

WIN-WIN WITH CUSTOMERS

Ausnutria is committed to providing products of highest safety and quality standards. This is put into action through strengthening high quality controls capabilities and ongoing investment in research and development ("R&D") to improve its products and unleash more health benefits. Ausnutria also proactively engages its customers through a variety of online and offline platforms. The Group sincerely listens to its customers' needs and shares with them the latest knowledge on health and nutrition. It also safeguards their rights and interests through upholding responsible marketing practices and strict privacy protection across all operations.



The Group's Chairman, Mr. Yan Weibin (left) commenced the first global marketing conference.



Management and marketing teams of Neolac gathered in the PRC to push forward a global marketing vision.

SOLIDIFYING CUSTOMER RELATIONSHIPS

The Group values customer relationship and constantly strive to solidify and broaden its customer base with quality communications. Through various engagement programs and social platforms, the Group solicits customer feedback for continuous improvement, and promotes up-to-date and scientific-based knowledge on dairy and nutritional products.

Ausnutria held the first global marketing conference in Year 2019 to coordinate its marketing and customer engagement efforts around the world, and to maintain a consistent and quality brand image for our product series, including Kabrita, Allnutria, Hyproca 1897, Neolac, and Puredo. During the conference, the Group advocated for a global marketing vision and strategy that encompasses the best marketing and communication practices from Ausnutria's branches in eleven countries and territories. It successfully fostered experience sharing and innovations among the marketing professionals, supporting Ausnutria to better address customers' needs in its engagement and communication programs.

CASE STUDY

Bringing Customers and the Internet Community to Kabrita's Production



Holland Tours featured Kabrita's goat farms and manufacturing processes in the Netherlands.

In Year 2019, Ausnutria scaled up one of its signature educational programs, Holland Tours, to promote the Dutch goat milk industry. About 600 product distributors and customers, including bloggers and vloggers, participated in the tours and learnt about the manufacturing processes and the benefits of goat milk infant formula. After the visit, some bloggers and vloggers, who recognized the operating philosophy, shared the knowledge and experience they gained in the visit on social media platforms, hoping to further advocate for the understanding of goat milk products to a wider audience.

About this Report

Message from the Chairman

About Ausnutria

Ausnutria's Approach to Sustainability

Win-win with Customers

Win-win with Employees

Win-win with Business Partners

Friendly with the Environment

Contributing to the Communities

Sustainability Performance Table

HKEx ESG Reporting Guide Content Index

Independent Assurance Opinion Statement



 Business app of Ausnutria Dairy (China) Co., Ltd.

Ausnutria also fully capitalises on the power of social media and has set up WeChat channels in the PRC under its major dairy brands including Kabrita, Hyproca 1897, Allnutria, Nutrition Care, Puredo, Neolac and Eurlate. Not only can the Group promote its own products and marketing activities, the channels are also platforms for parents and parents-to-be to exchange knowledge on infant care and raise feedback and enquiries regarding Ausnutria's products. To ensure all

information is accurate and will not do harm to other parents and their children, the Group's professional nutritionists are involved in the management of these online platforms. Besides, the functionalities of the Kabrita mobile app were enhanced in 2019. Strengthened data analytics allows the Group to better understand its end users' needs and deliver tailored birthday greetings and other marketing messages, accompanying the growth of its valued members' families. With the utilisation of the Kabrita mobile app, the Group hopes to offer a personalised and extraordinary experience that exceeds customer expectations.

In addition to direct engagement, the Group seeks to work with healthcare professionals such as paediatricians, nutritionists, and practitioners to improve the communications with end users in different business settings. The daily interactions between these professionals and Ausnutria's customers are indispensable to complement the Group's engagement efforts. Through participation in an array of local and regional scientific conferences and trade fairs, such as the 6th International Conference on Nutrition and Growth in Valencia, Spain, and the 52th Annual Meeting of the European Society for Paediatric Gastroenterology Hepatology and Nutrition (ESPGHAN) in Glasgow, Scotland, Ausnutria shared with these healthcare professionals its latest research findings on infant formula products, especially on the nutritional values of goat milk.

CASE STUDY

Ausnutria Nutritional Expert Academy 2019: Introduction to goat milk-based nutrition



Nutritional Expert Academy Introduction to goat milk based nutrition

The Netherlands, November 12th – 15th 2019

In November 2019, thirty healthcare professionals were invited to join Ausnutria Nutritional Expert Academy 2019 in the Netherlands to learn about the uniqueness of goat milk-based nutrition. By sharing the latest scientific insights and linking the knowledge with practical experiences, the four-day event aimed to deepen participants' understanding on goat milk products. Apart from seminars and workshops, the event also included guided tours in goat farm and Ausnutria Heerenveen Factories showing the professionals about the entire from-grass-to-glass production process of goat milk formula.

About this Report

Message from the Chairman

About Ausnutria

Ausnutria's Approach
to Sustainability

**Win-win with
Customers**

Win-win with
Employees

Win-win with
Business Partners

Friendly with
the Environment

Contributing to the
Communities

Sustainability
Performance Table

HKEx ESG Reporting Guide
Content Index

Independent Assurance
Opinion Statement

As the Group expands its business into nutrition and healthcare sectors, Ausnutria seeks to raise customers' awareness on healthy living. Among all issues, the Group emphasises the importance of good gut health and Nutrition Care has launched the Love Your Gut Awareness Program in Australia in Year 2019. The program features the NC Love Your Gut Symposium with the theme "Love your gut, Live your life" and a series of workshops for our corporate customers.

The NC Gut Relief and NC new product launch event was held in Melbourne, Australia in October 2019, and has gathered over 150 medical health product experts from the PRC and Australia, as well as customers, key distributors, influencers and media from around the world. The core part of the symposium was an extensive exchange and discussion of the expert panel on topics relating to gastrointestinal issues, such as how gastrointestinal issues affect human health and how natural remedies could be used to repair gastrointestinal health, so as to raise awareness among customers. Dr. Karin Ried, director of the National Institute of Comprehensive Medicine (NIIM) and the principal person of the clinical trial of NC Gut Relief, shared the remarkable research result of the NC Gut Relief at the event. Since then, NC Gut Relief has become the only clinically certified gastrointestinal nutritional product in Australia. To conclude the event, the Group also showcased its latest series of innovative gastrointestinal products that is developed specifically

for people who want to improve their gastrointestinal health.



A panel of experts was convened to address the global crisis of poor gut health and to analyse possible new approaches to better gut health in the future at the symposium.

At the same time, the Group has organised a series of Gut Wellness workshops for its corporate customers to help them achieve their best health condition. Through sharing actionable steps, the Group hopes to encourage participants to implement lifestyle changes to improve gut health and overall quality of life.



Participants brought home the Group's nutrition products.



Diet and lifestyle tips were shared with participants for good gut health.



The Group introduced its latest nutritional products to help customers achieve good gut health.

About this Report

Message from the Chairman

About Ausnutria

Ausnutria's Approach to Sustainability

Win-win with Customers

Win-win with Employees

Win-win with Business Partners

Friendly with the Environment

Contributing to the Communities

Sustainability Performance Table

HKEx ESG Reporting Guide Content Index

Independent Assurance Opinion Statement

About this Report

Message from the Chairman

About Ausnutria

Ausnutria's Approach
to Sustainability

**Win-win with
Customers**

Win-win with
Employees

Win-win with
Business Partners

Friendly with
the Environment

Contributing to the
Communities

Sustainability
Performance Table

HKEx ESG Reporting Guide
Content Index

Independent Assurance
Opinion Statement



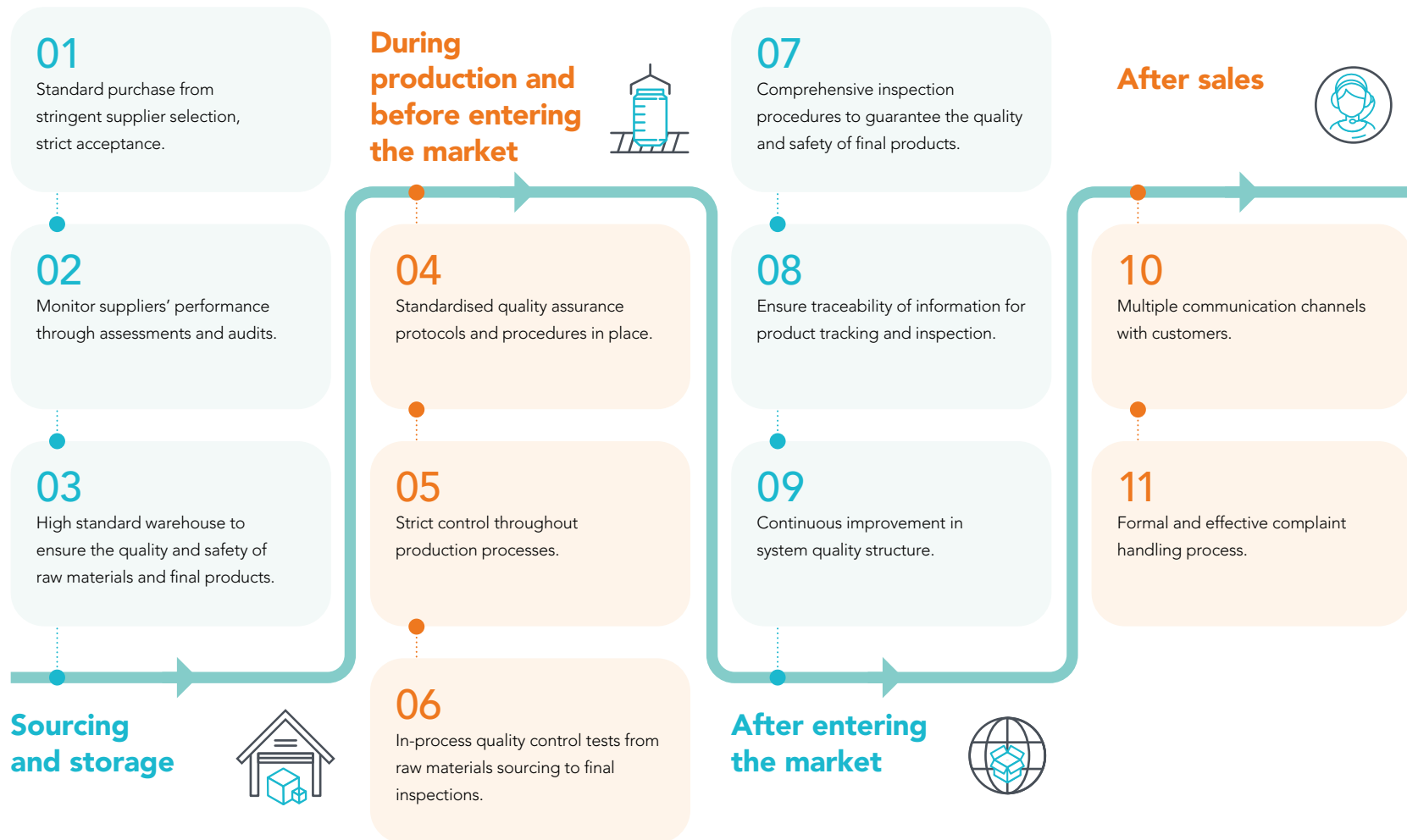
ASSURING PRODUCT SAFETY AND QUALITY

Ausnutria always prioritises safety and quality of its nutritional and dairy products to safeguard the health of its cherished but sometimes vulnerable customers. Through the overarching quality control principles, its high standards are infused into the entire vertically integrated production chain, from raw material sourcing to the production process, and until products are distributed to customers. The principles set out the Group's requirements for all production facilities and help ensure compliance with all applicable laws and regulations.

Production facilities of the Group are certified with internationally accepted food safety management systems and standards, with the majority certified with FSSC 22000 Food Safety System Certification, ISO 22000 Food Safety Management System, Hazard Analysis Critical Control Points, GMP+ Good Manufacturing Practices and/or BRC Food Safety Certification, depending on local practices. In March 2019, Ausnutria was honourably awarded "Stable & Qualified Product" and "Enterprise with Product & Service Integrity" by China Association for Quality Inspection.

To manage the potential public health and safety risks that substandard products may impose, Ausnutria has developed product recall procedures as guidelines for its subsidiaries to respond promptly and professionally when such incident occurs. In the event of customer complaints, unqualified quality checks by local regulators, negative media coverage, or non-conformance discovered internally, the Group will initiate the recall procedures. Incidents will be assessed and categorised into three levels based on the severity and urgency of food safety risks. Once a product recall is instructed, the Group will trace back the entire production and distribution chain and recall all products with any non-conformity or safety risks within 24-72 hours. Incident reports will also be compiled and submitted to management and, when required, local regulators to avoid future reoccurrences.

QUALITY CONTROL AT ALL STAGES OF PRODUCTION



About this Report

Message from the Chairman

About Ausnutria

Ausnutria's Approach to Sustainability

Win-win with Customers

Win-win with Employees

Win-win with Business Partners

Friendly with the Environment

Contributing to the Communities

Sustainability Performance Table

HKEx ESG Reporting Guide Content Index

Independent Assurance Opinion Statement



SOURCING AND STORAGE

Ausnutria's attention to quality begins from the sourcing of its production materials. Standard operating procedures for supplier selection and approval are in place to ensure their capabilities to deliver a stable source of quality materials.

For those that are critical to the Group's production chain, regular monitoring is conducted through assessments and on-site audits at selected production facilities. More details on supplier selection and management can be found in **Win-win with Business Partners**.

All warehouses for raw and packaging materials, as well as finished products, are maintained with high standards of hygiene and safety. The Group offers training to all employees involved in warehouse management to ensure that good housekeeping and quality assurance practices are thoroughly followed.



DURING PRODUCTION AND BEFORE ENTERING THE MARKET

Over the years, the Group has been continuously strengthening its quality control capabilities. Detailed manufacturing protocols and quality assurance procedures are in place for all production

facilities. To further ensure conformance to the Group's quality and safety standards, Ausnutria conducts both in-process quality control tests and final inspections on all products. Before releasing to the market, laboratory tests are performed on every batch of products against internal and national standards. As per the local regulatory requirements of each distribution location, dairy products are subject to additional external compliance checks.



AFTER ENTERING THE MARKET

The Group performs random checks and inspections for continuous quality monitoring after the products are released to the market. If any unfavourable conditions are identified during inspection or after sales, the Group will swiftly trace back the production chain for investigation. To this end, an electronic recording system has been set up to manage key production information for each batch of products, including the types of raw material used, the production processes, and logistic information. The system effectively facilitates product quality and safety management and product recalls when necessary. In addition, to increase product transparency for external parties, the Group introduced QR codes on product packaging for customers to track information such as product certifications and logistics involved.



AFTER SALES

To better manage customers' satisfaction, formal channels such as customer service hotlines and dedicated mailboxes are set up for each brand to handle their feedback, enquiries, and complaints. Upon the receipt of a complaint, the customer service team categorises it according to its severity and carries out investigations accordingly. The complaint may be escalated or forwarded to other teams when senior advice or cross-team collaborations are required. Documentations of all complaints received are well maintained and reviewed to avoid recurrences of similar incidents. Trend analysis is also regularly conducted for future improvements in product safety and quality. Besides, the Group actively tracks customer satisfactions on its products. The sales and customer service department in the PRC carries out survey for individual end-users and distributors quarterly and annually respectively through calls, emails and visits. In recent years, Ausnutria also made good utilisation of online platforms such as WeChat, websites, and QQ to capture feedback from a large pool of customers and give prompt response to them with the assistance of AI technology and multimedia such as photos and animations.

PRODUCT INNOVATION THROUGH RESEARCH AND DEVELOPMENT

In search for opportunities to enhance new product development, production efficiency, and product nutritional value, Ausnutria has always laid strong emphasis on the role of R&D for its long-term success. During the year, the Group has stepped up its investment in the R&D of new products by RMB32 million to RMB132.1 million. With the joint efforts of the Group and its partnered institutions, the Group has received a total of 90 registered patents and 50 authorised patents (which will become registered patents upon receipt of the authorisation letter) as at 31 December 2019.

The Group's R&D results were highly satisfactory, and a number of new products were launched during the year as a result. Specifically, the development in infant formulas continued to stay strong and the 100% Netherlands imported Hyproca Hypure series was launched in Year 2019. The Group also expanded its product portfolio and introduced Kabrita Yingjia adult goat milk powder and the Allnutria ExtraPure organic pregnant and lactating mother milk powder for customers of different age groups. As to nutritional products, Nutrition Care launched a series of new products from Australia in Year 2019. The Group is also looking to introduce a broader range of nutrition products for its customers, specifically gastrointestinal nutrition products. As such, the Group invested in two companies, Glac Biotech and Aunulife, that are engaged in the development, manufacturing, distribution and sale of probiotics- and fermentation-related health products. Such investment will allow the Group to capitalise on their probiotics-related R&D, supporting the Group to further advance its nutritional product portfolio.

To keep pace with business growth and to meet the needs of broader customer groups, the Group continues to expand its strategic partnership network with honourable universities, research institutions, industry partners, and contract manufacturers. It is the collective goal of Ausnutria and its strategic partners to unleash more health benefits for its customers through science and innovation. The Group has established innovation platforms with external expert groups such as the Hunan Dairy International Science and Technology Innovation Cooperation Base, and Peking University People's Hospital Breast Milk Research Bank. Besides, the Group has been collaborating closely with its strategic partner Jiangnan University in the PRC to enhance its product offerings. In addition to a study on the differences in nutritional profiles of breast milk with cow milk and goat milk, functional verification testing was conducted for three formula milk products in Year 2019. A new goat milk research institute was also established in May 2019 to leverage Jiangnan University's research capabilities and boost the development of Kabrita.



About this Report

Message from the Chairman

About Ausnutria

Ausnutria's Approach
to Sustainability

Win-win with
Customers

Win-win with
Employees

Win-win with
Business Partners

Friendly with
the Environment

Contributing to the
Communities

Sustainability
Performance Table

HKEx ESG Reporting Guide
Content Index

Independent Assurance
Opinion Statement

As to nutritional products, in partnership with the National Institute of Integrative Medicine in Australia, the Group completed its year-long clinical research study in April 2019 on NC Gut Relief, a product for gastrointestinal health. Encouraging results were presented at the European Congress of Integrative Medicine. With the use of NC Gut Relief, the study showed significant improvements in gastrointestinal symptoms, stool consistency, and gut microbiome functioning. Moreover, correlation between the use of NC Gut relief and significant reductions in leaky gut, gastrointestinal reactions to food triggers, and other symptoms were found in the study, showing that the product can notably improve customers' overall quality of life.



NC Gut Relief.

Internally, the Group has built a global R&D team consisting over 180 doctoral and dairy experts to coordinate research activities in different regions and benefit from possibilities to perform joint research projects between the regions. It will also build a global network with academia and key opinion leaders to strengthen the endorsement of Ausnutria's R&D by the scientific community and, furthermore, globally coordinate the Group's patent (IP) activities. During the year, it seeks to streamline its internal resources under the "1 + 3" global R&D strategy plan by consolidating all internal R&D efforts and leveraging on the input from external and overseas experts. Driven by the Group's Ausnutria Institute of Food and Nutrition in the PRC, and supported by Peking University's Ausnutria Maternal and Child Nutrition Research Center, the European R&D Center in the Netherlands, and the ANZ R&D Center in Australia and New Zealand, the Group constantly works towards the development of next-generation dairy and nutritional products.

To further accelerate the Group's R&D capabilities, Ausnutria introduced a collaborative platform among its dairy and nutritional professionals in Australia and New Zealand in Year 2019. It enables specialists of different products to share research findings and exchange knowledge, aiming to further deepen cross-disciplinary nutrition research. In the Netherlands, a new research platform was also set up during the year. Over 20 research projects are underway, and the Group has proudly filed four patents based on the research findings.

Ausnutria respects intellectual property rights and closely monitors its in-house R&D innovations and those within the market. Enterprise intellectual property management system and supplementary procedures that adhere to the legal requirements have hence been established. To ensure all brands and logos used in product packaging are registered, intellectual property right and trademark registry for all brands are maintained and managed by respective departments. An employee handbook on intellectual property right protection is also available for awareness-raising.



SAFEGUARDING CUSTOMERS' INTERESTS

Customer trust is the foundation of the Group's long-term success, and thus Ausnutria conducts all its marketing and communications in a responsible and ethical way. In support for the recommendation of the World Health Organisation, the Group encourages breastfeeding and does not promote stage 1 (0-6 months) infant formula. In view of the latest regulatory requirement, stage 2 (6-12 months) infant formula will not be promoted in the PRC market as well.

To avoid any unfair, deceptive, or discriminatory label design and product claims, all products and marketing materials are subject to a stringent review process according to the Group's branding guidelines. Dairy products also undergo final approval as per the requirements of the distributors or local brands to ensure compliance with local laws and regulations. Beyond the statutory requirements, the Group has participated in a Voluntary Incidental Trace Allergen Labelling Program in Australia. Before declaring "allergen-free" on the product label, all nutritional products undergo a thorough and rigorous allergen testing for every ingredient. In 2019, mis-descriptions were regrettably found on Kabrita's e-commerce stores regarding the labels of two Kabrita's goat milk infant formula products, in which one of the key ingredients of the products were mistranslated into Chinese. The incident was non-intentional and has been rectified immediately. The Group also appointed an independent consultant to review other marketing information of Kabrita's products in its principle markets, namely the PRC, the United States and the European Union. It was opined that the labelling of Kabrita's products have complied with relevant laws and regulations in each respective jurisdiction.

Furthermore, Ausnutria is committed to protecting customer data privacy. The Group has established an internal customer data and privacy policy to protect the personal information of employees, business partners, and customers. To ensure compliance with the European Union General Data Protection Regulation, which has become effective on 25 May 2018, the Group crafted a workgroup in early 2018 to review its data privacy policy to ensure compliance with the new requirements. Apart from this, information security tips and measures are also distributed to employees through bulletin boards and posters to raise their awareness on internal data security. Privacy statements are available on Kabrita's and Neolac's websites, describing how the Group takes precautions to protect business partners, customers, and other users' information when handling and processing their personal data.



About this Report

Message from the Chairman

About Ausnutria

Ausnutria's Approach
to Sustainability

Win-win with
Customers

Win-win with
Employees

Win-win with
Business Partners

Friendly with
the Environment

Contributing to the
Communities

Sustainability
Performance Table

HKEx ESG Reporting Guide
Content Index

Independent Assurance
Opinion Statement