



Shenguan Holdings (Group) Limited

(incorporated in the Cayman Islands with limited liability)
Stock Code: 00829

Environmental, Social and Governance Report

2017



Shenguan Holdings (Group) Limited (the “Company”, together with its subsidiaries, the “Group” or “we”) is an enterprise specialized in utilising collagen in the People’s Republic of China (the “PRC”), committed to the development of core collagen technologies and expanding the application of collagen technologies. To enable each stakeholder of the Company to understand the Environmental, Social and Governance (“ESG”) policies, measures and performances of the Group, we have, in accordance with the ESG Reporting Guide (“ESG Guide”) listed in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), prepared this Environmental, Social and Governance Report (“ESG Report”).

This ESG Report mainly covers the principal business of the manufacturing and sales of edible collagen sausage casings, which represented the main operating income of the Group covering the period from 1 January 2017 to 31 December 2017 (the “Reporting Period” or “FY2017”), involving subsidiaries including Wuzhou Shenguan Protein Casing Co., Ltd. (梧州神冠蛋白腸衣有限公司) (“Wuzhou Shenguan”) and Wuzhou Shensheng Collagen Products Co., Ltd. (梧州市神生膠原製品有限公司) (“Shensheng Collagen”). The relevant management and staff of the main functions of the Group are involved in the preparation of this ESG Report to assist the Group in reviewing its operation, identifying relevant ESG matters and assessing the importance of the relevant matters to our operations and the stakeholders. The following table is a summary of the ESG matters that are significant to the Group as set out in this ESG Report:

ESG Guide Reference

Significant ESG Matters

A. Environmental

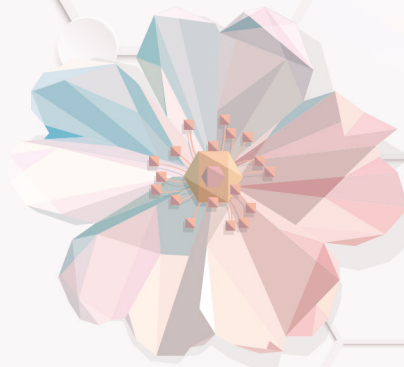
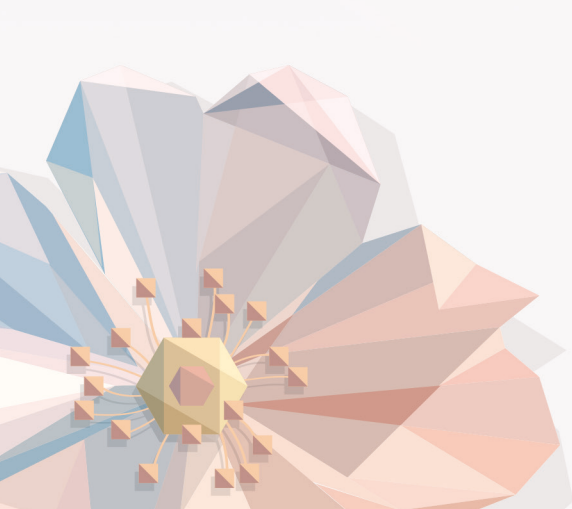
- A1. Emissions
- A2. Use of Resources
- A3. The Environment and Natural Resources

Gas emissions, sewage, waste disposal and carbon emission
Energy, water and packaging materials consumption
Environmental impact management

B. Social

- B1. Employment
- B2. Health and Safety
- B3. Development and Training
- B4. Labour Standards
- B5. Supply Chain Management
- B6. Product Responsibility
- B7. Anti-corruption
- B8. Community Investment

Employee remuneration and equal opportunity policy
Safety production
Staff training programme
Prevention of child labour or forced labour
Sustainable supply chain
Quality accreditation, innovative development and customer service
Prevention of corruption and fraud
Social welfare



A1 Emissions

The Group is committed to building an environmentally-friendly corporation and strives to minimize the production of non-hazardous waste and water discharge during manufacturing process and reduce the effect of exhaust emission on the surrounding environment. We take precautions against any unnecessary pollution, assess the source of emissions regularly and work on plans that can reduce emission from the source. We also make every effort to explore more opportunities to re-use and make the most of waste and discharged water in order to improve the equipment and process for disposal of emissions and ensure their effectiveness.

In addition, we also devote sufficient resources to advocate the Group's environmental policy to our staff so as to strengthen their awareness of waste reduction. We arrange dedicated environmental protection staff for the equipment management department to conduct the environmental protection management of the Group and establish environmental protection workshops within the production plants to deal with the sewage.

During the Reporting Period, the Group did not identify any cases of material violations of environmental-related laws and regulations.

Dealing with gas emissions

Gas emissions are induced from certain process production and auxiliary procedure of the Group. During the Reporting Period, the exhausted gas emitted by the Group were generated from the combustion of sawdust by sawdust-fired boilers in producing steam (including particulate matter of 388 kilogrammes, carbon dioxide of 861 kilogrammes and nitrogen oxides of 1,350 kilogrammes) and hydrogen chloride exhaust generated from producing cellulose (with an aggregate of 257,040 standard cubic meters) respectively. In order to reduce exhaust emissions from boilers, the Group replaced the sawdust-fired boilers with natural gas boilers in January 2018, and the effects of such measures will be disclosed in the Environmental, Social and Governance Report for the financial year 2018.

Disposal of sewage

The sewage generated during the manufacturing process flows into a collection pool for sewage treatment. Subsequently, after an initial filter that removes the pollutants, the sewage then enters the neutralization and regulation reservoir to adjust the sewage pH value in order to meet the required range. Then the sewage is pumped into a floatation tank from the regulating reservoir for initial treatment. The processed sewage, passed through the floatation tank, will undergo the hydrolytic acidification treatment and aerobic biochemical aeration treatment, and finally be processed by sedimentation tank system. The sewage, which has met the standard after the above treatment, will flow into the sewage treatment plant in Wuzhou City for disposal and discharge. During the Reporting Period, the sewage processed by the Group amounted to 725,620 m³ and the sewage pollutants fully met the discharge standards.

A1 Emissions (continued)

Waste disposal

The Group actively minimizes the manufacturing of waste during the production process and complies with the relevant laws and regulations through strictly complying with its waste management policies. During the Reporting Period, the non-hazardous solid wastes produced by the Group and their respective recovery volume are as follows:

Non-hazardous waste category	Unit	Production volume	Recovery volume
Sludge	tonne	6,343	956
Waste collagen and other waste materials	tonne	2,500	2,500

During the Reporting Period, the main non-hazardous solid wastes produced by the Group were sludge, waste collagen and other waste materials generated during the production and operation process. For sludge, active bacteria were added to the sewage, which could be used to pull out and concentrate the stagnant mud produced by biochemical treatment through the sludge pump. This could then reduce the water content in the sludge by filtration and dehydration through a chamber pressure filter, so as to reduce the volume of the waste. All the processed sludge would be handled by a qualified recycling company. During the Reporting Period, the Group increased efforts in enhancing the recovery and utilisation of solid waste by making organic fertiliser from recycled sludge and waste collagen, etc. through bio-fermentation. As shown in the above table, waste collagen and other waste materials were fully recycled and re-used by the Group on its own, successfully reducing external transportation volume and saving cost. The Group does not produce a significant amount of hazardous wastes in its daily production.

Carbon emission

Our carbon emissions are mainly derived from energy consumption of electricity and fuel oil. While keeping close attention to the impact of our business operation on the environment, the Group has taken various energy conservation measures with an aim to reduce carbon emission. Please refer to the below section headed "Energy Consumption" for details. During the Reporting Period, the relevant carbon dioxide equivalents produced by the Group during its business operation amounted to 123,994 tonnes¹ with an intensity of 0.921 tonnes/RMB ten thousand industrial output value².

¹ The calculation of carbon emission is performed in accordance with UK Government Conversion Factors for Greenhouse Gas Reporting (《英國政府溫室氣體匯報轉換因子》) published by the Department for Environment, Food and Rural Affairs (DEFRA), the Reporting Guidance on Environmental KPIs (《環境關鍵績效指標匯報指引》) of Hong Kong Stock Exchange and the Baseline Emission Factors for Regional Power Grids in China promulgated by the Department of Climate Change of the National Development and Reform Commission of the PRC.

² Calculated in accordance with the calculation method of total industrial output value published by the National Bureau of Statistics of the PRC.

A2 Use of Resources

The Group is actively committed to promoting environmental protection and effective use of resources in order to promote a green environment for office and production with four basic principles – reduce, re-use, recycle, and replace. The Group strives to create outstanding and effective energy-saving and consumption reducing management measures to strengthen the energy consumption management within the plants.

Energy Consumption

Major energy consumption of the Group during the Reporting Period were as follows:

Energy category	Unit	Consumption	Intensity of consumption (per unit industrial output value ²)
Petrol	litre	49,810	0.37 litre/RMB ten thousand
Diesel	litre	182,062	1.35 litre/RMB ten thousand
Electricity	kilowatt-hour (kWh)	207,744,720	1,543 kWh/RMB ten thousand

During the Reporting Period, the Group has increased investments for energy conservation and emission reduction equipment, including phase-out of energy-consuming motors and replacement with highly-efficient motors. Besides, it completed upgrading of the heat pump system of the sausage casing workshop in 2017, with a view to reduce electricity consumption so as to improve efficiency and conserve electricity.

In addition, the Group has formulated its production plans after taking into account the effect of climate and sales seasonality to make full use of production capacity. For example, we avoid production arrangements during the summer period with high energy consumption and low production efficiency, in order to reduce energy consumption and improve production efficiency.

The above measures have achieved impressive results during the Reporting Period with lower costs and carbon emissions.

Water Consumption

During the Reporting Period, the total water consumption of the Group amounted to 1,557,283 cubic meters with an intensity of 12 cubic meters/RMB ten thousand industrial output value², which was mainly for production and staff's domestic usage. As a food manufacturer whose production activities require water resources, the Group is fully aware of the significance of water resource protection for the environmental ecology. Therefore, our policy is to implement recycle and reuse of water as much as possible and reduce consumption of natural or clean water. A portion of the sewage generated from the production process is treated for reuse through our own sewage treatment equipment, effectively reducing both water consumption and sewage discharge.

A2 Use of Resources (continued)

Use of packaging materials

During the Reporting Period, the packaging materials used by the Group were mainly cartons and plastic packaging materials for finished products, whose consumption amounted to 1,256 tonnes and 102 tonnes, respectively. We successfully reduced the packaging materials consumption by adjusting our packaging methods and volumes, saving packaging cartons and plastic packaging materials by approximately 420 tonnes and approximately 50 tonnes during the Reporting Period. In addition, the used packaging cartons are recycled after treatment with an aim to reduce wastes for disposal.

A3 The Environment and Natural Resources

Environment impact management

The Group is fully aware of the fact that environmental protection can decrease operational risk and increase business opportunities. We will make continuous efforts in bringing the concept of environmental protection and social responsibility into the Group's operations and policies. For example, as to new construction project, we will prepare environmental protection assessment report before the commencement of the construction project and implement the "Three-Simultaneous" project in accordance with the result and recommendations of environmental protection assessment report. "Three-Simultaneous" is the policy which requires that pollution prevention and environmental protection facilities in new construction, reconstruction and expansion projects shall be designed, built and put into operation simultaneously together with the main part of the projects. In daily productions, we also engage a third party to conduct monthly environmental supervision and monitoring, with an aim to ensure all three production zones maintain up-to-standard discharge with focus on energy conservation and pollution reduction. The Group will also continue to improve the production process and update the production equipment to avoid the abuse and wastage of natural resources. In addition, we have also set up emergency response system to deal with environmental incidents. We have also formed a task force to promptly address and reduce the damage of the incidents to the environment. The risk management and internal audit systems of the Group have conducted regular assessment and follow-up on the risks related to the environment and society, and all business departments have also formulated appropriate internal control and risk response plans in respect of major risks.

Apart from complying with the existing national and related provincial environmental protection rules and standards, we also take the initiative to issue an environmental protection proposal to staff of the subsidiaries of the Group, suppliers and partners so as to improve the environment as a team. The Group also encourages its employees to protect environment and conserve natural resources, with an aim to enable everyone to proactively participate in environmental protection and voluntarily comply with environmental protection laws and regulations.

B1 Employment

Employee Remuneration and Equal Opportunities Policy

Human resources is of utmost importance to the success and the long-term business development of the Group. The Group ensures that the remuneration of our staff is commensurate with prevailing market rates and they are provided with relevant on-the-job training and development.

In order to attract and retain high quality talents to ensure smooth operations and to cope with the Group's continuing expansion, the Group determines the remuneration packages with reference to market conditions and based on staff's responsibilities, job performance and job scopes, etc.

Our recruitment policies are based on the fundamental values such as integrity, innovation, enthusiasm and team spirit as the basic criteria for recruiting talents. All candidates are subject to an unbiased entry assessment so as to assess whether they possess the ability to meet the Group's development requirements. We also need to go through a strict vetting process to ensure the fairness of the entire recruitment process. The principle of fairness is also applied to our dismissal procedures.

The Group strictly complies with national and local laws and regulations in terms of working hours and holiday arrangements to ensure that our employees can enjoy their holiday for keeping them physically and mentally healthy.

At the same time, the Group also strives to provide a working environment without discrimination. The discrimination against our staff in respect of recruitment, dismissal, remuneration and promotion are strictly prohibited. We have also set up a whistleblowing mechanism. In case of any unfair and unequal cases, a task force will be responsible for the investigation and taking corresponding disciplinary actions.

During the Reporting Period, the Group has not identified any significant matter that has violated the laws and regulations relating to employment and human resources.

The Group employed a total of approximately 2,700 employees as at 31 December 2017, statistics of which are as follows by gender, employment type and age group:

Gender	Percentage	Employment type	Percentage
Male	55%	Full-time	98%
Female	45%	Others (part-time, fixed-term or casual)	2%
Age group	Percentage		
Age 18–30	7%		
Age 31–40	36%		
Age 41–50	46%		
Age 51–60	10%		
Age 61 and above	1%		

B2 Health and Safety

Safe Production

The Group is committed to continuously optimizing the technological process, improving the working environment for the employees and taking all appropriate measures to safeguard their health and safety. Each of Wuzhou Shenguan and Shensheng Collagen has obtained the Grade II Work Safety Standardization Certification (《安全生產標準化二級企業證書》) from the Administration of Work Safety of Guangxi Zhuang Autonomous Region by implementing the safety standardization system in September 2016, thus establishing a sound safety system. In addition, the Group regularly evaluates hazardous factors at the production sites and prepares the Inspection Report on Hazardous Factors at the Production Sites (《工作場所有害因素檢測報告》), so as to identify potential risks and take follow-up measures.

The Group has also formulated a corresponding safety code of practice for all production staff, which details the safety precautions for different production processes, including establishing the “Compilation of Safety Management System” (《安全管理制度匯編》) to protect the health and safety of the employees, developing the “Compilation of Safety Management Responsibility” (《安全管理職責匯編》) to clearly define the safety responsibility of each post, and formulating the “Compilation of Regulations for Safety Operation” (《安全操作規程匯編》) to outline the safety operation regulations for each process. The Group has made efforts to further optimize the safety guideline, with an aim to improve the employees’ safety awareness and jointly create a safe working environment. Furthermore, the Group has arranged training and explanation of the contents of such code for all new employees, and also provided safety education for the staff at the company, workshop (department) and team level. Moreover, the Group has created the Job-transfer Safety Training (《轉崗安全培訓》) and provided such training for job-transfer staff in September 2017, enabling them to understand and adapt to the safety regulations for their new posts.

To enhance the employees’ safety awareness and the chance of survival in case of fire, the Group also regularly arranges drills in respect of first-aid, fire-fighting, evacuation, leakage and escape. In June 2017, the Group developed various drill plans such as Emergency Escape Drill on Fire Incident for Sifu Collagen Workshop (《思扶膠原車間火災緊急逃生演練》), Fire Extinguisher Practice Drill for Wangfu Sausage Casing Workshop II (《旺甫腸衣2車間消防滅火器演練》), Fire-fighting Emergency Drill for E Zone of Wangfu Packaging Workshop (《旺甫包裝車間E區消防應急演練》) and Bus Fire-fighting Drill (《客車消防演練》), with an aim to provide the staff with dedicated and effective safety drills to ensure their safety. In addition to establishing a sound shifting system to ensure that the employees will have sufficient time to rest, the Group also focuses on the two-way communication with its employees, and has prepared the Emergency Response Plan for Production Safety Incidents (《生產安全事故應急預案》) and formulated appropriate incident reporting and investigation policy to encourage employees to report incidents and other matters. Moreover, we have established the safety supervision department, which will regularly supervise the potential safety risks during production and at the warehouses as well as handle and follow up the incidents reported by the staff.

The Group strictly complies with the laws and regulations in terms of employee health and safety. During the Reporting Period, the Group launched the List of Laws, Regulations, Standards and Other Requirements (《法律法規·標準及其他要求清單》) of Shenguan, so as to assist the staff to identify various compliance requirements and protect the interests and rights of various stakeholders. The legal affair department also requests the relevant staff to learn the “Administrative Measures on ‘Three-Simultaneous’ Occupational Disease Control Facilities in Construction Projects” (《建設項目職業病防護設施「三同時」監督管理辦法》) and be aware of compliant operation. During the Reporting Period, the Group has not identified any case of material violations of laws and regulations relating to the health and safety at the workplace.

B3 Development and Training

Staff Training Programme

The Group values the career development and prospect of its staffs and continues to identify potential talents by the tailored-made internal training plan. Through the training programmes, the Group expects to improve the staff's knowledge at work and foster them to develop diversified skills. Therefore, the staff can utilize their potential and grow together in line with the Group's strategies.

The principal subsidiaries of the Group have established the comprehensive training regime and training policy to support on-the-job education and training of the staff in order to upgrade our staff's knowledge and skills. The Group's training programme primarily includes orientation training, on-the-job training and external training. Orientation training includes the programmes on rules and system on personnel, professional quality, corporate management system, industrial safety and working environment, qualitative foundation, etc. On-the-job training includes accreditation for job qualifications (job theory and practice) and relevant matters relating to annual training programme. External training includes job training for special positions. We also offers subsidy to our staff for external training.

B4 Labour Standards

Prevention of child or forced labour

We are always committed to building a mutual respect relationship with our employees. The Group strictly complies with the requirements of the Labour Law of the PRC and recruits people who are of the age of 18 or above holding a valid ID card issued by the Public Security Department of the PRC. The subsidiaries of the Group recruits people in a fair, open and voluntary manner. Each subsidiary has to sign a legal labour contract, indicating there are no compulsory use of labour. We have a prudent and comprehensive recruitment review process and our human resources department will ensure that the personal information provided by the candidates is true and accurate. The candidates are also required to provide proof of identity at the time of the interview to verify their actual age. Our human resources department will also conduct background investigations on the candidates.

The Group also strictly abides by the labour quota standard, in which we do not force or disguise to force employees to work overtime. If it is required for production and operation, the working hours for our staff may be extended for not more than one hour on a daily basis in general as agreed between the trade union and our staff (except for special circumstances under the law), and the extension of working hours is also in line with related national laws. In addition, the Group will regularly review the existence of the employment of child or forced labour in our business operations.

During the Reporting Period, the Group did not identify any cases of material violations of laws and regulations relating to the preventing child and forced labour.

B5 Supply Chain Management

Sustainable supply chain

Directors of the Company understand that customers and suppliers are the key to the Group's sustainable development. The Group is committed to establishing close and caring relationships with its suppliers and customers and maintaining continuous communication with customers and suppliers through various channels for feedback and advice.

Adhering to the procurement strategy of fairness, impartiality and openness as well as comparison among various suppliers, we will assess the eligibility of suppliers according to factors such as production scale, supply capacity, price advantage, quality assurance and after-sales service. Provided the quality assurance is satisfied, priority will be given to the suppliers which choose environmentally-friendly materials and employ disabled workers. In addition, the Group will carry out internal audit for the operation of food safety system and quality management system annually. Meanwhile, we will also review the suppliers annually according to factors such as the qualified rate of the supply quality and on spot inspection.

B6 Product Responsibility

Quality Certification

Being a manufacturer of edible collagen sausage casing products, the Group has over 30 years of experience in the research, development and manufacturing of collagen sausage casings. The Group is the first enterprise in the PRC which has obtained the patent on the invention of edible collagen sausage casings technology and we have a number of patents on inventions authorized by the State. The Group has passed the ISO9001 Quality Management System Accreditation, ISO22000 Food Safety Management System Accreditation, ISO10012 Measuring Management System Standard Accreditation, Food Production License, Registration Certificate for Manufacturing Enterprises on Export Food, Certification of Halal Food and obtained FDA Registration for exporting the Group's products to the United States. The Group's subsidiary, Guangxi Wuzhou Zhongguan Testing Technology Services Company Limited, obtained the qualification accreditation certificate by a food inspection institution in 2014. It also obtained the qualification accreditation by an independent third party food inspection institution in 2015, through which we are able to provide inspection service as an independent third party inspection institution for the society.

In addition to the collagen casing, the Group also commences to expand the application of collagen technology to various areas including medicine, beauty, food and healthcare products.

During the Reporting Period, Wuzhou Shenguan Protein Casing Co., Ltd. (梧州神冠蛋白腸衣有限公司), a subsidiary of the Group, received the title of "2017 Advanced Quality Control Entity of Guangxi" (2017年度廣西質量管理先進單位) from Guangxi Association of Quality.

B6 Product Responsibility (continued)

Innovation Development

With a focus on the health industry for development, the Group promotes the project construction for the industrial chains steadily and proactively investigates the application of collagen technologies in new areas.

Given that collagen is also applicable to the cosmetics industry, the Group has allocated resources to develop the relevant sector. Guangxi Luxianna Biotechnology Development Company Limited (廣西露仙娜生物科技發展有限公司), a subsidiary of the Group, has obtained the skincare product production permit in 2017.

In respect of food and health care products, the Group acquired 25% equity interests in Ferguson (Wuhan) Biotechnologies Ltd. (福格森(武漢)生物科技股份有限公司), a company which is engaged in production of professional health care products. This company focuses on the research and development, production and sales of health care products and nutrition products for pregnant women, toddlers and persons with special needs.

Customer Service

The Group strives to provide the customers with appropriate services. Therefore, we have developed a comprehensive customer complaint handling procedure and goods return procedure. All complaints will be investigated by an independent department, which will collect sufficient and objective evidences to support the finding of investigations. All advice and requests from customers will be considered.

The Group has made every effort to avoid unsafe and unqualified products. Therefore, we set up a quality control department to inspect raw materials, accessories and finished products. We also formulate specific inspection procedures for various raw materials, accessories and finished products to ensure that our raw materials, accessories and finished products meet specific quality standards. Any disqualified products will be prohibited from delivery. The Group will update the quality standards regularly and arrange training for inspection staff to ensure the effectiveness of quality inspection. The Group has also established a comprehensive goods return policy to inspect the quality of the product returned by the customer and follow up timely.

During the Reporting Period, the Group did not identify any cases of material violations of laws and regulations relating to the quality of products and services.

B7 Anti-Corruption

Prevention of corruption and fraud

The management of the Group promotes a corporate culture of honesty and integrity and creates a corporate culture environment of anti-corruption and anti-fraud. The management assesses the fraud risks and establishes specific control procedures and mechanisms so as to reduce the chances of frauds and corruptions. We have place a suggestion box and our Party and Administration Office is responsible for receiving, investigating, reporting, and making comments upon the reporting of frauds. In the event of fraud or corruption, the Group will take remedial measures timely to assess the internal control of the relevant affected departments and instruct the relevant departments to make improvements. The Group shall, in accordance with the relevant provisions, take corresponding administrative disciplinary actions such as warning, criticism, demotion or dismissal against those employees who have been found to have engaged in fraudulent conducts which required him/her to bear the liability. For those involving the violation of criminal law, they shall be handed over to the relevant authorities according to the law. In addition, in order to enhance the sense of integrity of our staff, we have included staff ethical behaviors into our Code for Staff. We also require all the new staff to be trained in accordance with the Code of Ethical Behaviors. We train our existing staff through case study approach regularly.

During the Reporting Period, the Group did not identify any cases of material violations of laws and regulations relating to anti-corruption and anti-fraud.

B8 Community Investment

Social Welfare

The Group never forgets to give back to the society and is passionate for the social welfare activities while pursuing its own corporate development. We have formulated the “Measures for the Administration of Public Welfare Activities and Charities” (公益活動和慈善事業管理辦法), which defines the charity principles of social welfare activities and charities, specifies the scopes, types and beneficiaries of public welfare activities and charities, and stipulates the relevant procedures of donation cause, subject, channels, methods, and responsible party of the donation, composition and amount of the donation, as well as the procedures for handover of the donation.

The Group has established Shenguan Sunshine Charity Fund (神冠驕陽公益基金) and invested nearly RMB2 million to provide support for basic education, which offers financial assistance for the children in the impoverished areas to continue their education and help the impoverished children to enjoy a happy and healthy childhood. These capitals are intended to fund charitable projects such as “Spring Blossom Program” (春蕾計劃), “Shenguan Class of No.1 Middle School of Wuzhou” (梧州一中神冠班), “Children’s Home” (兒童家園) and “Ferguson Golden 1000 Days Seedling Action” (福格森黃金1000天育苗行動), which provide various kinds of financial assistance. Furthermore, the Group has designated its products including the “COLL-FULL” Collagen Piece Facial Mask, “Meday” Collagen Chips and Ferguson Mother-and-baby Health Care Product as public welfare products, a portion of the sales revenue of which will be donated to Shenguan Sunshine Charity Fund.

The proceeds from the initial program of the fund have been used for the “Spring Blossom Program”, under which three Shenguan Spring Blossom Classes (神冠春蕾班) have been established in Guangxi, Shandong and Henan respectively. Each class accommodates 50 female children, providing them with financial assistance for tuitions and living costs until they graduate from senior high schools. Meanwhile, the fund has launched the “Ferguson Golden 1000 Days Seedling Action – Nutrition and Health Program for Babies and Toddlers” (福格森黃金1000天育苗行動－嬰幼兒營養健康計劃). The program will first promote and spread education on nutrition for babies and toddlers in Shandong Province, distributing promotion reading materials on nutrition and health for free, helping to improve the nutrition and health conditions of babies and toddlers in the impoverished areas and establishing scientific value of children rearing and pediatric nutrition.

For FY2017, the amount we invested to social welfare amounted to RMB3.23 million. Public welfare activities conducted or carried on by the Group included but not limited to:

- Investment of RMB2 million to Shenguan Sunshine Charity Fund
- Donation of more than RMB180,000 to three villages for pair-up poverty relief
- Financial assistance of RMB150,000 for the poverty alleviation program in Mengshan
- Provision of RMB900,000 for industrial poverty alleviation projects in areas including Mengshan, Hezhou, Qinzhou and Tengxian