

WIN-WIN WITH CUSTOMERS

Ausnutria makes every effort to provide customers with products that are safe and of the highest quality. The Group demonstrates its commitment to quality control at every decision and every process of its business operations. In the midst of COVID-19, the Group continued to maintain stable supply and quality of its products to safeguard customers' health in combating against the virus. Through investment in R&D, the Group seeks to explore and unlock more health potentials of its products. The Group closely connects with its customers by sharing the latest health and nutritional information and collecting their feedback on multiple communication platforms. To protect its customers' rights, responsible marketing and advertising practices and due care in protecting data privacy are exercised throughout its operations. In May 2020, the Group was honourably entitled "Product of the Year 2020" in the Gulf Region in the Middle East. The recognition encourages the Group to continue its efforts in delivering premium products.

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Key Highlights in 2020

Launched new products:

- **Allnutria Mother Formula & Children Formula**
maternal mothers milk powder and children growing up milk powder.
- **Neolac Organic Mama Formula**
maternal mothers milk powder.
- **Aunulife Probiotics**
gastrointestinal nutritional products.
- **NC Seasonal Biotic & NC Flora Biotic**
adult nutritional products.
- **Ozfarm Camel Milk Powder**
nutrition milk powder for children and adults.
- **UHOPS & Holisure**
immune-boosters milk powder for children and adults.



Trial launched genetic test with **Ausnutria's proprietary gene chip** to provide personalised intelligent nutrition services.

Established the **Ausnutria Nutrition Institute** to collaborate with international R&D parties.

Partnered with different R&D centers across the globe under the "1 + 6" global R&D strategy plan.

Launched the **Ausnutria Breast Milk Bank** in Central China for studying breastmilk composition.

Developed **strategic partnership** with renowned universities.

Stepped up its investment in the R&D of new products to **RMB181 million**.

BUILDING A CLOSER RELATIONSHIP WITH CUSTOMERS

Ausnutria constantly strives to enhance customer relationships, so as to solidify and broaden its customer base. The Group actively engages customers through various activities and interactions on social platforms. These provide effective communication channels for the Group to listen to the customers' needs and raise their awareness of scientifically proven information on dairy and nutritious products.

Social media plays an essential role in connecting the Group with its customers. In the PRC, various channels such as WeChat and Weibo are created for its major dairy brands including Kabrita, Hyproca 1897, Allnutria, Nutrition Care and Puredo. These channels serve as a major platform for the Group to promote its products and marketing activities, and, on the other hand, for parents and parents-to-be to share experience and knowledge on infant care, and raise feedback and enquiries regarding the products. Ausnutria sees its responsibility to ensure all information on these WeChat channels is reliable and accurate and poses no harm to parents and their children. The Group's professional nutritionists are therefore engaged in the management of the online platforms.



Business app of Ausnutria Dairy (China) Company Ltd

The Group constantly seeks ways to improve its customer communications. To offer personalised and exceptional experience, the Kabrita mobile app is now equipped with data analytics function, allowing the Group to leverage big data to better understand customers' needs, and customise birthday greetings and other marketing communications. With this mobile app, the Group wishes to walk along with its treasured members in the path of children's growth.

Besides, the Group recognises the important role of health professionals such as paediatricians, nutritionists and practitioners in the communications between Ausnutria and customers. They can often offer the Group insights into customers' views which they gained directly from their interactions with the end-users, and support the Group's work on building public knowledge on health and nutrition. To this end, Ausnutria actively participates in a wide range of local and regional scientific conferences and trade fairs, for example, the 7th International Conference on Nutrition and Growth and the Pregnancy, Birth & Infancy Conference of World of Microbiome were both well-received despite being held online. These industry exchange activities also provide Ausnutria with the opportunities to share with the healthcare professionals the latest research findings of infant formula products, in particular the nutritional benefits of goat milk.



Ausnutria and Kabrita were presented at the online conference World of Microbiome from 4 to 6 November 2020. The conference focused on two major topics: pregnancy, birth and infancy and digestive and metabolic health.

During the year, Kabrita has built a global digital infrastructure for its e-commerce activities. It encompasses a centralised content management system that serves all markets where Kabrita distributes products to, so as to facilitate knowledge exchange on marketing outreach and create global synergy.

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Supporting the Variety Show “Sisters Riding the Winds and Breaking the Waves” by Kabrita



Kabrita is the major sponsor of the variety show “Sisters Riding the Winds and Breaking the Waves”.

To further increase the brand awareness, Kabrita has become the major supporter and sponsor of the popular variety show “Sisters Riding the Winds and Breaking the Waves” in the PRC. The innovative content and positive attitude presented in the show matches with Kabrita’s brand image. By cooperating with the celebrities in online and offline advertising campaigns and events, the Group has achieved great success in attracting public attention and promoting the Dutch goat milk products to a wider group of potential customers.

Appointing the World-famous Pianist, Mr. Lang Lang, as the Ambassador of Hyproca 1897



To improve its brand competitiveness, Hyproca 1897 appointed Mr. Lang Lang (郎朗), a world-famous pianist, as its global ambassador and established a close connection with him through multidimensional promotions. A concert named ‘With Love and Music (《用爱成就》)’ was held in the Stadium of Hunan University of Finance and Economics in the PRC, in which 100 kids joined with Mr. Lang Lang and played in a piano ensemble. The selected kids were the top 100 contestants from a piano challenge held in 2019 by Hyproca 1897 and Mr. Lang Lang as well. Mr. Lang Lang also wrote the phenomenal world premiere of an original piano piece, namely 《致爱心声》, for Hyproca 1897.

100 kids joined with Mr. Lang Lang and played a piano ensemble at ‘With Love and Music (《用爱成就》)’ concert.



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DELIVERING SAFE AND QUALITY PRODUCTS

The health and safety of its customers are of the utmost importance to Ausnutria. The Group has established quality control principles to maintain a high standard of quality and safety for its products. These principles are embedded into the entire production chain, from raw material procurement to production process, and to product delivery. Not only do they ensure that the Group is compliant with all applicable laws and regulations, but also communicate the Group’s minimum requirements on production quality.

The outbreak of COVID-19 has brought unprecedented challenges to different industry sectors around the world. Nevertheless, Ausnutria has adopted a two-pronged approach to ensure stable product supply. To maintain the milk supply for infants, Ausnutria established an epidemic prevention and control working group to oversee the operation and production upon resuming normal business in February 2020. Besides, close communication was kept with overseas factories to coordinate the production for export to the Group’s customers. On the other hand, the Group acted swiftly to secure the supply for its dairy products, and product testing was immediately arranged to speed up the production process.

Product Safety Management

The production facilities of the Group are certified by internationally recognized safety management systems and standards. These qualifications include but not limited to BRC 8 Global Food Safety Initiative (GFSI) certification, FSSC 22000 Food Safety System Certification, ISO 9001 Quality Management System, Hazard Analysis and Critical Control Points (HACCP) System, and GMP+ Good Manufacturing Practices.

Kabrita goat milk formula implements multiple efficient quality management and is certified for multiple international food safety standards.



BRC 8 – GFSI

Controlling Authority for Quality Affairs



FSSC 22000 – GFSI



Good Manufacturing Practices



Halal Feed and Food Inspection Authority



“KwaliGeit” certification

In the 2020 Australian Dairy Product Competition organised by Dairy Industry Association of Australia (“DIAA”), OzFarm was awarded Gold medals for its Extra Pure Pregnant & Lactating Mother Formula and Skim Milk Powder and 16 Silver medals for other formulas and milk powders.

DIAA Australian Dairy Product Gold medals obtained by OzFarm.



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Safeguard product quality and safety at all stages production



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Handling Customer Complaints

When complaints are received, the customer service team classifies the complaints by severity and carries out investigations without delay. The issues may be escalated or forwarded to other teams when senior advice or cross-team collaborations are required. All complaint cases are documented for record and review to avoid future recurrences. Trend analysis is performed on a regular basis to identify improvement areas in food safety and quality. Besides, Ausnutria closely monitors customer satisfaction to understand customers' expectations of its products. In the PRC, the sales and customer service department reaches out to individual end-users and distributors via quarterly and annual surveys through calls, emails and visits. In recent years, Ausnutria also makes use of online platforms such as WeChat, website and QQ, with the support of AI technology and multimedia like photos and animations, to capture feedback from a large volume of customers and provide prompt responses.

Traceability Management

The Group will conduct a trace-back investigation for any unsatisfactory circumstances identified during inspections or after purchases. To facilitate this, an electronic recording system is deployed to manage product information for each batch of products, including the types of raw materials used, production procedures and logistics coordination. Information such as product certification and logistic details are also encoded in QR codes on the product packaging to enhance the transparency of the production process to customers and other external parties.

Product recall procedures are set up to guide subsidiaries to act in a timely and professional manner when potential public health and safety risks arise. The procedures will be initiated if there are any customer complaints, unsatisfactory quality checks by local regulators, negative media coverage, or non-conformance discovered internally. Assessment will be performed to classify the incidents into three levels with the consideration of the severity and urgency of food safety risks. When product recall is needed, Ausnutria will trace back the supply chain, production lines and distribution channels to recall all products of non-conformance or with safety risks. In the Netherlands, any product recall will be traced within 4 hours as a strict control procedure. To prevent future recurrence, an incident report will also be prepared and submitted to management, and to local regulators when required, for review and follow-up.

STIMULATING INNOVATION THROUGH R&D

R&D continues to be Ausnutria's priority to foster its long-term growth, with focuses on developing new products, improving production efficiency and advancing product nutritional value. The Group works with over 205 R&D professionals across the PRC, the Netherlands, Australia, and New Zealand.

During the year, the Group has stepped up its investment in the R&D of new products by RMB49 million to RMB181 million. To provide personalised health products based on nutrigenomics, the laboratories for microarray and genetic testing has commenced in Year 2020 and will gradually come into operation. With the joint efforts of the Group and its partnered institutions, the Group has received a total of 116 registered patents (including 1 Patent Cooperation Treaty (PCT), 51 inventions, 18 utility models and 43 product designs) and 66 authorised patents (including 14 invention patents, 13 utility models, and 38 product designs and 1 intellectual property right). The Group has also established a Management Guide on R&D Projects Approval and Technical Support to communicate its requirements on R&D project management for Kabrita in the PRC.

In Year 2020, the Group continued to expand its product portfolio and has attained a number of R&D achievements. Ausnutria introduced a brand new probiotic product, Aunulife Probiotic in PRC. Also, Ausnutria introduced adult camel milk products, including 100% pure camel milk powder and probiotic formula camel milk powder, since the acquisition of OzFarm in 2017. For the research on goat milk nutrition, the Group has completed a study and identified β -casein A2 in goat milk powder, which is similar to the casein in breastmilk and is instrumental to the digestive system development for infants.

Investment in the R&D of new products:



RMB181 million
invested in Year 2020



116
registered patents



66
authorized patents

New products announced in Year 2020



Aunulife Probiotic

In addition to the traditional third-generation probiotic products, Yingyangyuan (溢养元) was specially introduced to lead the field of probiotics into a new 4.0 era.



Ozfarm 100% pure camel milk powder and probiotic formula camel milk powder

At the China International Import Expo on 6 November 2020, Ausnutria presented two adult camel milk powders under OzFarm for the first time. The products will be officially launched in January 2021 in Australia.



UHOPS and Holisure

New immune-boosters nutritional products like UHOPS lactoferrin milk powder and Holisure lactoferrin milk powder were rolled out in Year 2020.



Upgraded Neolac organic infant milk powder

Neolac organic infant milk powder enhanced its product formula to Infinite-Bionergy™ formula, which combines with nutrition from natural sources with that created with scientific intelligence, strengthened the nutritional combination of choline, selenium and manganese, and added 0.3% algae oil DHA and 3.5g/100g organic prebiotic scGOS.



Neolac organic mama formula

To address the needs of new mothers, Neolac organic mama formula is enriched with seven key nutrients during pregnancy and reduced fat by 77%.



Allnutria mother formula and infant formula

Caring for children's intestinal health and physical development, Oleic-Palmitic-Oleic (OPO) fatty acid structure and a combination of dual probiotics were added to improve the absorption of fatty acids and calcium.

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Probiotic Business Development

In Year 2020, in order to foster the development of its probiotic business, the Company has allocated its resources in a holistic manner.

- A complete industry value chain was assembled and an initial success in the application of the formula comprising five key probiotics for the mucosal immune system, six major probiotics for metabolism and the concentrate of probiotics and multiple enzymes have been achieved;
- The first Chinese human microbiome research centre was established with the aim of ending the monopoly of European and American highend probiotic powders;
- Five core technological platforms including the reversibly switchable fluorescent proteins (RSFP) bacterial strains selection mechanism are used to deliver precise, effective and quality products to the users; and
- A comprehensive functional bacterial strains collection was created.



The continuous investment in R&D has yielded over 40 articles published on international platforms for the Group.

In addition, Ausnutria acquired Bioflag in 2019, the producer of Aunulife Probiotic, to further extend the nutrition business into the probiotic sector. It is a member of several international organisations for probiotics such as the International Probiotics Association and the International Scientific Association for Probiotics and Prebiotics. It also has the proprietary microcapsule embedded and lyophilisation technology as well as the largest and most comprehensive civil functional probiotic bacterial strain collection.

To coordinate all internal patent activities and earn higher recognition of its R&D efforts by the global scientific community, the Group has developed a strong R&D team globally. The pool of professionals allows the Group to leverage the strength of each region and enables cross-region research projects with the support from external and overseas experts. Under its "1 + 6" global R&D strategy plan, Ausnutria Institute of Food and Nutrition in the PRC supports the Group's ambition of developing next-generation dairy and nutritional products by forming partnerships with Ausnutria (Beijing) Special Nutrition Research Center, Peking University's Ausnutria Maternal and Child Nutrition Research Center, the European R&D Center in the Netherlands, the ANZ R&D Center in Australia and New Zealand, Ausnutria (Taipei) Nutrition Research Center and Ausnutria's Jiangnan University Milk of Non-Bovine Mammals International Joint Research Center.



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The Group also actively supports the growth of R&D talents. In 2016, the Group established the Ausnutria's National Postdoctoral Program to cultivate innovation. Since then, the Group has recruited three PhD researchers to conduct scientific research on food and nutrition and study the feasibility of integrating scientific research results in product development. It achieves a win-win for the talents' career development, and for the Group's business strategy by advancing and practising scientific theories with its products. To enhance the nutrition and health of the

elderly and infants, the Group launched the first Ausnutria-Kabrita Nutrition Research Fund in Year 2020. Five projects have been granted funding to examine the contribution of nutritious diet to health. The tremendous investment in R&D will provide staunch support for the Group to lead the advancement in its nutritional product portfolio.

To tap into a broad base of resources, insights and talents, the Group continues to partner with honourable universities, research institutions, industry partners and contract manufacturers on nutritional research and product development. The Group has established strategic partnerships with external expert groups such as Hunan Association for Science and Technology, Peking University, Nanchang University, Central South University and Jiangnan University. The Group partnered with Peking University Health Science Centre on the clinical trial of goat milk infant formula in the PRC and established a research platform on the "maternal and infant nutrition in the first 3,000 days of life". The Group has also built a strategic partnership with Jiangnan University in the PRC is to further strengthen its R&D capabilities on various aspects, including product development on probiotic and goat milk, as well as scientific research on milk proteomics, lipomics, etc. In particular, functional verification testing was conducted for formula milk products of Allnutria for nursing mothers in the Year 2020.



Since 2017, the testing centre in Changsha City, the PRC received China National Accreditation Service ("CNAS") for Conformity Assessment Laboratory Accreditation for three consecutive years.

Launching Ausnutria Nutrition Institute in October 2020

CASE STUDY

In October 2020, Ausnutria Nutrition Institute was officially established in the Netherlands as an independent scientific organisation to share scientific insights on infant nutrition and the nutritional composition of goat milk. The institute collaborates with international scientists, research institutes and universities to facilitate the development of evidence-based products, and to contribute to children's health and well-being. Apart from joint research, the institute also gains expert advice in alliance with a scientific advisory board, which consists of international experts from different disciplines.

A dedicated website has been launched to make the insights gained by the institute easily accessible to health and nutrition experts. Besides, at its inaugural online expert meeting, the institute proudly invited gut health experts to discuss the role and development of infant's microbiota in health and disease.



The Ausnutria Nutrition Institute organised its first online expert meeting entitled "The infant's microbiota in health and disease" on 24 October 2020.

Better Nutrition through the Study of Breast Milk

Breast milk is the best source of nutrition for the growth and development of infants and young children. Ausnutria fully supports breastfeeding and actively engages in various studies of breastmilk nutrition and is committed to developing milk formula with better nutrition. The establishment of the breast milk bank is one of the strategic approaches of Ausnutria to better understand the nutrition content of breast milk for infants and young children in the PRC. Ausnutria has established a number of breast milk data banks for the relevant scientific studies.

To guide the R&D work in the Netherlands, the Group has approved three five-year R&D programmes with different key objectives in Year 2020. The roadmap is updated quarterly to ensure all activities are aligned with the Group's business strategy.

The Establishment of Breast Milk Bank in Central China in 2020

CASE STUDY

Breast milk composition varies depending on the geographic environment and dietary practice difference across different regions of the PRC. As such, the Group partnered with Central South University and Liuyang Maternity and Child Healthcare Hospital to launch the breast milk bank in central China in May 2020, in addition to the current breast milk bank in north China. By collecting samples for the breastmilk composition studies, Ausnutria could develop milk formula that could better respond to the nutrition needs of infants in rural villages in the region.



The opening ceremony of the breast milk bank in central China

Nutrition Research Program 2020-2024

- Lead research in support of the global R&D strategy;
- Provide nutritional support to internal stakeholders;
- Maintain and expand relevant scientific network and footprint; and
- Initiate and support clinical studies to further substantiate goat milk efficacy as a source of nutrition in various target markets.

Innovation Roadmap 2020-2024

- Develop and introduce new products under Kabrita, including Kabrita Junior, Kabrita Mama and Kabrita Family.

Processing Research Program 2020-2024

- Optimise the use of resources through developing new processes to ascertain the availability of required raw materials, and to valorise side streams for both existing ingredients and the foreseen growing needs; and
- Create new and innovative ingredients with value to the Group to allow the development of next-generation products.

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Intellectual Property Management

Ausnutria respects intellectual property rights and pays attention to its in-house R&D innovations and those within the market. Enterprise intellectual property management system and supplementary procedures that adhere to legal requirements are established. Departments are assigned with responsibilities to manage intellectual property rights and trademark registrations for all brands and logos used in product packaging. The Group has also published an employee handbook of intellectual property for awareness-raising. This year, the Group has attained the national standard of Enterprise Intellectual Property Management (GB/T 29490-2013) in the PRC for its planning, implementation, evaluation and continuous improvement practices on intellectual property management.



Certification of Enterprise Intellectual Property Management (GB/T 29490-2013).

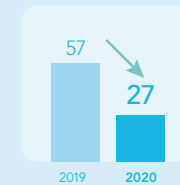
PROTECTING CUSTOMER INTERESTS

The Group's long-term success and rapid growth are built on customer trust and loyalty. As such, Ausnutria upholds responsible marketing and communication practices. In support of the World Health Organization's recommendations, Ausnutria encourages breastfeeding and hence does not promote stage 1 (0-6 months) infant formula. Infant formula stage 2 (6-12 months) is also not promoted in the PRC market due to the latest legislative provisions.

According to the Group's branding guidelines, all products and promotional materials will undergo a strict review process to ensure the information on product labels and statements are fair, accurate and impartial. To ensure compliance with local laws and regulations, all products undergo final approval according to the requirements of the distributors or local brands before distributing to the market. This year, Kabrita introduced the Compliance Management System to clearly lay out the review and approval procedures of marketing materials, and the responsibilities of all corresponding departments. In addition to regulatory requirements, Ausnutria has also engaged in the Voluntary Incidental Trace Allergen Labelling Program in Australia. All nutritional products are subject to a comprehensive and stringent allergen screening for each ingredient, prior to announcing "allergen-free" on the product label.

Ausnutria also recognises the rising concerns of customer data privacy. The Group has formulated an internal customer data and privacy policy to provide handling guidelines for personal information of staff, business partners and customers. To increase employees' understanding of internal data security, the Group regularly communicates information security tips and measures on information security via bulletin boards and posters. In Year 2020, we remained compliant with the General Data Protection Regulation (GDPR) in the European Union, privacy statements are posted on the Dutch websites of Kabrita and Neolac to describe the precautionary actions taken to secure information of business partners, customers and other users when managing and processing their personal data.

In Year 2020



53% less
complaints related to product received when compared to 2019



Zero
complaints received related to services

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