

Tianyun International Holdings Limited

天韵國際控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 6836.HK



Environmental, Social and Governance Report **2019**



Tianyun International Holdings Limited (6836.HK)



ABOUT US

A Leading Seller and Manufacturer of Processed Fruit Products in China



VISION

Create a Global Brand, Become a Centenary Enterprise



MISSION

Produce Safe and Healthy Food, Create a Better and Prosperous Life

FINANCIAL HIGHLIGHTS

2019 Results Highlights



BUSINESS HIGHLIGHTS

Business Model



Own Brand



OEM



Fresh Fruit Sales

Revenue Proportion as of 2019



Own Brands



Types of Fruit Product

Peach Mandarin Orange
 Strawberry Pear
 Apple Apricot Loquat
 Pineapple Grape
 Bayberry Laichee Mango
 Mixed Fruit



Exclusive Regional Distributors

300+
 covering
27 provinces,
 direct municipalities
 and autonomous regions

OEM Global Brand geographical coverage

Canada • United States • Chile • United Kingdom • Netherlands • Belgium • France • Germany • Malaysia • Australia • New Zealand • Japan • South Africa, etc.



AWARDS AND RECOGNITIONS



Brand Value exceeded for the 1st time

1 RMB billion

- 2019 China Canned Food Leading Brand
- China Canned Food Leading Enterprise
- Professional honors, qualifications and international certifications
- Corporate member of The 2nd China Council for the Brand Development

→ **BRC(A), IFS Food (High), FDA, HALAL, SC, KOSHER, BSCI, ISO22000, "China Canned Product Quality Certification Label", "Zero Added Preservatives" label**



According to China's processed fruits and vegetables market industry report published by Euromonitor International, Tianyun International is

A leading enterprise

Expected industry size in 2024

17 RMB billion

Expected CAGR from 2019-2024

8%p.a.

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Scope of Report and Reporting Principles

This Environmental, Social and Governance Report (hereinafter “report”) has been prepared mainly with reference to the Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules issued by HKEX. The scope of this report covers the Group’s ESG performance for the period between 1 January 2019 to 31 December 2019 (the “Year under Review”) of the Group’s three business segments including own brand product production, OEM and fresh fruit sales, consistent with the Group’s financial report. With respect to environmental data, only data for the Group’s production base located in Linyi City, Shandong Province, the PRC is disclosed, while data other than the environmental data are disclosed on an overall Group basis.

As a provider of quality processed fruit products based in China, the Group has always been committed to providing consumers at large with natural, healthy, safe, delicious and convenient products, allowing consumers to enjoy nutritional fruit products, and promoting a healthy dining culture to the public, deepening their knowledge of healthy dining, and fulfilling our corporate social responsibility. In 2019, the Group continued to implement a series of measures for raising energy efficiency, aiming to reduce emissions and increase production efficiency at the same time. Further, with respect to corporate governance, the Group maintained an employee-first approach, hoping that through comprehensive and effective production safety guidelines, generous employee benefits and remuneration as well as a positive and inclusive corporate culture, we can raise employee retention rate and promote production quality.

We understand that ESG policies have a far-reaching impact on our future development, and also that our business operation strategy and model deeply affect society, the environment and all stakeholders. Accordingly, this report will explain our ESG vision, relevant initiatives and performance during the Year under Review and our future plans.

Message from the Chairman

The year of 2019 was filled with challenges. Under the impact of the China-U.S. trade war, the general environment both domestic and overseas was fraught with uncertainties, forcing businesses to operate with caution. Thanks to tireless efforts from our entire staff, the Group rose to the challenge and found opportunity in unpredictability, fully demonstrating the Group's sustainable development capability. During the Year under Review, through efforts in various aspects such as continuous improvement of product quality, expansion of overall production capacity and raising internal governance standards, we captured consumer demand perfectly with quality processed fruit products. Besides achieving steady improvement in results, we made positive progress in the aspects of brand value enhancement, product upgrade, new product research and development, online promotion, strategic cooperation and fulfilment of corporate social responsibility.

As a processed fruit products supplier in the PRC with corporate citizen responsibility, we have an obligation to provide customers with safe and nutritious processed fruit products, giving them round-the-clock access to a nutritionally balanced meal as well as contributing to food safety efforts. Meanwhile, with rapid urbanisation comes a growing demand amongst consumers in the PRC for safe, convenient and healthy foods. According to a recent industry analysis report on the PRC processed fruits and vegetables market conducted by Euromonitor International, a world authority in market research, Tianyun International has become the leading enterprise in this industry, while the industry's market size has grown by 8% year-on-year to RMB12 billion in 2019. This clearly shows that not only has the Group successfully captured the demand from domestic consumers for quality processed fruit products, but we also enjoy widespread market recognition for our product quality and brand value, affirming our long-standing mission to produce healthy and safe food.

In future, the Group will continue to optimise business operations and enhance our sustainable development capability. We will also strive to fulfil our share of corporate social responsibility. Besides caring for the needy and disadvantaged in our community, we will respond actively to the state's poverty assistance strategy and contribute our humble efforts in improving grassroots livelihood. Further, the Group has been closely monitoring developments in the novel coronavirus outbreak, conducting precautionary and resumption work seriously by strictly following relevant arrangements; meanwhile, we have donated nearly 12 tonnes of canned fruits to the Red Cross in Hedong District, Linyi City and in Dangyang City as encouragement for frontline medical workers fighting the plague. Standing together as one in this time of trial, we are certain that we will emerge victoriously in the battle to contain this outbreak.

Of course, our results achieved over the past year would not have been possible without our internal and external stakeholders. It is thanks to the trust and support of our entire staff, business partners and consumers at large that the Group was able to maintain steady development in complex and severe conditions. I thank all stakeholders for their support and understanding over the past year, and promise to create more long-term value in future for the benefit of all stakeholders.

Yang Ziyuan

Chairman and Chief Executive

8 June 2020

Message from the Board

Based on our business vision of being “environmentally-friendly, people-oriented, regulatory-compliant, honest and fair, customer-first”, we provide quality processed fruit products to customers with good value while integrating the ideals of sustainability into business operations.

To this end, we build on years of experience and the latest production technology and continue to strive for improved product development capability to achieve product diversification and move fully towards deseasonalised production, and at the same time further strengthen technical support for product upgrades. Facing with ever changing market conditions, such as an increasingly severe climate issue, ever tighter environmental regulations, fiercely competitive talent recruitment, and growing sophistication of customer demands, businesses have to continuously adapt in order to meet challenges.

Thus, we never cease to seek improvement and are constantly raising our own operating standards and at the same time participating actively in the optimisation and reform of industry standards, with an aim to build a more sustainable industrial ecology. We believe that in a risky, ever-changing landscape, no business can survive on its own; only through active collaboration can the industry discover bright new horizons.

Data and information cited in this report are sourced from various files, records, statistics and research kept by the Group and have been approved by the Board for publication. We have ensured that every director is aware of and understands the contents of this report. The resources and efforts spent in preparing this report is evidence of our emphasis on the concept of sustainability. We strongly value the opinions of stakeholders. You are welcome to direct any feedback you might have regarding this report or the Group’s overall sustainability via email at info@tianyuninternational.com for our sustainable improvement and contemporary advancement.

About the Group

As one of the food enterprises with the most comprehensive quality certifications both domestically and overseas, the Group has adhered at all times to stringent international production standards and continue to be accredited with BRC(A), IFS Food (High), FDA, HALAL, SC, KOSHER, BSCI and ISO22000 as well as the internal food production standard reviews and audits conducted by a number of European and U.S. supermarket chains in respect of our production facilities, quality control and management, and continue to supply food products produced by the Group to domestic and international markets with “equal production line; equal standard; equal quality” standards. Since 2016, the Group’s own brand of quality processed food products have continuously received a high degree of market recognition and have been awarded by a national institution the honour and qualification of “China Canned Product Quality Certification Label”, becoming the first fruit processor in China’s fruit processing industry to place the “Zero Added Preservatives” label on its products.

Meanwhile, not only was the Group selected as one of the Forbes China’s top 100 listed companies with potential, but also awarded by Linyi City, Shandong province the “2017 Linyi Mayor’s Quality Award” as an integrated food production and sales enterprise. Further, our pure fruit snack created through our own research and development was granted a “Certificate of Invention Patent” by the PRC National Intellectual Property Administration.

The Group’s Awards and Commendations



Date	Achievement	Brief description
May 2019	The Group was awarded triple honours of “40th Anniversary of Reform and Opening-up China Canned Food Brand”, “2019 China’s Leading Canned Food Enterprise” and “2019 China’s Leading Canned Food Brand” by the China Canned Food Industry Association,	This award reflects the enormous potential of the Group’s own brand business, proving that the market has high recognition for the Group’s outstanding brand value and influence
June 2019	The Group’s subsidiary Tiantong Foods was recognised by the Linyi City Industry and Information Technology Bureau as part of the eighth batch of “One Enterprise One Technology” municipal-level research centre	This recognition demonstrates outstanding performance of the Group in aspects of production technology, product quality, cost control and energy consumption control
July 2019	Tianyun International made Most Valuable Chinese Brands for the third consecutive year, and exceeded the RMB1 billion threshold in assessed brand value for the first time	This award demonstrates further improvement in the Group’s brand strength and greater official recognition, as well as a steady rise in the market share and consumer recognition for the Group’s own brand products

	The Group's subsidiary Tiantong Foods was awarded "40 Years of Comprehensive Quality Control in Shandong, Advanced Unit" by the Shandong Quality Assessment Association	This award aims to commend companies which have deeply implemented comprehensive quality control
August 2019	The Group's subsidiary Tiantong Foods was awarded the Linyi City Scientific Advancement Award for its "High Insulation Plastic Container Fruit Product Production Technique and Casting Technique" project	This award demonstrates that the Group's production technique and technology are highly innovative, bringing new momentum of improvement for the industry
	The Group's subsidiary Tiantong Foods was awarded the title of council member by the Shandong Entry-exit Inspection and Quarantine Association and the Shandong International Travel Healthcare Association	Being a council member allows Tiantong Foods to further contribute to the industry. Besides being a bridge between customs and member units, we can initiate more interaction and events to provide more help towards enterprise development
	The Group's subsidiary Tiantong Foods was awarded the title of "Honourable and Creditworthy Company" by the Linyi Market Supervision Authority	This award aims to commend companies in Linyi city of larger scale and market share within their respective industries which honour their contracts and have a strong sense of creditworthiness
November 2019	The Group's subsidiary Tiantong Foods was awarded "Linyi City Excellent Company" by the Linyi municipal government	This award aims to commend companies that have made outstanding contributions in the aspects of "accelerating power transformation, promoting high quality development"
	The Group was elected as a unit to the 2nd Council of the China Council for Brand Development by the China Canned Food Industry Association	This award demonstrates further improvement in the Group's brand strength
December 2020	The Group's subsidiary Tiantong Foods' canned fruits processing and smart production engineering and research centre was recognised as a Linyi City engineering and research centre	The recognition demonstrates that the Group's production engineering and research centre is industry-leading with respect to processing and smart production technology and possesses top notch technology research and development
	The Group's "Bingo Times" canned fruit products was awarded "2019 Shandong Renowned Brands Product" by the Shandong Renowned Brands Accreditation Committee	The Shandong Renowned Brands Accreditation Committee was jointly established by the Shandong Brand Building and Promotion Association and related industry associations. It formulated the Standards for Shandong Renowned Brands Accreditation with the aim of rewarding excellent brands in Shandong province

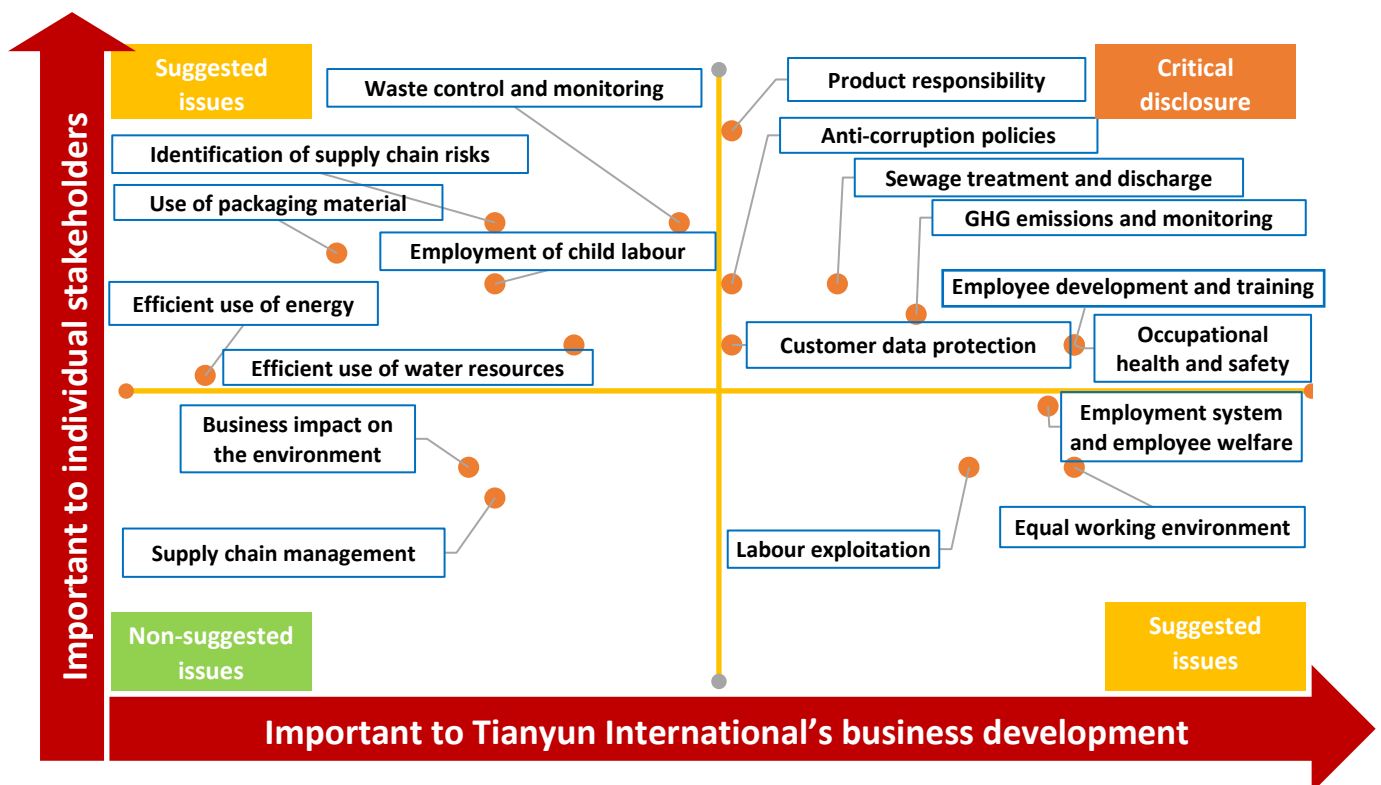
Identification of Key Issues and Materiality Matrix

We strongly value the Group's relationship with stakeholders and hope to maintain effective communication with them, following up their suggestions and comments in a timely manner.

Based on the results of the questionnaires collected from stakeholders, some have expressed feedbacks as shown below:

	<p>Supplier</p> <p>After participating in various supplier training organised by Tianyun, we have a better understanding of their requirements on quality, management and quality testing. We have improved our own operating standards and raised efficiency with reference to their conditions.</p> <p>Besides, we provide comments to Tianyun from time to time to promote mutual understanding and maintain a good partnership.</p>
	<p>Employee</p> <p>The Company constantly provides opportunity for us to understand its vision of sustainable development, and provide training to allow us to further explore the possibilities of integrating sustainable development into the Company's operation strategy and enhance the quality of the Company's strategy.</p> <p>As part of the Company, we look forward to having more learning opportunities in order to grow with the Company.</p>

As our business operations involved numerous aspects, we communicated with stakeholders to identify and prioritise issues that stakeholders were most concerned with and which had the greatest impact on the Group, and reported on our performance and policies to address the key issues, to provide the Group with opportunity for improvement and plug policy gaps, which in turn mitigate potential risks. Accordingly, we distributed questionnaires to over 50 stakeholders and invited them to provide scores on the materiality to the Group and to themselves for each key issue. After organising and analysing the questionnaires, we have compiled the following materiality matrix:



Building a Green Community to Protect the Future of the Environment

During the Year under Review, the Group was not aware of any material environmental impact arising from business operations.

The Group relies on various seasonal fruits planted by farmers as raw materials, which are processed for producing various fruit products, in order to provide our customers at large with healthy and delicious fruit products. If climate change worsens and extreme weather conditions become increasingly frequent, our supply of raw materials may be affected, which may impact daily business operations. Thus, we strived to implement various measures to reduce Greenhouse Gas (“GHG”) emissions during the past year to minimise our impact on the environment in the hopes of securing sustainable development capability of our business. We hope that as we provide quality processed fruit products, we can also avoid affecting the natural environment so as to mitigate operating risks arising from environmental change.

Relevant disclosure	Unit	2019	2018 ¹	Change
GHG				
Total GHG emissions	tCO ₂ e or tonnes of carbon dioxide equivalent	11,138.8	11,511.7	(3.2%)
GHG emissions intensity	tCO ₂ e /RMB million of revenue	13.3	13.5	(1.5%)
Direct use of energy resources				
Natural gas usage	ten thousand cubic metres	222.4	236.0	(5.8%)
Motor vehicle gasoline usage	ten thousand litres	2.1	2.5	(16.0%)
Indirect use of energy resources				
Electricity usage	kilowatt-hours	6,437,220	6,504,360	(1.0%)
Others				
Total water consumption	ten thousand cubic metres	108.5	127.0	(14.6%)
Water consumption intensity	cubic metres/RMB million of revenue	1,299.7	1,486.4	(12.6%)
Total paper packaging material	kilograms	4,773,049.9	4,946,340.8	(3.5%)

¹ In order to improve the accuracy and completeness of data and statistical categories, some of last financial year's data have been revised, including the improvement of district coverage: a) Improved the collection method of waste quantity and the total amount of paper packaging materials; b) further collected the amount of household garbage produced by employees; c) improved the collection method of waste tank recycling.

Relevant disclosure	Unit	2019	2018 ¹	Change
Total amount of waste				
Total amount of hazardous waste	kilograms	950.0	460.0	120.0%
Hazardous waste intensity	kilogram/RMB million of revenue	1.1	0.5	160.6%
Total amount of non-hazardous waste	ten thousand kilograms	285.1	109.4	166.7%
Non-hazardous waste intensity	kilogram/RMB million of revenue	3,415.2	1,280.4	166.7%
Paper and tin cans recycled	ten thousand kilograms	75.5	72.8	3.7%

In general, the Group has reduced its GHG emissions and energy consumption and improved its resource usage performance over the previous year. Overall, there is a decreasing trend in emissions, demonstrating the effectiveness of relevant measures adopted by the Group during the Year under Review.

- Energy conservation and emissions reduction

Our business relies on a stable and favourable climate to provide an industrial ecology with long term development. Thus, it is necessary for us to contribute to slowing down climate change in order to build a more stable industrial ecology for our industry. Besides having to balance business development with the need to protect the environment, we have to consider utilising increasingly advanced technology to improve our current energy portfolio, in order to achieve effective energy conservation and emissions reduction.

During the Year under Review, even under continued overall business expansion and sustained increase in business revenue, the Group's overall GHG emissions continued to show a decreasing trend, with total GHG emissions decreasing by 3.2% to 11,138.8 tonnes as compared to the previous year. Such significant reduction in GHG emissions is mainly attributable to the Group's significant decrease in direct energy usage. Under the principle of cautious use of resources, the Group's Scope 1 (direct energy usage) GHG emissions decreased by 5.9% to 4,907.6tCO₂e, while Scope 2 (indirect energy usage) GHG emissions decreased by 1.0% to 6,231.2tCO₂e. Such data shows that the Group has adopted effective energy saving measures and ensured proper implementation of the measures.

Among others, we encouraged employees of all departments to use teleconferencing as a substitute for business travel where possible, and encouraged employees to nurture green living habits and reduce energy consumption. Further, due to improvements in roads and bridges infrastructure in Linyi city, routes taken by the Group's motor vehicles have been optimised and overall vehicle gasoline usage recorded a year-on-year decrease.

At the same time, "fruit ice-cream" products which we launched in recent years involved the introduction of new product development concepts and upgraded production technologies, such

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that processing, transportation and sales of “fruit ice-cream” can be conducted at room temperature, avoiding the refrigeration requirements of other ice-cream products, which in turn minimise carbon emissions arising from usage of coolants. Consumers need only to place “fruit ice-cream” in the freezer before consumption to enjoy this delicious, healthy fruit product with zero additives.

During the Year under Review, the Group installed independent meters for each production workshop to ensure that electricity usage for all workshops are calculated separately, increasing statistical accuracy and in turn gaining a better understanding of actual electrical consumption for formulating more practicable energy saving measures.

Further, in order to raise our employee’s care and concern on the environment, the Group’s subsidiary Shandong Tiantong Food Co., Ltd. actively participates in Linyi City’s “Practice Blue Skies Responsibility, Build a Green Home Together”, a voluntary tree-planting event held annually in March, continuously improving greenery in our community as well as improving the local ecology and environment.

- Selection of packaging material and waste disposal

The Group uses materials such as tinfoil, plastic and glass as packaging material mainly in accordance with customer requirements. While we acknowledge that product packaging may create a burden on the environment, we will strengthen communications with our customers and endeavour to further increase the proportion of environmentally friendly materials selected as packaging material.

Furthermore, we researched a new packaging design during the Year under Review to use a form of Tetra Pak packaging that is more environmentally friendly and suitable for the PRC market, in order to effectively reduce overall carbon emissions. Such form of packaging is extremely light, convenient and space-saving. Tetra Pak saves 40% space compared to tin cans and glass bottles, and weighs 60% less compared to tin cans. It is estimated that Tetra Pak packaging can reduce 10%-20% transportation trips as compared to tin cans, which in turn would potentially reduce the Group’s transportation costs and carbon emissions in the future.

- Water conservation measures and sewage treatment

During the Year under Review, as ever the Group abided by basic principles of water conservation, recycling and purification before discharge to minimise the impact on local water sources. In terms of sourcing water, we use municipal water without any direct access to natural water sources. Within our production process, for steps such as sterilisation and pre-cooking, water conservation and recycling is achieved through improving techniques and procedures such as remodelling sterilisation equipment, maximising water recycling and minimising wastage. Where sewage is to be discharged, we make certain that sewage is purified to avoid polluting water sources. Accordingly, the Group’s use of water decreased by 14.6% as compared to the previous year, demonstrating the effectiveness of the Group’s water conservation measures.

With respect to sewage discharge, we have fully implemented the requirements of the Water Pollution Prevention and Control Law of the People’s Republic of China and local discharge standards, ensuring that all sewage discharged from production lines meet stipulated levels of chemical oxygen demand (COD), ammonia nitrogen and other indicators to avoid causing adverse impact on water sources.

Full Grasp of Supply Chain to Maintain Product Quality

During the Year under Review, the Group did not experience any cases of product recall for health or safety reasons.

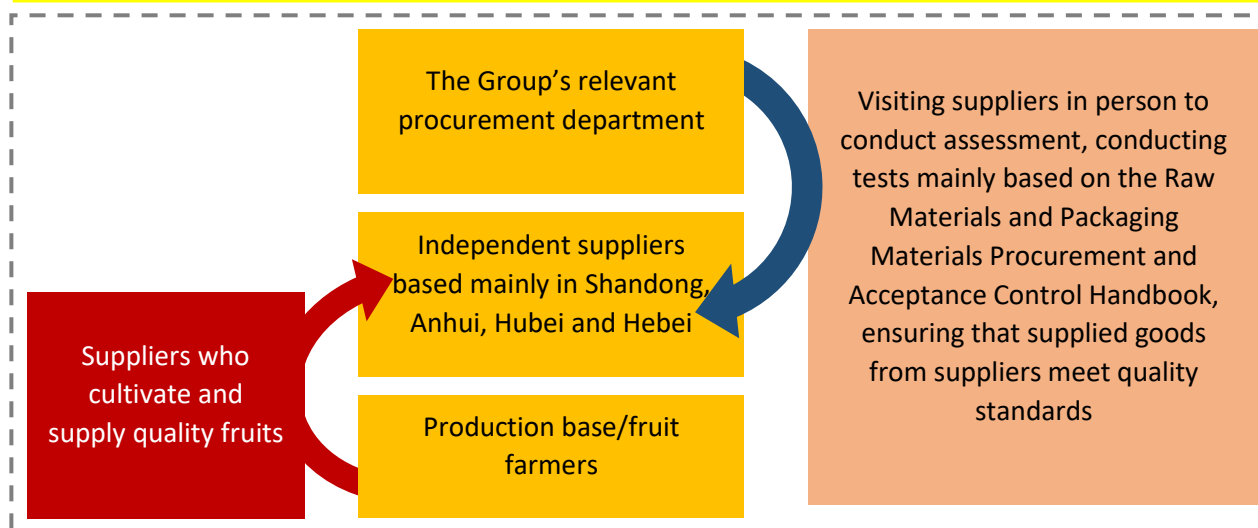
Providing nutritious, delicious and safe process fruit products to the general public has always been the Group's top goal. To this end, we strictly regulate the Group's production supply chain with various measures and systems specifying raw material procurement standards, production techniques and supplier performance. We aim to work on every detail in the supply chain to ensure product quality as we continue to work with the interests of consumers at large in mind.

During the Year under Review, the Group continued to maintain its parallel development strategy, developing our own brand business and at the same time continuing to expand our OEM business, effectively mitigating the risk of customer concentration as well as further developing new customers in other markets to drive sustainable business development. To maintain stable production, the Group begins monitoring of quality at the source. Through real time monitoring of our production process, the Group ensures that products meet our strict shipping standards in order to maintain our brand image.

The Group's procurement process is shown as follows:

6H Controlling System:

Entire process from plucking to sealing of the raw materials is strictly limited to under 6 hours, ensuring freshness of raw materials



Stringent Selection of Suppliers to Safeguard Product Quality

	Grade one suppliers	Grade two suppliers	Suppliers of other grades
Domestic suppliers	80	20	49
Overseas suppliers	5	2	0

Through a stringent management system, we ensure that all the Group's suppliers comply with legal and regulatory requirements and share our sustainable development vision. During the Year under Review, the Group collaborated with a total of 156 suppliers, ranging from raw materials, packaging and services. All suppliers passed the Group's strict annual qualification assessment, of which a total of 30 suppliers have been accredited with ISO9000 international quality management and quality assurance system, while 15 suppliers are accredited with ISO14000 environmental management system, demonstrating recognition for the general quality of our suppliers.

- Monitoring quality of raw materials

Since we manufacture green and healthy fruit products with zero preservatives, only through using quality raw materials can we guarantee that high quality standards are maintained for our products so that our brand image remains untarnished. As such, we strongly emphasize the quality of supplies from our suppliers and have accordingly established stringent supplier selection criteria. The Group's tough Food Safety Handbook specifies every department's responsibilities in the procurement stage to ascertain supplier credibility and minimise supply chain risk. The relevant department of the Group will conduct background checks and qualification assessment on supplier candidates. Upon verifying that a supplier meets the Group's requirements, further on-site inspection is conducted to guarantee that the supplier has provided factual qualifications. Based on on-site inspection findings, the relevant department of the Group would then decide if the supplier should be included in the Group's list of suppliers. During the Year under Review, all the Group's suppliers have undergone review and supervision according to the above practices.

Additionally, the Group has established a "6H controlling system", which strictly controls the process from plucking to sealing of the raw materials to under 6 hours and minimises the logistical transportation period to ensure that the materials remain fresh. Professionals are also deployed throughout the entire process, including plant cultivation, fruit plucking, transportation, etc., in order to guarantee that raw materials are environmentally friendly and non-polluting.

In accordance with the Group's Raw Materials and Packaging Materials Procurement and Acceptance Control Handbook, the Group's production department, quality control department and finance department work closely in visiting supplier production lines and conducting tests such as product perceptual testing and physico-chemical checksum on microbes. Products are only accepted when they are found to meet standards.

Managing suppliers' corporate social responsibility

In addition to product supply or service quality, we have made special efforts in compiling the Code of Conduct for Suppliers to ensure that all our suppliers are committed to the performance of social responsibility. The code specifies various aspects of performance expected for suppliers. Besides quality testing, delivery punctuality and service cooperation, we are also concerned with how suppliers perform in other aspects such as production environment, selection of contractors and protection of employee rights. Within the Code of Conduct for Suppliers, we clearly specify zero tolerance of forced labour or child labour cases, and that suppliers shall guarantee a safe and fair working environment for all their employees and safeguard their rights.

To ensure that the guidelines of the code is properly followed, the Group conducts regular inspections and demands suppliers with any deviation from the requirements of the code or substandard services to improve their mode of operation. Otherwise, their eligibility as a qualified supplier of the Group would be revoked and the Group may terminate the cooperation between the two parties.

- Monitoring the production process

With a relatively high number of steps in the production process, control of details becomes especially vital. To ensure that product quality meets strict shipping requirements, the Group sets clear standards at every step of production and confirm that the relevant requirements have been clearly communicated to operating workers, so as to be certain that they can complete every step of production according to established requirements and maintain the highest quality for the products. Further, we also implement a stringent quality control process, such as inspection and verification of production techniques and hygiene, performing physical and perceptual testing on semi-finished products post sterilisation and sealing, etc. to ensure hygiene and safety of our products.

In dealing with customers of various countries and brands, we also ensure that all products shipped meet their local and the brands' internal requirements. Accordingly, we have formulated detailed processing workflow charts for each type of products so that employees clearly understand the features and requirements of different products, thus maintaining product quality and avoid the risk of return by customers due to substandard products.

- External recognition of product quality

We are chosen as a partner by many overseas well-known brands because we are one of the food enterprises with the most comprehensive quality certifications both domestically and overseas, and able to operate fully in accordance with international production standards and at the same time further apply different standards in the production process as required by our customers, in order to meet the needs and preferences of the customers' markets. Our production facilities, quality control and management system are accredited with BRC(A), IFS Food (High), FDA, SC, KOSHER, ISO22000 and internal food production standard reviews and audits conducted by a number of European and U.S. supermarket chains. We also successfully passed an on-site inspection conducted by U.S. FDA officials under the FSMA Food Safety Modernization Act.

Taking Care of Details – Safeguarding the Interests of Customers

To ensure that all our customers can enjoy quality processed fruit products, we have set stringent product shipping standards, formulated the Food Safety and Quality Handbook, and established a food safety unit responsible for formulating and improving product quality control policies. When issues or potential risks are identified during quality control inspection, the food safety unit will issue a Corrective and Preventive Measures Checklist based on established procedures. If product quality does not meet the standard at a second inspection, the quality control department would issue a Substandard Product Report and decide on the quarantine, write-off and return of the relevant substandard products. The process is shown as follows:



With respect to management of distributors, the Group enters into distribution agreements with them, stipulating that they shall sell products which meet the Group's quality standards, including a prohibition on selling expired products. In addition, we have the right to acquire expired products selling in the market and claim against the respective distributors the acquisition cost. When defective products are discovered, the Group would initiate a recall in accordance with the requirements of the Product Recall and Control Procedures to avoid the relevant products from entering the market. The Group's food safety unit would convene a review conference regarding the recalled product to review the source of the issue. We conduct recall simulations to familiarise employees with the product recall process and ensure that the overall process is conducted smoothly, reducing potential operating risks. The product recall procedure is shown as follows:



With respect to product labelling, the Group's own brands have consistently complied with all laws and regulations of the PRC relating to food labelling and identification, including but not limited to the Food Safety Law, the Advertising Law, the Trademark Law, the Implementation Regulations of the Food Safety Law, the Food Labelling Administration Regulations, the Food Safety National Standards for Labelling on Pre-packaged Food General Rules (GB 7718-2011) and the Food Safety National Standards for Nutrition Labelling on Pre-packaged Food General Rules (GB 28050-2011), ensuring the accuracy of information accessible to consumers and safeguarding their interests.

With respect to protection of customer data, the Group has formulated the Customer Information Confidentiality System and conduct reviews and assessments from time to time based on actual conditions to secure strict confidentiality of all data. The general manager's office will also conduct checks on the various departments from time to time to ensure that all established policies are properly executed. During the Year under Review, the Group did not have any cases relating to breach of customer private data.

Listening to customer feedback and improving product quality

During the Year under Review, we received 1 product-related complaint, which mainly concerned dented cans for canned products. In order to resolve this packaging issue, we have strengthened training for workers in the packaging workshop and loading workers, particularly for new employees, to ensure that they have a clear understanding of the technical standards required for this form of packaging. Additionally, we have increased supervision in the packaging workshop and the loading process, and also increased sampling frequency for more rigorous random checks in the packaging and loading processes, in order to avoid recurrence of the same issue.

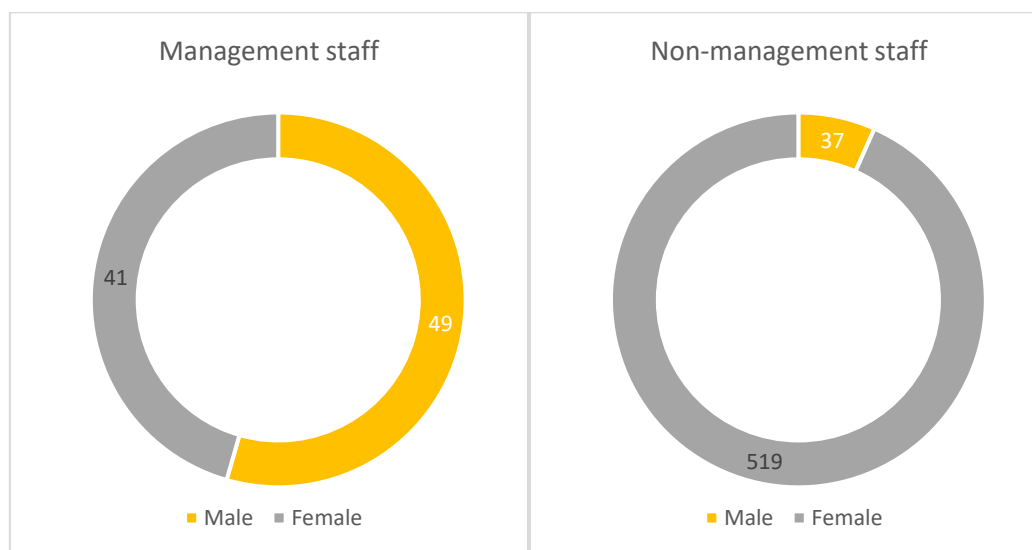
Customers who wish to make a complaint regarding the Group's products or services may do so through various channels such as our hotline or email. When a complaint is received, the Group would handle the feedback in accordance with the Customer Complaint Control Procedures in conjunction with various internal codes such as the Product Quality Information Feedback Checklist, the Health and Safety Complaint Handbook and the Complaint Nature Ranking Criteria. Upon verification of the authenticity of the complaint, the Group's food safety unit would conduct an investigation to determine if a product recall is necessary.

The Group would also hold a review conference to identify the source of the problem and improve product quality. In order to advise the public about the general situation and clear any doubts, we would also proactively notify the relevant authorities and the media to explain how the Company handles the matter.

Recruiting Talents to Promote the Group’s Development

We strive to promote a culture of excellence at the Company so that employees will feel they are valuable and develop an increased sense of belonging to the company with recognition and awards given for their contributions. Thus, through various forms of employee benefits, training and promotion opportunities, we help employees achieve work satisfaction, in turn strengthening their recognition of and engagement in the Group’s culture and raise overall operating efficiency.

Employee Data



	2019	2018
TOTAL EMPLOYEES	646	620
BY RANK AND GENDER	Management staff – 49 males; 41 females General staff – 37 males; 519 females	Management staff – 40 males; 34 females General staff – 43 males; 503 females
TOTAL EMPLOYEE TURNOVER	11%	13%
BY RANK AND GENDER	Management staff – 0% male; 9% female General staff – 13% male; 12% female	N/A

There were no significant changes in the number and composition of employees. As before, the percentage of female general staff was higher than that of male general staff, while the gender ratio of management staff was roughly equal. Regardless of gender, capable employees are able to realise their full potential with the Group.

With respect to employee turnover, the overall turnover was 11%, representing a slight decrease as compared to 13% in the previous year. Turnover for frontline workers in the age group of 60 years old and above was 22%, which is the same as the previous year. The high average turnover is attributable to many of the Group’s long-serving employees reaching retirement age. We believe that the Group’s talent retention policy is effective, and expect that the Group’s turnover will gradually decrease in future.

To replenish the loss of manpower arising from the wave of retirements, the Group actively conducted campus sharing during the Year under Review to raise the Group's profile among youths. During the Year under Review, the Group's chairman of the board and chief executive, Mr. Yang Ziyuan, was invited to speak at a seminar on innovation and entrepreneurship education for students and teachers at Linyi University and personally interacted with graduates at college recruitment fairs to understand their job-seeking intentions and offered internship positions for students from relevant majors to encourage them to join the Tianyun International family.

The Group will continue to provide employees with generous benefits and remuneration as well as equal development opportunities, setting up Tianyun International as the platform on which they may shine.

Employment and labour practices

During the Year under Review, the Group was not aware of any cases related to child labour or forced labour.

The Group emphasizes the principle of fairness. Regardless of gender, race, religion, ethnicity, marriage status and other external factors, so long as an employee's ability meets the requirements for a position, the Group will follow established recruitment, promotion and manpower deployment practices meritocratically in accordance with internal human resources policy and code set out in the Staff Handbook.

Further, the Group strictly complies with the relevant national laws and administrative regulations, including the Labour Law and Labour Contract Law. The Group has formulated the Anti-Trafficking Management Procedures, the Non-forced Labour Management Procedures and the Rescue and Conservation of Child and Youth Labour Procedures, firmly avoiding the recruitment of those under 16 years of age or as prohibited by regulations, and has made efforts to curb child labour and forced labour through various administrative measures, including requiring applicants to provide identification documents when applying for a position to ensure that they are voluntary and of age. Where there is any incident of non-compliance, we would first secure the safety of the worker under coercion and immediately notify the human resources department to cease the employment before escorting the worker under coercion back home and investigating the employee in breach. Where necessary, regulatory authorities would be informed. During the Year under Review, the Group did not discover any instances of child labour and forced labour.

With respect to employee rights and remuneration, these are mainly determined by the Group based on factors such as market rates, responsibilities of the positions, personal performance and qualifications, which ensure that their efforts are properly remunerated. The Group fully complies with relevant regulations such as the Labour Contract Law of the People's Republic of China, the Regulation on Wage Payment, the Regulation on Paid Annual Leave for Employees, the Social Insurance Law of the People's Republic of China, and the Regulations Concerning the Labour Protection of Female Staff, paying employees their salaries on time and in full, and ensuring contribution towards their social security schemes. For employees who have left office, we have fully complied with the relevant local employment regulations in the place of operation and made appropriate compensation for loss of office in accordance with reasons for resignation and the Group's human resources policy, ensuring that they are treated with due respect in addition to our compliance.

With respect to holidays and working hours arrangement, the Group has formulated a Social Responsibility Handbook which establishes processes such as “Working Hours Management Procedures”, “Remuneration Management and Regulation Procedures”, “Health and Safety Management Procedures”, and “Anti-discrimination Management Procedures” to ensure that all employees enjoy maternity and paternity leave, marriage leave and sick leave as accorded by statutory rights, as well as receive overtime compensation in accordance with the Group’s established policy. The Group also acknowledges that every employee shoulders family responsibility, thus male employees may also apply for paternity leave to ensure that they may enjoy a work-life balance.

Health and safety

During the Year under Review, the Group was not aware of any cases of employees suffering from work-related injuries or fatalities.

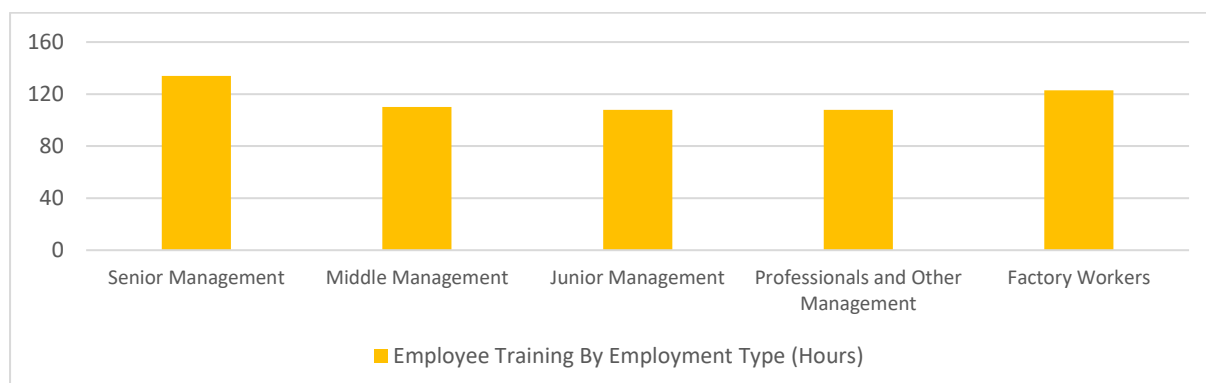
The Group values the efforts of the employees towards the Group’s development and acknowledges our responsibility as an employer to provide a safe and comfortable working environment for employees, and has accordingly set up a comprehensive occupational health and safety system. Building on the requirements of various laws and regulations, the Group further provides employees with occupational safety guidelines and training to ensure that they understand safety guidelines in each position and prevent accidents from occurring. Meanwhile, as a responsible food processing company, we must ensure that workers are healthy in order to ensure the safety of production lines. Thus, the Group organises regular employee body check-up annually to strengthen health management of our workers.

As the Group is principally a processed fruit manufacturer, factory workers may be required to operate machinery and equipment depending on their position. To prevent workers from suffering injuries arising from improper operation, the Group regularly conducts checks on machinery and equipment and protective gear for workers to ensure that they are in good condition, in addition to providing training sessions for relevant knowledge and online safety training. As for administrative measures, we put up warning signs at prominent locations and increased safety briefings before the start of work to raise safety awareness among employees. Further, we regularly engage the relevant authorities to conduct occupational hygiene and environment checks to ensure that the hygiene standards of our working environment meet the requirements to safeguard the health of the staff. The head of a production line regularly checks and verifies the execution of various measures and conducts random checks on the health of workers to prevent unreported cases.

In addition, the Group constantly strengthens its ability to respond to fire emergencies and enhance fire safety awareness and emergency escape ability among employees. Through regularly organising fire safety knowledge training and fire drills for all employees, we strengthen fire safety awareness and emergency self-aid ability among employees, and at the same time further enhance the Group’s ability in commanding, coordinating, handling and responding to fire incidents.

Development and training

During the Year under Review, the percentage of the Group’s employees provided with training amounted to 100%. Employee training time by employment type is as follows:



As we value our employees, the Group has always been committed to providing adequate training for employees to allow them to further develop their potential while bringing greater value to the Group’s business and forming a vital driving force for the Group’s long-term development.

We believe that the right training can help employees unlock their potential and at the same time improve their work abilities, in turn raising the Group’s operating efficiency and reducing the risk of human error. We are committed to being people-oriented as a core value and strives to protect the interests of all employees, in order to raise cohesion within the Company and realise mutual growth of both employees and the Company.

	New training content
Senior management	Training in management code, principles of corporate governance and industry development
Middle management	Daily morning briefings (Themes include: production safety, product quality, management)
Junior employees and factory workers	Food safety training, daily morning briefings (Themes include: production safety, product quality)

During the Year under Review, the Group provided training to employees covering themes such as production techniques, machinery operation, raw material quality, corporate governance principles and industry development, with the aim of helping employees to develop their own skills besides enhancing work performance. Further, as Linyi City increased promotion of production safety and the local government raised comprehensive emphasis on enterprise production safety, the Group increased employee training in production safety accordingly in response to government policy.

Further, with Linyi City rated as China’s “city of food”, the Group specially arranged for food safety training in addition to the conventional contents from employee handbook and production techniques, in order to further enhance food safety awareness among employees.

Maintaining High Standards of Corporate Governance to Create Long-term Group Value

Preventing Corruption

During the Year under Review, the Group did not receive any complaints regarding employees suspected of corruption or fraud, nor was there any matters involving bribery, extortion, fraud and money laundering issues that had a significant impact, nor was there any convictions relating to breaches of relevant laws and regulations.

The Group is committed to maintaining good corporate governance and behaviour and forbids employees from engaging in corrupt and fraudulent practices. The Group has formulated administrative measures on anti-corruption complaints to prevent fraudulent practices, in order to minimise operating risks and safeguard the Group's legal interests. The Group requires all units under the Group to clearly understand and comply with relevant anti-bribery laws while strictly complying with the Procedures for Prevention of Commercial Bribery and Corruption Control which we formulated internally, so as to operate our business on the principle of integrity. Furthermore, the Group reviews internally the overall compliance and corporate governance status from time to time to ensure that prevailing policies and codes meet relevant standards. The Group's management also regularly shares relevant legal knowledge with employees and provide relevant training to raise integrity awareness among employees.

When any suspected corruption or fraud is discovered, employees could follow the internal reporting system and submit an anonymous report through feedback collection boxes and whistleblowing telephone lines, which would then be handled and investigated by the administrative department. If an investigation yields a prima facie case, in the case of any corruption incident, the Group's Finance Department would conduct an audit on the bribery activity and maintain communication with the public. For any verified corruption or bribery activity, the Group would immediately report to the local authority.

Combating intellectual property right infringement and protecting the Group's interests

During the Year under Review, the Group was not aware of any cases of copyright infringement.

We pledge that products manufactured under our own brand are of our own creation and have applied for patents for the Company's underlying property rights, conducted business and website registration to build a comprehensive protection mechanism against any losses. Once intellectual property right infringement activity is discovered, the Group would conduct a thorough investigation through market research, online research, and external communications. Generally, intellectual property right infringement activity includes: infringement of trademarks, fraudulent websites, infringement of corporate inventions and patents, counterfeit packaging. Upon discovery, the Group would spare no effort in protecting its rights through various ways such as litigation.

Lending a Helping Hand to Build a Caring Community

As a socially concerned and responsible corporate citizen, the Group has in the past consistently and actively participated in various corporate social responsibility events to give back to society. We also encourage employees to participate in social charitable events and hope that they could contribute more towards the building of a better society.

Responding to national policy in assisting the poor and disadvantaged

During the Year under Review, our employees represented the Group in visiting various areas, such as Qianhongrui Village, Bahu Village in Hedong District and Pengyubu Community, to express our concern for elderly and people in need and provide products and monetary assistance. In addition, the Group sent clothing and daily necessities to children of impoverished families in various regions as part of our response to the national policy of poverty assistance.

To find a solution for people facing living difficulties and families living in poverty in Pingxiang, the Group joined efforts with other members of the China National Light Industry Council to donate funds and supplies to Pingxiang City, mainly benefitting the poor in rural villages, communities, elderly homes and welfare organisations. Representatives of the Group also conducted visits to the Zhengwang Nursing Home in Hedong District on festive holidays. Besides festive goods and presents, the most important gifts we brought were interaction, accompanying and sharing the warmth of our festive spirits with lonely elderlies.

In 2019, the Group's subsidiary Shandong Tiantong Food Co., Ltd. was honoured with the title of 2019 Caring Company in praise of its outstanding contributions in charitable activities. Furthermore, the Group was once again awarded the title of Caring Unit by the government of Hedong District, affirming the company's efforts in poverty relief.

The Group has always responded positively to the state's demands and initiatives in poverty assistance work, actively fulfilling corporate social responsibility through organising, developing and executing a series of poverty relief programmes, which has helped us build a positive corporate image. Being honoured with multiple Caring Company awards this year represents a high level of public recognition for the Group's outstanding contributions in the field of social charitable work. During the Year under Review, the Group provided assistance solutions to disadvantaged groups and impoverished people in society through various channels in the hope of building a happier and more harmonious society.

We believe that corporate development is inseparable from having people's trust and support, and so giving back to society is part of the responsibilities and obligations that a corporation ought to fulfil. As ever, we will give our support to charitable causes, fulfil corporate social responsibility, and contribute to building a harmonious society.

Joining efforts to combat the outbreak and taking on disease prevention responsibilities

To ensure the health and safety of the Group's employees and to prevent and control the COVID-19 outbreak, safety has always been the most important aspect of the Group as a food production enterprise. Since the outbreak, the Group has rapidly implemented a series of preventive measures, including but not limited to establishing a response team delegated with the tasks of leading containment efforts against the outbreak, providing employees with adequate protective equipment and masks and ensuring strict compliance with personal and environmental hygiene measures. Under such stringent preventive measures, there has been no diagnosed cases of COVID-19 among the Group's employees in the PRC as at the date of this report.

The Group has gradually resumed production and business operations in late February 2020. As at the date of this report, the Group has resumed full production capacity. The Group has been communicating closely with suppliers and customers and made adjustments to logistics arrangements and delivery schedules as appropriate, in order to minimise adverse impacts to all parties, ensure normal business development, and achieve safe production. In addition, the Group has donated supplies amounting to a total of approximately RMB300,000 and has provided various forms of appropriate support for disease prevention work, contributing to the joint efforts in fighting the outbreak.

With a robust foundation, strong balance sheet and profitability, and market leader status, the Group has sufficient ability to tackle the current fluctuating and complex conditions. It is believed that operating conditions in the PRC will gradually return to normal as the relevant quarantine measures are lifted.

Future Prospects

Looking ahead, the Group will continue to optimise business operations and enhance sustainable development while remaining committed to our fundamental vision to provide consumers with healthy, delicious, safe, and convenient fruit products as well as our concern for social corporate responsibility. Besides carrying out charitable work and caring for the disadvantaged in the community, we will respond actively to the state's poverty assistance strategy in fulfilling corporate social responsibility.

With respect to product responsibility, the Group is committed to providing healthy and safe products to customers. As one of the food enterprises with the most comprehensive quality certifications both domestically and overseas, product quality is our basis for winning market and customer recognition. The Group has adhered at all times to stringent international production standards to ensure high quality standards of the Group's products. Regarding business development, the Group will continue to promote product deseasonalisation and expand product variety to beverages by further extending product lines. In addition to enlarging market share, more revenue sources will be developed, thus creating long term shareholder value.

With respect to the environment, we will persist in our traditional policy of minimising the environmental impact of our business operations through various technological applications and other measures. In future, we will continue to focus on designing new forms of packaging and encourage more customers to use environmentally friendly packaging, including Tetra Pak form of packaging that is suitable for the PRC market, in order to reduce overall GHG emissions arising from product packaging.

Last but not least, the Group will closely monitor developments in the novel coronavirus outbreak and contribute to various sectors of society with the Group's own resources and manpower.



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