in measuring their compensation level and adjustment then be made according to assessment results. While guaranteeing all employees’ conventional benefits by law, we listened attentively to their requirements and suggestions, striving to provide them more humanistic benefits.

Regular Benefits

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

Other Benefits

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



The Group attached great importance to corporate cultural construction. During the Reporting Period, we designed internal magazine for employees, fully playing a role as bridge and enhancing suggestion communication and feedback between managers and employees, and between employees. At the same time, we held the concept of “entertainment makes you happier” and carried out aperiodic activities for employees. With multilayered and multidimensional collective activities, we aimed to strengthen employees’ cohesion, enhance exchange and communication between departments and promote their recognition and fusion on corporate culture.

Visiting and Caring for Workers at the Production Line

- During Spring Festival, the Group arranged a gathering meal for workers on duty, offering them a warm and enjoyable festival.
- On the eve of Dragon Boat Festival of 2018, the Group organized part of its administrative managers to make rice dumplings for manufacturing workers.



Forming a Learning-Oriented Cultural Atmosphere

In order to contribute to thematic construction of corporate culture, cultivate employees’ autonomous learning ability and merge into their personal cognitive surplus space in the form of cultural leading, the Group established Zhou Hei Ya literary club, organizing employees to join in film watching, reading activity, essay activity and reader activity. We formed a learning-oriented cultural environment, built culture exchange platform for internal employees and helped them have a quick charge, to realize effective expansion on self-growth and working ability.



Abundant Thematic Activities

- To help employees release their working pressure, to realize a balance between work and spare life and to cultivate their hobbies, the Group founded oil painting interest group and organized relevant activities for the realization of employees' overall development.
- On Tree Planting Day, the Group responded government's appealing and actively gathered its employees to participate in tree planting activity. The location of which was an open space in the north of production base factory of Hebei, with nearly 1,000 saplings were planted for a touch of green to the factory.



Team Outdoor Activities

In order to efficiently improve cooperation between teams and enhance cohesion between employees, Group developed the first-phrase outdoor activity called "relaxed running" during the Reporting Period, laying a solid foundation for Zhou Hei Ya' humanities construction.



Except for diversified activities for employees, the Group also vigorously concerned its needy employee groups by setting support fund. When getting to know employees' difficulties or their diseases, we warmly delivered our greetings on telephone, to bring sufficient wishes and blessings for the needy families.



Firmly Rooted in Society



While actively joining community activities, the Group steadily and efficiently promoted the development of poverty alleviation work with highly developed sense of responsibility and sense of mission. Kenong Village of Husi Street in Jiangxia District, Wuhan City is the fixed-point poverty alleviation village of our Group. Zhou Hei Ya, Ke Nong Village Committee alone with the in-village stationed poverty alleviation working group of Food and Drug Administration of Wuhan City made a general planning on poverty alleviation work and assigned special persons to its management.



Charitable activities

Smile of Yangtze Finless Porpoises

During the Reporting Period, Zhou Hei Ya continued its Yangtze finless porpoises protection project as last year, forged its first member shop featuring Yangtze finless porpoises protection on Jiangnan Road, Wuhan City in August. The shop's tone had changed from yellow as always to blue white, in which Yangtze finless porpoises protection advertising video was broadcasted on big screen. We also called upon our member customers to visit Yangtze finless porpoise protection area and experience Yangtze finless porpoises breeding.

As a local brand of Wuhan, Zhou Hei Ya took the social responsibility for its city and family, advocating Yangtze finless porpoises protection public donations through offline stores, which were all applied to Yangtze finless porpoise protection. Besides, people could have a deeper understanding on this endangered animal through immersive experience, thus reinforcing their environmental protection. The stores do not use plastic bags, prompting consumers to start from their own to improve the environment.



Donation to Left behind Children Program

During the Reporting Period, the Group donated 334,817 yuan to Secretariat of Hubei Province Youth Development Fund, especially applied to caring for leftover children series public project in Jianshi County. These series public projects included "Hope Book House" project according to the shortage of books of Minzu Primary School in Huaping Town, Jianshi County, "Hope Kitchen" project according to the aging facilities and drinking water problem of Guankou Primary School in Huaping Town, Jianshi County, and doors and windows' repairing and replacing project according to the current condition of student dormitories' roof, doors and windows of Shima Primary School in Huaping Town, Jianshi County.

Meanwhile, we positively took part in Hubei Province "Same wishes for children-caring for leftover children 'hope we-wish' public planning" and donated stationary and sporting good for 404 leftover children in Jianshi County.



Targeted poverty alleviation

Targeted Poverty Alleviation, Paying Visit to Villagers of Ke Nong Village

On the eve of 2018 Middle Autumn Festival, the Group developed targeted poverty alleviation work, sending festival greetings to the support counterpart, Ke Nong Village on Husi Street in Jiangxia District, Wuhan City. Zhou Hei Ya prepared an exquisite gift for each family and delivered them by employees, which contained Zhou Hei Ya Middle Autumn Moon Exploration gift box and five "online popular" products. Villagers who received these gifts showed their happy smile.



Appendix 1 HKEX ESG General Disclosures and KPIs

Disclosures and KPIs		2018 ESG Report
A. Environmental		
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 operation for sustainability
A1.1	The types of emissions and respective emissions data	3.3 Discharge Control
A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate intensity.	3.3 Discharge Control
A1.3	Total hazardous waste produced (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	3.3 Discharge Control
A1.4	Total non-hazardous waste produced (in tons) and, where appropriate intensity (e.g. per unit of production volume, per facility).	3.3 Discharge Control
A1.5	Description of measures to mitigate emissions and results achieved.	3.3 Discharge Control
A1.6	Description of how hazardous and non-hazardous wastes are handled reduction initiatives and results achieved.	3.3 Discharge Control
A2	Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	3. Green operation for sustainability
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 Resource Consumption
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 Resource Consumption
A2.5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	3.1 Resource Consumption
A3	The Environment and Natural Resources	
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	3. Green operation for sustainability
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	3. Green operation for sustainability



Disclosures and KPIs		2018 ESG Report
B. Social		
Employment and Labor Practices		
B1	Employment	
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	4. Collaboration to forge strength
B1.1	Total workforce by gender, employment type, age group and geographical region.	4.1 Employee Profile
B1.2	Employee turnover rate by gender, age group and geographical region.	The Company will have fine management on this issue in the future.
B2	Health and Safety	
General Disclosure	Information on a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	4.2 Health and Safety
B2.1	Number and rate of work-related fatalities.	4.2 Health and Safety
B2.2	Lost days due to work injury.	4.2 Health and Safety
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	4.2 Health and Safety
B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	4.3 Employee Development
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	The Company will have fine management on this issue in the future.
B3.2	The average training hours completed per employee by gender and employee category.	The Company has disclosed average trained hours and will have fine management on this issue in the future.
B4	Labor Standards	
General Disclosure	Information on: a) the policies; and b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	4.1 Employee Profile
B4.1	Description of measures to review employment practices to avoid child and forced labour.	4.1 Employee Profile
B4.2	Description of steps taken to eliminate such practices when discovered.	4.1 Employee Profile



Operating Practices		
B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	2.3 Responsible Supply
B5.1	Number of suppliers by geographical region.	2.3 Responsible Supply
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	2.3 Responsible Supply
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. Exploration in Intelligence
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	2.1 Quality First
B6.2	Number of products and service related complaints received and how they are dealt with.	2.4 Thoughtful Service
B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.2 Health Innovation
B6.4	Description of quality assurance process and recall procedures.	2.1 Quality First
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	2.4 Thoughtful Service
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
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	1.3 Corporate Governance
Community		
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. Firmly Rooted in Society
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	5. Firmly Rooted in Society
B8.2	Resources contributed (e.g. money or time) to the focus area.	5. Firmly Rooted in Society



Appendix 2 Laws and Regulations

Laws

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



Regulations, Ordinances, and Rules

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



Product Standards

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





Zhou Hei Ya International Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

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