



Labixiaoxin Snacks Group Limited
蠟筆小新休閒食品集團有限公司

(Incorporated in Bermuda with limited liability)

Stock Code: 1262



Environmental, Social and Governance Report

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Environmental, Social and Governance Report

ABOUT THIS REPORT

Reporting Scope

This report (this “ESG Report”) is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Listing Rules”). For the purpose of compliance with the Guide and the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, the board of directors of Labixiaoxin Snacks Group Limited (the “Company”, and together with its subsidiaries, the “Group”) (the “Board”) accepts full responsibility for the Group’s environmental, social and governance strategies and reporting, for assessment and identification of risks associated with environmental, social and governance matters, and for ensuring appropriate, effective risk management and internal control in this regard remains in place.

This ESG Report mainly summarizes policies, initiatives and performance in relation to environmental and social matters. Other subjects, including corporate governance, regulatory matters and information about directors, have been disclosed in relevant sections set out in the annual report of the Company for the year ended 31 December 2016.

Reporting Period

The reporting period spans from 1 January 2014 to 31 December 2016, and information of this report ends on 31 December 2016.

Organization Scope

This ESG Report mainly covers the Company and its four principal subsidiaries in Fujian, Tianjin, Chengdu and Anhui.

Publication of Environmental, Social and Governance Report

This ESG Report is the first comprehensive non-financial report published by the Company, and it intends to publish such report on an annual basis.

Basis of Preparation

Environmental, Social and Governance Reporting Guide of the Stock Exchange of Hong Kong Limited
Sustainability Reporting (G4) Guidelines of Global Reporting Initiative
Guidance on Social Responsibility Reporting (GB/T 36001-2015) (GB/T 36001-2015 《社會責任報告編寫指南》)
Guidance on Social Responsibility Reporting for Food Industry (《食品行業社會責任報告編寫指南》) issued by Chinese Academy of Social Sciences
ISO 26000 – Guidance on Social Responsibility (2010) issued by International Organization for Standardization

Reference Terms

To facilitate statement and to help with understanding, “Labixiaoxin Snacks Group Limited” is also presented as “Labixiaoxin”, “the Group” and “we” in this ESG Report.

Statement about Information

All information and materials used in this ESG Report are extracted from the Company’s formal documents, statistics reports and financial statements. Materials of this report are provided by the Group’s employees and partners, intended solely to disclose environmental, social and governance affairs of the Group, but not for commercial use.

Versions Available

This ESG Report is publicly available in Chinese and English. Should there be any discrepancy between the Chinese and the English versions, the Chinese version shall prevail.

Feedback on the Report

If you have any questions or suggestions on the content of this ESG Report, please contact the Finance Department of the Company through the following means.

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INTRODUCTION

About Labixiaoxin

Labixiaoxin Snacks Group Limited (listed on Main Board of Hong Kong Stock Exchange, stock code: HK.01262) was founded in 2000. With a history of more than a decade, Labixiaoxin grows as a benchmark enterprise in the private sector of Jinjiang City. Primarily engaged in the production of jelly products, confectionary products and beverages in 9 series and over 300 varieties, Labixiaoxin exports its products to over 30 countries and regions around the world, ranging from the Europe, the America, Southeast Asia to the Africa. It builds an extensive sales network covering 31 provinces and cities across China, which consists of over 400 distributors, thousands of distribution outlets and tens of thousands of retail terminals. Labixiaoxin also establishes close partnership with many well-known large retailers both at home and abroad, including Wal-Mart, METRO, Carrefour, East West Supermarket and RT-Mart.

Corporate Culture and Philosophy

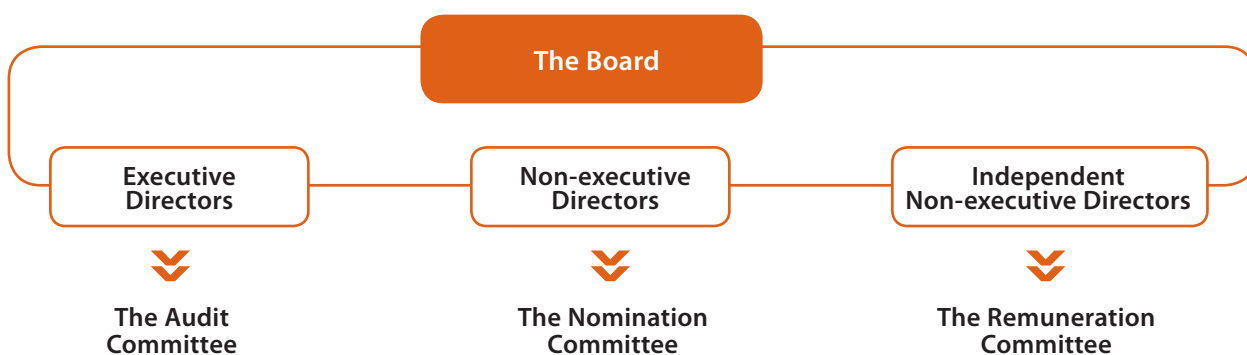
With the vision "Labi Always Delights You" (「蠟筆一下·天天開心」), the Group has been devoted to introducing Happy Culture (開心文化) to people, building itself as a healthy enterprise, and fulfilling social responsibilities. While relentlessly offering customers with much healthier foods, it strives for a win-win relationship with shareholders, employees and partners, and proactively makes contribution to social development.

As a leader in the PRC jelly industry, the Group strived to continue providing its customers with snacks that are customized, trendy, tasty and interesting, and offering unique jelly products and new-generation snacks to meet potential market demands. Snacks of Labixiaoxin are labeled with "safety", "healthiness", "quality", "nutritiousness", and "happiness" ("安全" "健康" "優質" "營養" "開心"), and the unremitted pursuit of originality that lies behind ignites all these dynamic features.

Environmental, Social and Governance Report

Corporate Governance Structure

The Group is committed to maintaining high-standard corporate governance structure to realize all-win development for the Company and each stakeholder.



The Board currently comprises 8 members, including 3 executive directors, 2 non-executive directors and 3 independent non-executive directors.

Executive Directors:

Mr. Zheng Yu Huan (Chairman)
Mr. Zheng Yu Shuang (Chief Executive Officer)
Mr. Zheng Yu Long

Non-Executive Directors:

Mr. Li Hung Kong (Vice-chairman)
Mr. Ren Yunan

Independent Non-Executive Directors:

Mr. Li Zhi Hai
Ms. Sun Kam Ching
Mr. Chung Yau Tong

The Board has set up three committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee.

Internal Audit Standards

The Company has set up and executed internal audit standards in accordance with the PRC audit laws and regulations and relevant requirements on standard operations of joint-stock companies. Such internal audit standards relate to monitoring the operation and effectiveness of internal control system, checking accounting accounts and relevant assets, monitoring the execution of preliminary and actual budgets and financial income and expenditures, and assessing benefits of major economic activities, thus ensuring smooth and effective business operation, reliability of financial reports and compliance with relevant laws and regulations, and identifying and managing potential risks.

Anti-fraud Mechanism

We have established the Management of Supervisory Work (《督導工作管理辦法》) and detailed management structure to prevent and discover fraud practices in a timely manner, enhance corporate governance and internal control, and ward off relevant risks, so as to guarantee the realization of operating objectives and sustainable and sound development. Under the supervisory mechanism, market supervisors conduct inspection and supervision on regular or occasional basis, report findings obtained via supervision to leaders in charge, advise on rewards and punishment to those in charge, offer reasonable recommendations to accounting of marketing expenses, and optimize market supervision mode, content, procedures and standards to improve effectiveness in this regard. For all of these efforts, we are unswervingly determined to advance anti-fraud work in the future.

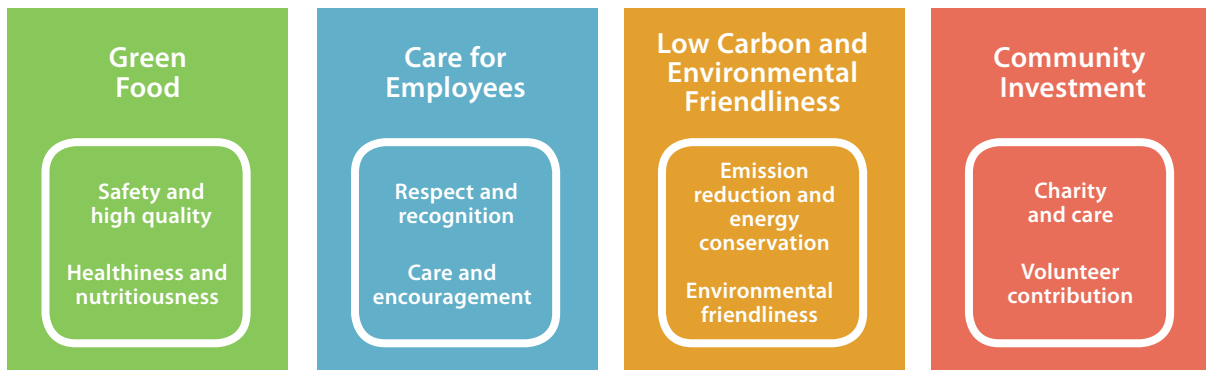
In order to help employees to identify and properly deal with conflict of interest and to protect them from illegitimate benefits, the Company has made great efforts, including promotion of anti-fraud policies and measures, arranging trainings on laws, regulations and integrity and ethics, and nurturing a corporate culture that values fidelity and diligence.

During the reporting year, we have not found any breach of laws and regulations regarding anti-corruption.

Environmental, Social and Governance Report

Environmental, Social and Governance Strategies

While upholding the vision “Labi Always Delight You” (「蠟筆一下·天天開心」) and focusing on quality production, the Group firmly believes that its current flourish is closely related to support and caring of the public; therefore, it makes “Repaying Society” (「回饋社會」) as the shared value for its management and employees. Labixiaoxin has always been pioneering in fulfilling corporate social responsibilities, whether it is about environmental protection, caring for employees, product safety and services, or public welfare undertaking. We join hands with shareholders and investors, with government and regulatory authorities, with consumers, partners, external environment, employees and external communities, to promote sustainable social development and to work hard for people’s health and happiness.



The Group sticks to the “Green food” management principle to guarantee the safety, quality, healthiness, and nutritiousness of products it offers.

The Group never stops offering care and support to its employees. It treasures employees’ respect and recognition, and strives for a favorable environment to provide employees with pleasant work experience and to promote their own development.

The Group strictly follows low-carbon and environmental friendliness rules in every aspect. It works hard to enhance its green competitiveness, minimize its effect on the environment, and cut down consumption and emission.

The Group makes relentless devotion to charity and communities, delivering care and health to the public and contributing more to the society.

Environmental, Social and Governance Report

Communication with Stakeholders

Stakeholder	Shared targets	Communication and feedback channels
Shareholders and investors	Capital preservation and appreciation Steady growth in return on investment Operating risk prevention Development of new markets and new opportunities	Annual report and announcement The Board Special meeting Company website
Government and regulatory authorities	Operation compliance Tax compliance Contribution to local economic development	Supervision and performance evaluation Voluntary tax payment Special meeting
Consumers	Safe and healthy products Open communication channels	"Green food" management principle Complaint management mechanism Control procedures for product inspection and measurement
Suppliers	Fair, open and impartial procurement Honesty and trustworthiness Confidentiality	Supplier communication and supervision Supplier appraisal mechanism Support and assistance to suppliers
Environment	Environmental protection Energy conservation and emission reduction	Regular assessment on environmental effect Technology upgrading Environmental management plan
Employees	Occupational health Wages and benefits Health and safety Construction of development platform	Occupational health and safety Management System Training and communication Care for employees
Communities	Public welfare undertaking Volunteer activities	Charity fund Product donation Visit to the elderly who live alone

Environmental, Social and Governance Report

Honors for Environmental and Social Contribution

Honors of Labixiaoxin

- May 2013: China Association of Bakery & Confectionery Industry "Outstanding Enterprise"(中國焙烤食品糖製品產業「突出貢獻企業」);
- June 2013: Enterprise Most Caring about Employee 2011-2012 (「2011-2012年度愛職工先進企業」);
- June 2013: Jinjiang Civilized Unit 2011-2012(晉江市「2011-2012年度文明單位」);
- July 2013: Advanced Grass-root Party Organization (「2010-2012年度先進基層黨組織」);
- August 2013: "Municipal-level Key Leading Enterprise" of Jinjiang's 7th Agricultural Industrialization (泉州市第七輪農業產業化「市級重點龍頭企業」);
- September 2013: Most Innovative Company of Fujian Province (「福建省創新型企業」);
- May 2014: 2013 CIEBC Top 100 Companies (中國工業企業品牌競爭力「2013年度評價前百名」);
- May 2014: Municipal-level Key Leading Enterprise of Agricultural Industrialization 2013-2014 (「2013-2014年度市級農業產業化龍頭企業」);
- November 2014: Well-known Trademark of Fujian (November 2014 to November 2017) (「福建省著名商標證書」2014年11月—2017年11月);
- March 2015: Patent Certificate for "Two-layer Mousse Jelly and Preparation Process"(發明專利證書「雙層慕司果凍及其製作方法」);
- June 2015: China Association of Bakery & Confectionery Industry Top 10 Companies (Jelly) (「中國烘焙食品糖製品行業(果凍)十強企業」).

GREEN FOOD

"Green Food" Management Principle

The Group puts forward "Green Food" management principle to implement comprehensive quality control. In this regard, the Company is required to execute the following specifics:

- (1) The Company must comply with relevant PRC laws and regulations, and a wide range of policies, laws, regulations and rules in relation to food production and operation, food package, food safety, and utilization of food additives.
- (2) The Company should treasure and improve talent quality, push up occupational health and safety level, and set up staff health management mechanism.
- (3) The Company should put a premium on development of high and new technologies and continuous launch of new products, while striving for higher product quality.
- (4) In all operating activities, the Company should apply advanced process and technologies, and follow relevant quality and technique requirements.
- (5) Every product must be produced in strict compliance with relevant requirements and should be carefully crafted in each process.
- (6) The Company should carry out systematical management regarding talent, capital, governance, technology, equipment, information and environmental protection, so as to prevent substandard products, environmental violations and food safety incidents.

Whole-chain Quality Control

The Company introduces a number of international advanced quality control systems in succession, including GB/T19001/ISO9001 Quality Management System, GB/T24001/ISO14001 Environmental Management System, GB/T28001/OHSAS18001 Occupational Health and Safety Management System, GB/T22000/ISO22000 Food Safety Management System, BRC Global Standard for Food Safety, Disney ILS Audit Checklist and Halal Certification, and incorporates them according to its practical conditions. By doing so, it builds a systematical and international whole-chain quality control system focusing on food safety, to realize comprehensive product quality control and to ensure stable product quality.

Guarantee from the source:

- The Company insists on selecting suppliers by quality and puts quality requirement into the first place.
- The Company maintains stable relationship with suppliers and creates environment for long-term and constructive cooperation with suppliers to realize a win-win situation.
- The Company implements supplier hierarchical management and carries out control by groups: critical materials (A Class), general materials (B Class) and auxiliary materials (C Class).
- The Company conducts regular internal audit; via training and interview, it reviews whether its practice has complied with the supply chain management system required by ISO9001 Quality Management System.
- The Company makes qualification certificate as one of supplier selection criteria, requiring suppliers to provide business license, production permit, Full Inspection Report (全檢報告) and other certification or qualification certificates.

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Production control:

The Company strictly abides by the relevant laws and regulations, caters for customer requirements, and takes the internationally accepted guidelines as well as principles and operation standards of Codex Alimentarius Commission as reference, works out a prerequisite program applied in the whole production system, which is appropriate for its food safety requirements, operating scale and business type, nature of products it produced and (or) processed, aiming to control:

- 1) the possibility that food safety hazards would affect products through working environment;
- 2) biological, chemical and physical pollution to food, including cross contamination;
- 3) food hazard level of product and product processing environment.

The prerequisite program set clear provisions on monitoring eight key production elements, namely water quality monitoring, food contact surface monitoring, cross contamination monitoring, disinfection and hygiene monitoring, pollutant monitoring, toxic chemical monitoring, employee health and hygiene monitoring, and insect pest monitoring.

Strict control procedures for product inspection and measurement:

- 1) *Inspection on raw and auxiliary materials to be stored into inventory*
Materials must be delivered to the Company together with a delivery inspection report provided by relevant vendor, and be declared for the Company's inspection with such report. The Company would follow rules and requirements to collect samples and prepare inspection and testing records in accordance with specified standards and inspection methods.

- 2) *Process inspection and testing*
Process and product inspection comprises workshop operator self-inspection, QC special inspection and sampling inspection of Inspection Group, which includes:

Jelly products: ingredient mixing, filling and sealing, sterilizing, selecting and packaging

Confectionary products: boiling, moulding, packaging

Beverage products: ingredient mixing, filling and sealing, packaging

Inspection and testing covers 3 product series, involving 10 procedures and 21 inspected items.

The Company has prepared guidelines on QC standard operation, to display inspection procedures by pictures to make them clearer and much earlier to understand and control, thus further promoting the standardization of quality control work and ensuring product quality.

3) Final product inspection

The testing lab is responsible for inspection of finished product, and inspected items include sensory index, physical-chemical index, biological index, inspection method, product lot number, and criteria to judge whether a product is up to standards. The testing lab may conduct sampling inspections on finished products stored in the warehouse on random basis, and products must not be delivered if judged as substandard.

Relevant reports should be finalized, which include Product Inspection Report (《產品檢驗報告》), Water Quality Inspection Report (《水質檢驗報告》), Auxiliary Material Inspection Report (《原輔材料檢驗報告》), Microorganism Inspection Report (《微生物檢驗報告》), Ingredient Mixing Daily Report (《投料工序檢查日報表》), Sterilizing Daily Report (《殺菌工序檢查日報表》), Selecting Inspection Report (《挑選檢查報表》), Packaging Inspection Report (《包裝檢查報表》), Workshop Hygiene Report (《車間衛生檢查報表》), and Comprehensive Inspection Report (《綜合檢查表》).

Product qualification ratio

Year	Product qualification ratio	Food safety rate	Percentage of products sold or delivered that are recalled due to safety and health reason
2014	99.70%	100%	0%
2015	99.70%	100%	0%
2016	99.81%	100%	0%

High-efficient After-sales Services

Customer complaint management:

We have formulated Customer Complaint Management System (《顧客投訴管理制度》) to specify responsibility scope of complaint management, relevant work procedures, and accountability and rectification measures, thus ensuring prompt response to customer complaints, improving product and service quality, and maintaining the Company's reputation. We implement hierarchical customer complaint management, under which, complaints categorized as A Class or B Class must be reported to the Group's general manager. In the mean time, we have strict control on the timeline for responding to customer complaints.

Product tracing and tracking:

Labixiaoxin implements strict control and tracking on product distribution:

- 1) It sets up complete and clear distribution records, including shipping origin, lot number, specific quantity, delivery time, contact person and means of contact.
- 2) It builds open communication channels for related parties (including distributors, wholesalers, retailers, and consumers) to facilitate delivering food safety information to external organizations and related parties.
- 3) It builds an effective recall system and implements hierarchical recall management, setting out details about recall time, work procedures and information disclosure.

Environmental, Social and Governance Report

Diverse Products

We offer diverse and high-quality snacks to the market, which could be categorized as follows:

- Jelly products, which comprise jelly snacks and jelly beverages;
- Confectionary products, which primarily include lollipops, milk candies, gummy candies and chocolates; and
- Other products, which comprise powdered milk tea, dried bean curd products and baked products.

For years, our strong product development inputs have brought us successful product category expansion and product quality improvement. We collect market information from sales and marketing departments for the purpose of developing new product lines and improving and expanding product categories. For instance, we usually launch a number of new flavor or products every year and weed out products that are least popular as compared with other products in the same line. Over recent years, we have succeeded in product category expansion, and currently we have over 1,000 SKU of jelly products sold (in different flavors, packages and weights), confectionary products and other products.

Our research and product development team is experienced and skilled, and is devoted to development of new formula and flavor, enabling our products to stand out from competition. While maintaining production costs within acceptable ranges, we are committed to product improvement and innovation and satisfying customers' changing flavor and preference, with particular focus on flavor, quality and package. In addition to internal product development, we also work in tandem with academic and research institutes to develop new products. Before the Jelly Group of National Snack Food Standardization Committee ("Jelly Product Taskforce") (全國休閒食品標準化技術委員會果凍小組(「果凍產品工作組」)) was founded on 19 August 2011, we were selected as the convener to lead the preparation work of Jelly Product Taskforce for our strong research and product development competence. In the future, we are expected to become a part of preparing national standards regarding jelly products.

We are confident that with our product development competence, we will manage to continuously improve our product, expand product categories, enrich product mix and maintain our competitiveness in China's snack food industry.

CARE FOR EMPLOYEES

Our Value

The Company's talent selection philosophy is "to entrust virtuous and talented ones with important missions by waiving ordinary procedures, to appoint virtuous but not talented ones after training, to limit hire of talented but not virtuous ones, and to offer no chances to those neither talented nor virtuous" (「有德有才破格重用·有德無才培養再用·有才無德控制使用·無德無才堅決不用」). It keeps the commitment to realize mutual development with employees and to make sure that employees feel they are "respected, recognized, cared, appreciated and encouraged".

Our Staff

Our staff are mostly based in Fujian, Tianjin, Sichuan and Anhui. As at 31 December 2016, the Group has 1,802 full-time employees, which include:

Employees of Labixiaoxin grouped by region are shown as below:

Region	2016	%
Fujian	1,045	57.99%
Tianjin	220	12.21%
Sichuan	305	16.93%
Anhui	232	12.87%
Total	1802	100%

Employees of Labixiaoxin grouped by gender are shown as below:

Gender	2016	%
Male	896	49.72%
Female	906	50.28%
Total	1802	100%

Employees of Labixiaoxin grouped by age are shown as below:

Age group	2016	%
16-20	78	4.33%
21-30	605	33.57%
31-40	579	32.13%
41-50	428	23.75%
51+	112	6.22%
Total	1802	100%

Environmental, Social and Governance Report

Care about Staff Health and Safety

Employee safety and health is our first priority, and we have strictly followed relevant laws and regulations to build a safety and healthy working environment. The Company has introduced GB/T 28000 Occupational Health and Safety Management System (GB/T 28000《職業健康安全管理體系》) to enable itself to effectively control occupational health and safety risks, to eliminate or reduce occupational health and safety risks employees may be exposed to because of production activities and other affairs.

In addition, we provide employees in all business departments with trainings on occupational safety, through which, employees are equipped with production safety knowledge as necessary to their work, improve their safety skills, and enhance their capabilities of accident prevention and emergency response. We organize fire-fighting exercises every year, for the purpose of improving employees' safety awareness and basic fire-fighting skills. For every year, the company has thorough safety inspections in spring and autumn respectively, checking the status of production facilities, safety measures to protect employees from danger, and occupational health and safety conditions of each unit.

During the reporting year, the Group has no work-related injury or death. Nor has it discovered any violation of laws and regulations in relation to occupational health and safety.

Strict Compliance with Labor Standards

The Company has set up clear human resource management procedures, and specified procedures regarding employment management, vacancy filling, external and internal recruitment, hire, probation to formal hire, redeployment, promotion and resignation. By doing so, the Company has established clear and traceable human resource management lines. It has complied with Disney International Labor Standards Audit Checklist (Disney ILS Audit Checklist), meeting the review requirements in relation to corporate social responsibility management system, written human resource policies and execution procedures, salaries and working hours, contract and supplier agreement, health and safety.

During the reporting year, the Group has strictly complied with rules and regulatory requirements on child labor and forced labor issued by China, Hong Kong and other applicable jurisdictions, to effectively forestall the employment of child labor and forced labor.

During the reporting year, the Group has not noticed any violations of labor standards, and relevant laws and regulations.

Fairness and Anti-discrimination

The Group does not tolerate any discrimination to employees or candidates, and ensures that employees will not suffer from any form of discrimination because of their ethnic nationality, race, gender, religious belief, marriage status, health or other characteristics protected by law. It remains impartial in hire, training, salaries and benefits, promotion and redeployment, and adopts vigorous measures to safeguard such objective on the condition that it has complied with relevant laws and regulations and labor contract provisions.

Guarantee for Staff Benefits

The Group pays utmost attention to employees' sense of happiness and offers them statutory holidays and benefits in accordance with laws and regulations. It also provides employees with other supplementary benefits, and therefore, it wins recognition from employees for its humanistic care.

The Group also takes account of employees' health and life, and strongly believes that it is very important to provide employees who are from other provinces and now living in the dorms of production plants with the sense of belonging and make them feel at home. Therefore, it makes continuous upgrading in dorms, canteens and recreation facilities to offer employee a better living environment.

With an aim to nurture employees' initiative, sense of pleasure and team spirit, the Group encourages all departments to organize social and team building activities. During the reporting year, we hold various activities for employees, including recreational activities, parties, basketball games and table tennis games. We also offer other facilities that are of education value and would help employees better accomplish their tasks, which include staff library, training room and Labixiaoxin Management College.

Staff Training and Development

Talent is the most important source of the Group's competitive advantage, and also one of the most important guarantees for the Group's sustainable development. The Group establishes an open learning platform to promote knowledge reserve and sharing. Building an effective, continuous and orderly learning system, promoting on-job training that is conducive to growth through practice and introducing performance coaching, the Group helps its employees improve knowledge reserve, skills, and organizational and cultural adaptability, thus improving their performance and broadening career development opportunities. It firmly believes that training should be guided by the target of being conducive to improving business performance. It also holds that internal training and group learning should predominate, and external training should serve as supplement, stressing the timely sharing and effective application of training. Every year, the Group works out special training budget for the purpose of helping employees improve knowledge reserve, skills, organizational and cultural adaptability, and leadership.

Trainings for each year include on-boarding training, on-job skill training and management training, in the form of centralized training sessions, experience exchanges, mentor coaching, on-job training and external expert lectures.

Statistics show that training hours each of Labixiaoxin's employees has taken are averaged above 25 hours every year.

Environmental, Social and Governance Report

LOW CARBON AND ENVIRONMENT FRIENDLINESS

The Group actively implements requirements set out by environmental laws and local environmental protection authorities, and has comprehensively introduced ISO14001 Environmental Management System to effectively control emission of greenhouse gas, waste gas and water, and hazardous waste. It has included environmental protection into its ordinary management agenda, and has established general-manager responsibility system. Special environmental protection department and Environmental Management Plan (《環境管理方案》) has been set up to conduct environmental management planning and monitoring. The administration center appoints environmental management personnel to ensure the implementation and management of environmental protection measures.

Emissions

Through continuous technology innovation and internal policy formulation, the Group strives for reduced emission of carbon dioxide, hazardous and non-hazardous waste produced during its ordinary operation, and minimal effect to the environment.

- It gradually replaces coal with natural gas, which is more efficient and environmentally friendly, to minimize effect to the environment.
- It prefers EFI vehicles or vehicles with filters to minimize emission of sulfides and particles, thus reducing air pollution.
- It relies on employees to enhance production and operation management, to improve production process and standards, and to realize comprehensive resource utilization.
- It conducts environmental equipment management to eliminate any leakage of gas, and liquid and to avoid any production incidents, thus complying with its vision of being a clean company and reducing emission of waste gas, waste water and solid waste.
- It builds waste treatment system (including fermenting tank) to handle waste water and food waste, and discharges all waste after microorganisms have been properly treated and alkaline and acid have been neutralized, so as to minimize effect to the environment.
- For wastes that could not be reused immediately (including waste oil, waste battery, waste lamp, and waste electric wire), all departments have to categorize them properly and store them in designated areas, to facilitate the disposal of designated department and to avoid pollution.

During the reporting year, the Group has not noticed any violations of environmental laws and regulations. In 2016, the Group's emission of greenhouse gas amounted to approximately 14,448.43 tons of carbon dioxide equivalents.

Environmental, Social and Governance Report

Resource Utilization

Total consumption of energy and packaging materials for the reporting year are listed as below:

Energy and packaging materials	Total consumption	Unit
Electricity	15,858,099.89	kWh
Raw coal	4,795.00	ton
Natural gas	856,047.10	cubic meter
Water	1,318,887.04	ton
Packaging materials	18,402.31	ton

We treasure natural resources and hope to minimize natural resource consumption while expanding our business. Our initiatives to promote efficient energy utilization are listed in the following:

- We plan and manage utilization of water, electricity and gas, install measurement meters as necessary to regularly record utilization and ensure effective monitoring.
- We sign performance contracts and conduct energy utilization assessment every month to monitor the difference between actual monthly consumption of each production workshop and theoretical consumption, thus strictly controlling energy consumption.
- We push ahead with technology upgrading, installing frequency converter to reduce the electricity consumption of air compressor and applying transformer to cut down consumption in the course of power transmission.
- We adopt LED energy-conserving lamps to reduce electricity consumption. We also incorporate water cycling system into the cooling process to improve water recycling and water utilization efficiency, and upgrade heat recycling equipment and water recycling equipment to reduce consumption of raw coal in the production process.
- We make efforts to improve employees' awareness of environmental protection, and help them cultivate good habits in terms of water and electricity utilization, thus realize energy conservation.

Environmental, Social and Governance Report

COMMUNITY INVESTMENT

The Group's vision "Labi Always Delight You" (「蠟筆一下·天天開心」) is not only incorporated into its products, but also in public welfare undertakings. We join hands with investors and partners, with government and media, and with employees and consumers, to promote sustainable social development and to work hard for people's health and happiness. We have been fulfilling our social responsibilities, repaying the society to support those in need and taking part in various corporate social responsibility activities to promote sustainable development concept.

During the reporting year, the Group's corporate social responsibility activities mainly include charity fund, educational support and volunteer activities.

Charity Fund

Since its establishment, the Group has been repaying the society and devoting itself to charity and benevolence. It donated RMB2 million to establish Labixiaoxin Charity Fund (蠟筆小新慈善基金) in 2007, and increased donations in succession subsequently. Currently, Labixiaoxin Charity Fund is managed by Jinjiang Charity Federation (晉江市慈善總會), which is responsible for ordinary donations of the fund.

Educational Support

Support to education development has always been the focus of the Group's public welfare undertaking, and the Group has made great contribution to educational infrastructure construction, school construction plans and assisting impoverished students. The Group made RMB500,000 of donations in total to Pujiang Daxue Town School (蒲江縣大學鎮學校), for improving basic education and creating a better environment for students.

Volunteer Activities

The Group is committed to maintaining relationship with local social organizations adjacent to communities where our businesses are located, and it has close collaboration with local volunteer service organizations. It makes arrangements and participates in various community services, including environmental protection campaigns, visiting those in need and assisting in organizing large social activities. For every year, the Company pays visit to the elderly who live alone on traditional festivals, delivering its care to the elderly and urging its employees to assume more social responsibilities.