



Shenguan Holdings (Group) Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code: 00829



Environmental, Social and Governance Report

2019



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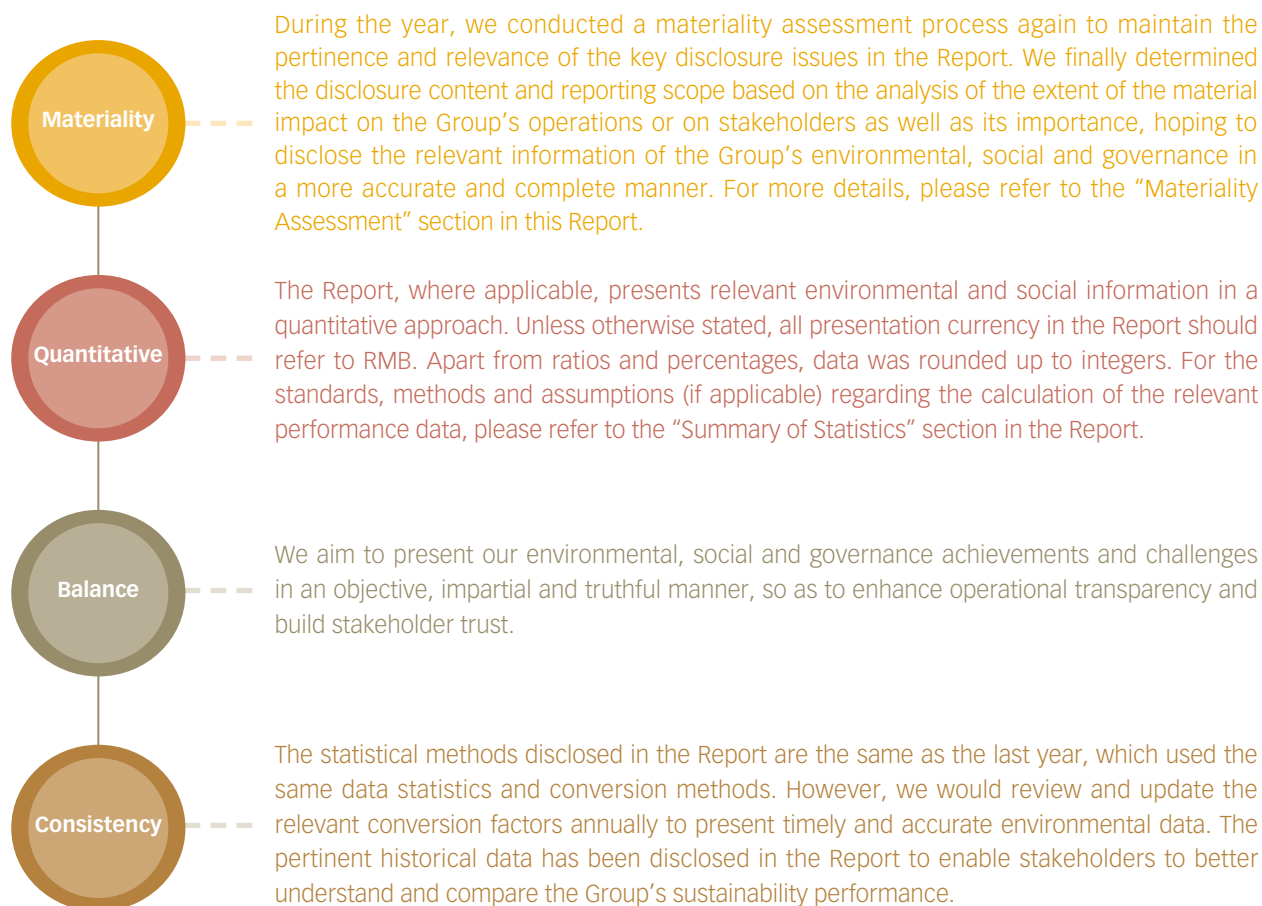
ABOUT THIS REPORT

Shenguan Holdings (Group) Limited (the “Company”, together with its subsidiaries, the “Group”, “we”, “Shenguan Group”) is an enterprise established in the People’s Republic of China (the “PRC”) and specialized in utilising collagen. We are committed to the development and application of collagen technologies. We hope that through the annual release of the Environmental, Social and Governance Report (the “Report”) can enable each stakeholder to understand the Environmental, Social and Governance policies, measures and performances of the Group. It helps continue to maintain good communication with stakeholders, promote and implement the sustainable development vision and strategy to achieve our sustainable development growth strategically.

REPORTING STANDARDS

The Report is prepared based on the Environmental, Social and Governance Reporting Guide (the “Guide”) listed in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). We are also prepared for the disclosure in advance of the revised guidelines issued by the Stock Exchange in December 2019.

The Report is prepared in accordance with the four major reporting principles stated in the Guide, including materiality, quantitative, balance and consistency, aiming to present true, meaningful and accurate environmental, social and governance information of the Group.



REPORTING SCOPE

The Report mainly covers our efforts and achievements in terms of environmental, social and governance aspects from 1 January 2019 to 31 December 2019 (the “Year”, the “Reporting Period” or “FY2019”), including Industry Optimization, Care for Employees, Environmental Protection and Community Investment. The reporting scope includes the principal business of the manufacturing and sales of edible collagen sausage casings, which represented the main operating income of the Group. The subsidiaries involved include Wuzhou Shenguan Protein Casing Co., Ltd. (梧州神冠蛋白腸衣有限公司) (“Wuzhou Shenguan”). As Wuzhou Shensheng Collagen Products Co., Ltd. (梧州市神生膠原製品有限公司) (“Shensheng Collagen”) has already merged with Wuzhou Shenguan during the Reporting Period, and the R&D and production based in Singapore have yet to be officially put into production, therefore, the relevant environmental, social and governance data is not disclosed during the Year.

The Report focuses on the Group’s environmental, social and related governance performance. For more details on corporate governance, please refer to the Corporate Governance Report set out in the latest annual report of the Group.



MESSAGE FROM THE CHAIRMAN

We deeply understand that environmental and social risks will exert a significant impact on the operations of the Group. Therefore, we are committed to integrating sustainable development into our daily operations to achieve long-term prosperous business development and meet the expectations of stakeholders. Over the past 4 decades of development, the Group has gained insight into the new trends of industrial development to establish and maintain competitive advantages. We have constantly made innovations and changes, actively responded to market changes to put forth new ideas, and vigorously developed new markets to create the unique market value for the Group.

In recent years, our business scope has expanded from the manufacturing and sales of edible collagen sausage casing products to pharmaceutical products, food products, skincare and health care products, and bioactive collagen products. From the original creation of core collagen sausage casing technology, breaking the foreign technical blockade and seeking technological innovation, to fully opening up the grand health industry in 2016, we launched new products such as instant solid collagen under brand “Meday” and collagen piece facial masks under brand “COLL-FULL”. The aforementioned actions expanded the layout of collagen applications to maintain our leading market position.

We hope that the Report will enable the public to have a better understanding of the efforts and achievements of Shenguan Group made in terms of environmental, social and governance. We will focus on attaining operation standards, establishing and managing employment and labour relations, investing in the community, and mitigating environmental damage, so as to consolidate our commitment to sustainable development.

We would like to express our heartfelt thanks to all colleagues, customers, partners and stakeholders of the Group for their participation and cooperation in assisting Shenguan Group to achieve sustainable operations and fulfil our social responsibility. The environmental, social and governance performance in FY2019 was remarkable. Thanks to everyone for your perseverance and contribution, for continuously providing customers with satisfactory and competitive products and plan for future development blueprints. We look forward to continuing working with you to create a delighted and bright future in the coming year.

SUMMARY OF KEY ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE



Employees receiving training reached
91.9%



Amount invested in social welfare reached RMB
2.62 million

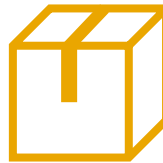


Particulate matter emissions
↓ **36.6%**

Nitrogen oxides emissions
↓ **26.1%**



Non-hazardous waste recycling rate
↑ **3.9%**



Use of packaging materials
↓ **12.0%**



In June 2019, Shenguan Group and Alibaba signed a cross-border cooperation agreement to develop extensive business. We have actively strengthened the hardware and software capabilities, explored new development opportunities for traditional manufacturing enterprises in the "Internet +" era, and promoted the brand to boost global foothold.

PROFESSIONAL CERTIFICATION AND GROUP HONORS

The Group is the first enterprise in the PRC to obtain the patent on the invention of edible collagen sausage casings technology and we have a number of patents on inventions granted by the country. During the Reporting Period, the Group has obtained 72 valid patents with 21 patent applications accepted and pending for approval. Our professional achievements have been recognized by government-accredited institutions. Some professional certifications and the Group honors are listed below:



ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRUCTURE

The Group takes innovation, quality, safety, energy conservation and environmental protection as its development goals. We have established the environmental, social and governance systems to propel sustainable development. A sound environmental, social and governance structure has established a top-down approach to promote the green enterprise development.



Comprehensive Management Manual—A guideline established by Enterprise Management Department, covering product quality, food safety, occupational health and safety, environmental safety, surveying management and intellectual property rights.



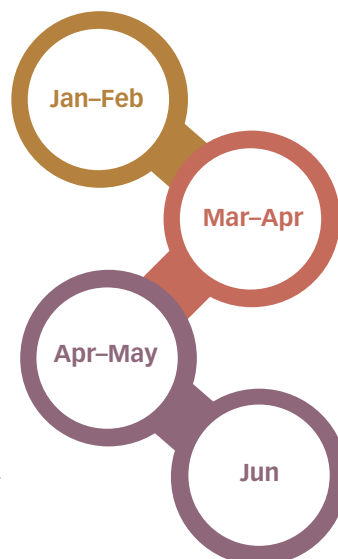
Preparation Process of Environmental, Social and Governance Report

Kick-off Meeting of the Report Compilation

- The Group identified important environmental, social and governance issues, and review the revised guidelines released by the Stock Exchange.
- The Group distributed and collected stakeholders' engagement questionnaires and summarized stakeholders' opinions from usual communication channels.

Report Finalization

- The information was reviewed and examined by the senior management of the relevant departments.
- The Report was finally submitted to the Board for their approval to ensure the validity and accuracy of the content.



Information Collection and Selection

- Each department provided relevant information for report, including sustainable development performance and targets. They had the responsibility to determine the accuracy and completeness of the information.

Publication

- The Report is published within three months after the annual report had issued. Its preparation schedule will be adjusted starting from the next financial year to meet the requirements of the revised guidelines.

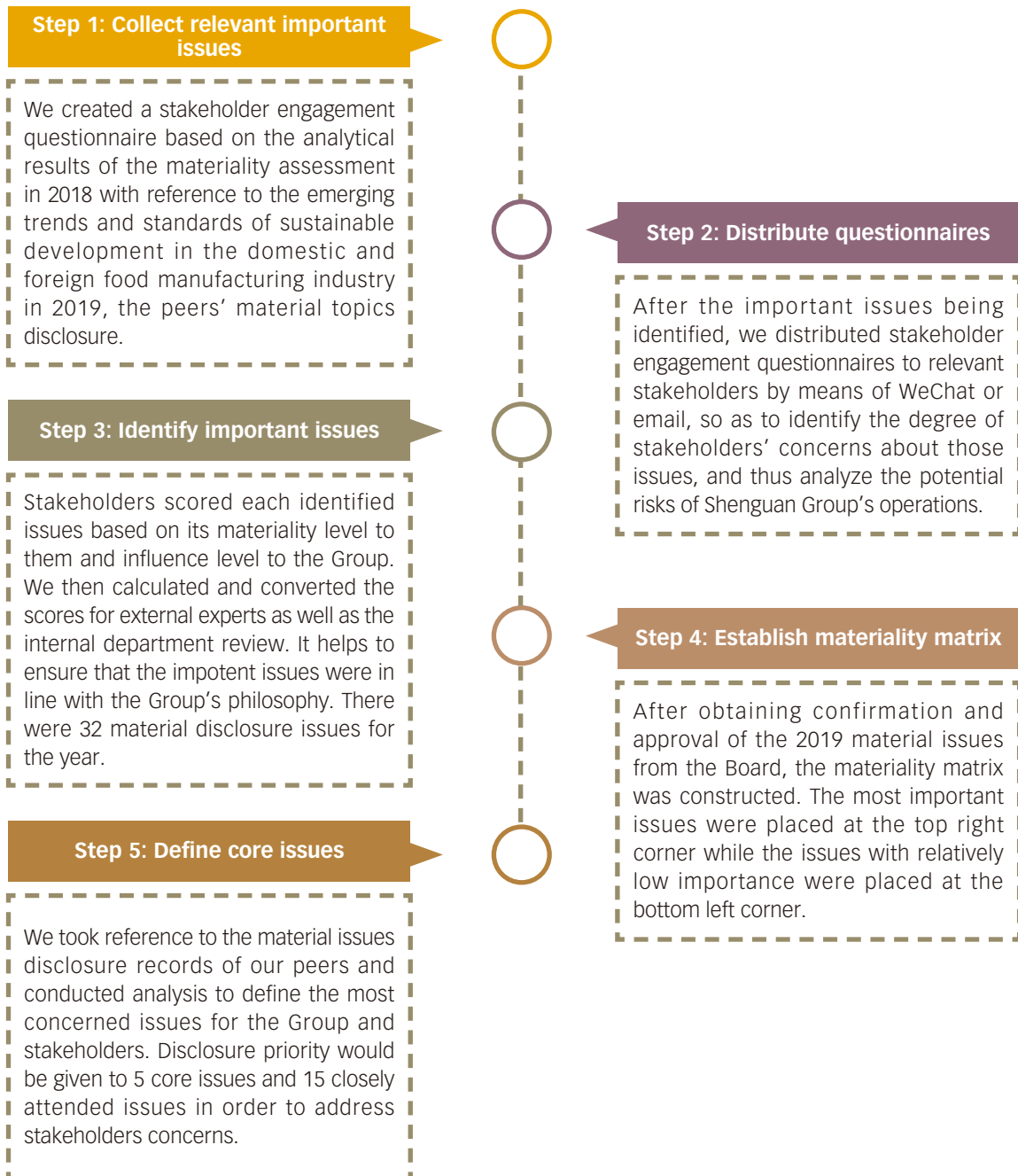
STAKEHOLDER ENGAGEMENT

With reference to the five major categories of AA1000 stakeholder engagement standards (responsibility, influence, tension, diverse perspectives and dependency) and the stakeholder classification of our peers, the Group categorizes our stakeholders into five different types, including Employees, Customers, Suppliers and Distributors, Investors and Government and the Public. We attach great importance to the impact of production and operation activities on the environment as well as to the stakeholders from all sectors of the society, and we hope to understand the impact of such stakeholder on the Group's operations. Therefore, through various usual communication channels and annual stakeholder engagement questionnaires, we communicate and interact with stakeholders to have an in-depth understanding of the expectations and needs of our stakeholders, and help the Group adjust its business objectives and strategies in grasping opportunities.

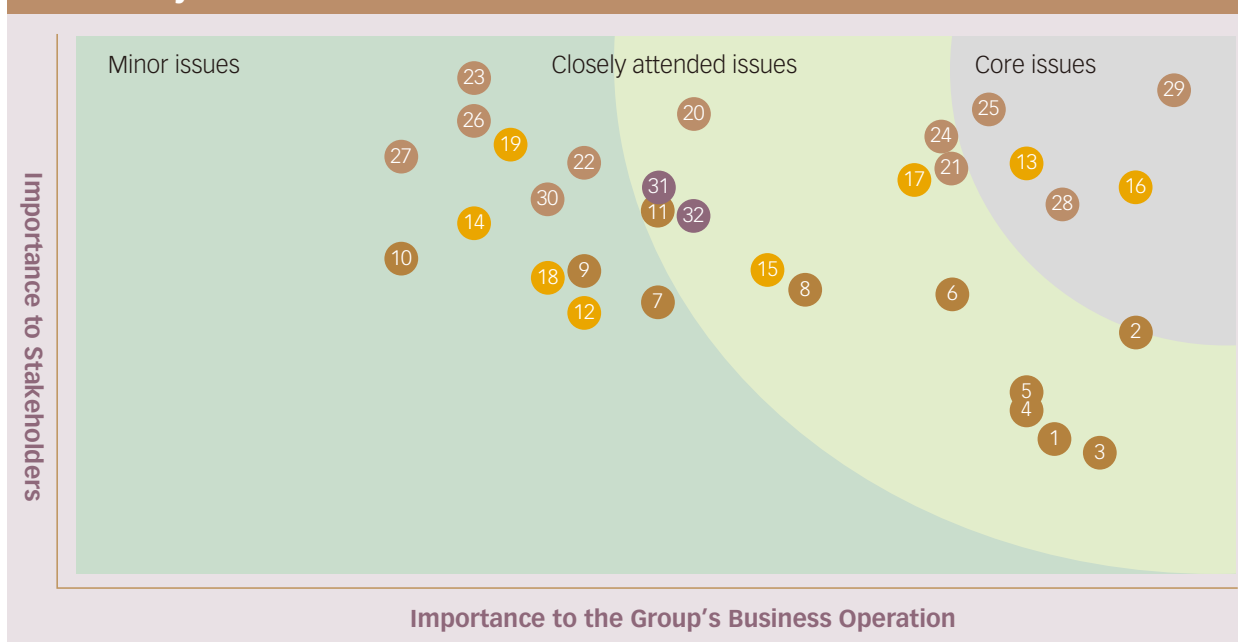
Types of Stakeholders	Significance to Shenguan Group	Communication Channels
Employees	We regard employees as the most important assets of the Group and the cornerstone of corporate growth. Therefore, we value the opinions of each employee. We also hope to create an ideal working environment for them and establish a good labour relation.	Email and communication Intranet Training and activities Assessment and interview
Customers	Customers are the source of Shenguan Group's business foundation. Maintaining customers' trust has become an important issue. We understand the importance of listening to customers' needs and opinions, and timely revise our operation strategies to meet their expectations.	Sales and marketing Customer service hotline Group's official website Customer feedback survey
Suppliers and Distributors	We strictly control product quality. From the raw materials provided by suppliers to the delivery of finished products to customers, every step is indispensable. We require raw materials handling processes to comply with hygienic and safety standards. We hope to maintain good cooperative relations with suppliers and distributors and select them in an impartial, open, and fair manner to achieve the goals of mutual benefits and sustainable development and growth.	Business conference Investigation and assessment Industry forums Purchase contract
Investors	Shenguan Group is operated under investors' support. We try to understand their standards and suggestions on environmental and social aspects of various operations. For the requirements that they are concerned about, the Group will actively respond, review, and make the improvement, aiming to establish a good investor relation actively.	Financial report General meeting of shareholders Circular and announcement
Government and the Public	The PRC government has been increasingly rigorous in its governance standards for operating institutions, and the Group attaches great importance to the regulations of various government institutions. We strictly abide by various laws and regulations with a positive attitude. The Group also values the opinions of the public. Their concerns or inquiries about the Group's operation can assist us in establishing an appropriate sustainable development policy, which is also a driving force for our continuous growth.	Public consultation Social investment Charity activities

MATERIALITY ASSESSMENT

The Group established the following materiality assessment process to identify relevant environmental, social and governance issues. We rated the importance of these issues to our business and stakeholders.



Materiality Matrix¹



Environmental Protection (Chapter 3 of the Report)	Care for Employees (Chapter 2 of the Report)	Industry Optimization (Chapter 1 of the Report)	Community Investment (Chapter 4 of the Report)
1 Air Pollutant Emissions and Management 2 Sewage Discharge and Management 3 Greenhouse Gas Emissions and Management 4 Hazardous Waste Disposal and Management 5 Non-hazardous Waste Disposal and Management 6 Energy Use and Efficiency 7 Water Resource Use and Efficiency 8 Use of Packaging Materials 9 Indoor Air Quality 10 Adaptation to Climate Change 11 Environmental Investment and Resources Reuse	12 Recruitment and Dismissal 13 Remuneration Packages and Benefits 14 Working Hours and Holidays 15 Equal Opportunities, Diversification and Anti-Discrimination 16 Occupational Health and Safety 17 Training and Development 18 Prevention of Child or Forced Labour 19 Labour Relations and Communication	20 Compliance Operation 21 Sustainable Supply Chain 22 Product Traceability Management 23 Customer Safety 24 Service Quality Control Mechanism 25 Data Protection and Privacy 26 Innovation Development and Protection of Intellectual Property Rights 27 Advertising and Marketing Labels 28 Prevention of Corruption and Fraud 29 Product Safety Management Processes and Initiatives 30 Food Nutritional Value	31 Support for Community Development 32 Involvement in Community Activities

¹ Some minor issues are included in the core issues and closely attended issues for disclosure, which are: "Working Hours and Holidays" is included in the "Remuneration Package and Benefits" section; "Customer Safety" and "Product Traceability Management" is included in the "Product Safety Management Processes and Initiatives" section; "Advertising and Marketing Labels" is included in the "Sustainable Supply Chain" section; "Adaptation to Climate Change" is included in the "Greenhouse Gas Emissions and Management" section; "Food Nutritional Value" is included in the "Innovation Development and Protection of Intellectual Property Rights" section. "Compliance Operation" means that the Group should abide by the laws, regulations, regulatory rules or standards related to the environment, products, employment, occupational health and safety and labour standards. Those laws and regulations and the Group's compliance during the Reporting Period are disclosed in the relevant sections.

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Industry Optimization

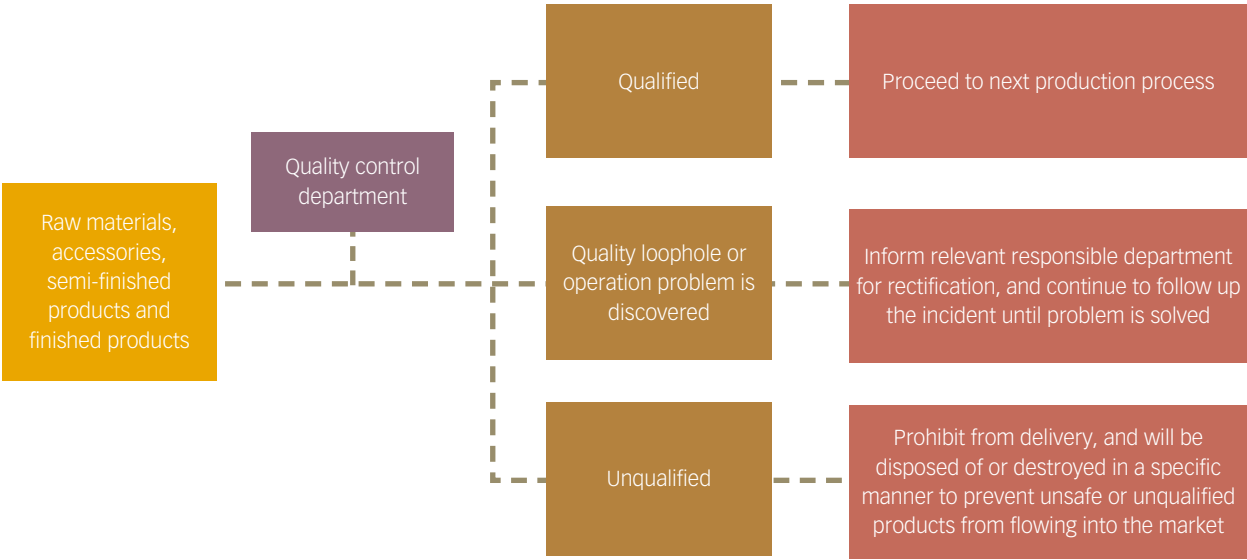
INDUSTRY OPTIMIZATION

Product Safety Management Processes and Initiatives

The Group produces quality collagen products, which are used in food, cosmetics, skincare products, health care products and medical supplies. Therefore, the Group strives to ensure product quality is up to standards, so as to provide secured, high-quality and guaranteed collagen products for consumers.

The Group has established a stringent quality control system and set up a quality control department to maintain product quality. The quality control department will take part in the entire production and sales process, inspect raw materials, accessories and finished products respectively and formulate specific inspection procedures for various raw materials, accessories and finished products to ensure our raw materials, accessories and finished products are meeting the quality standards of national regulations.

Safety inspection procedures for raw materials, accessories, semi-finished products and finished products



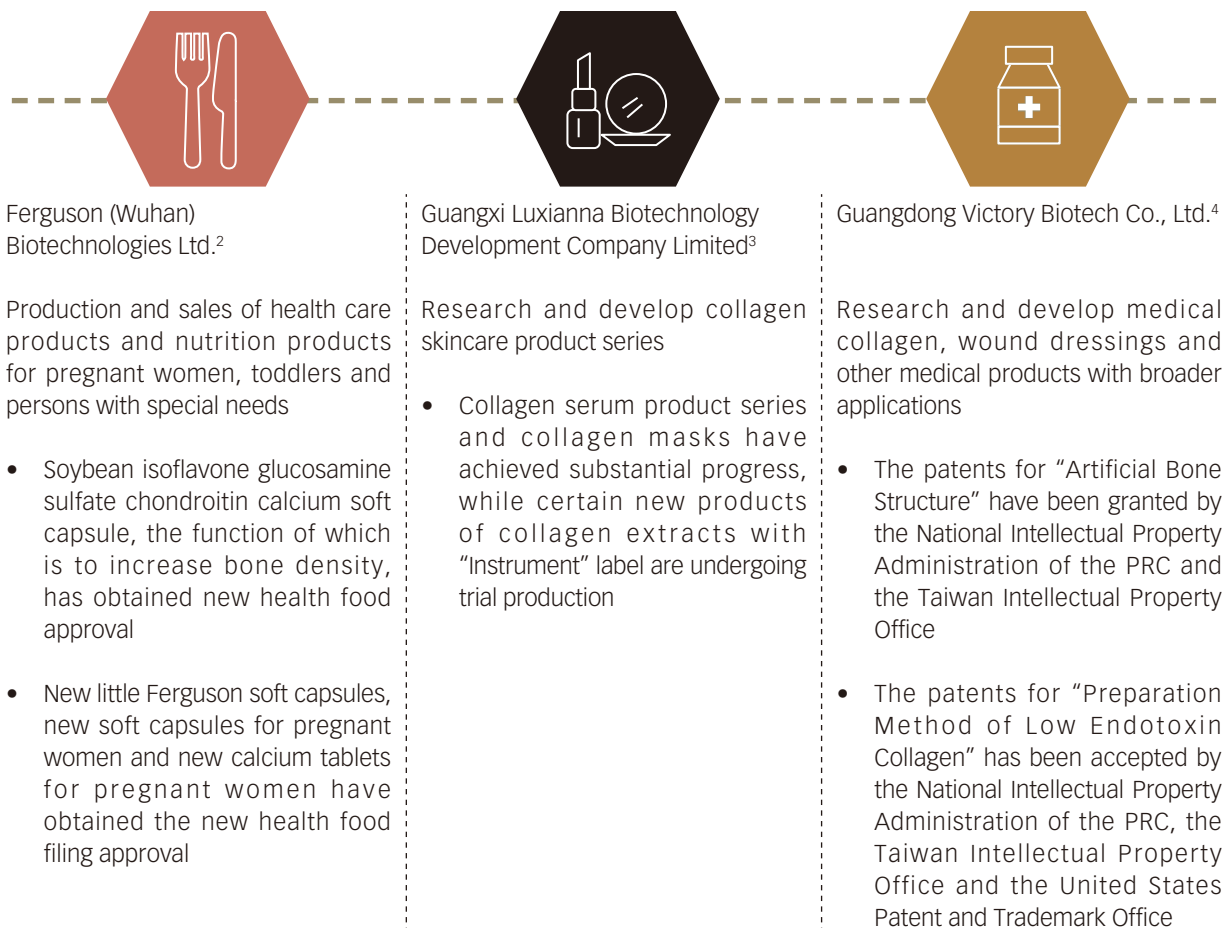
The Group will update the quality standards regularly in accordance with the regulatory requirements, such as the Food Safety Law of the PRC (《中華人民共和國食品安全法》), the GB 14881-2013 the National Standard of Food Safety for the General Hygienic Regulation for Food Production (《GB 14881-2013 食品安全國家標準食品生產通用衛生規範》), the Food Hygiene Supervision Procedures (《食品衛生監督程序》) and the GB 12695 the National Standard of Food Safety for the Hygienic Regulation for Beverages Production (《GB 12695 食品安全國家標準飲料生產衛生規範》), market trends and the finished products that researched and developed and provide quality production training for employees to ensure that they understand the production operation mechanism and work according to standardized production mode. The Group inspects workplaces, equipment and machinery to avoid potential quality problems caused by improper operation or ageing of spare parts. Inspection staffs are also required to receive regular training to ensure that they are aware of the latest inspection items and requirements and to ensure the effectiveness of quality inspection. All the plants under Wuzhou Shenguan have obtained the international food safety management system standards accredited by third parties.

The Group has also established a comprehensive product traceability management system and return policy to document product raw materials, additives and suppliers. When a food safety incident occurs, we can effectively master the situation of the use of raw materials, product batches and suppliers involved, so that we can deal with and follow up within a short period of time, effectively investigate the source of the problem, and promptly recall the relevant products in question to fully protect the safety of customers.

Innovation Development and Protection of Intellectual Property Rights

With a focus on developing the grand health industry, the Group steadily promotes the project construction for the industrial chains and proactively investigates the application of collagen technologies in new areas. The Group's product diversification has received positive feedback in a number of areas. With the development goal of "new product development, market expansion and quality-oriented growth", the Group continues to invest tremendous resources in research and development, and establishes corresponding research and development centres according to market, with scientific and research facilities and infrastructure construction in place. For example, we improved the extraction technology to ensure the nutritional perfection of collagen so as to meet the requirements of customers in terms of food nutritional value.

The Group carries out the working approach of "Principal Business Consolidation and New Product Launch" to cater to the changing needs of customers. We constantly increase investments in scientific research and recruit a number of professionals and technical personnel with backgrounds in biological engineering, food engineering, chemical testing, mechanical manufacturing and pharmacy. We also introduce advanced laboratory equipment and instruments for the product development, testing and analysis to conduct high-end processing researches and experiments, with an aim to creating more possibilities for the Group. In addition to the Group's collagen food products industry, the Group has established subsidiaries in other collagen-related industries or developed by ways of equity investment, including the cosmetics and medical industry that collagen is also applicable to use.



² The Group owns 25% equity interests of Ferguson (Wuhan) Biotechnologies Ltd..

³ A subsidiary of the Group also obtained the skincare product production permit in 2017.

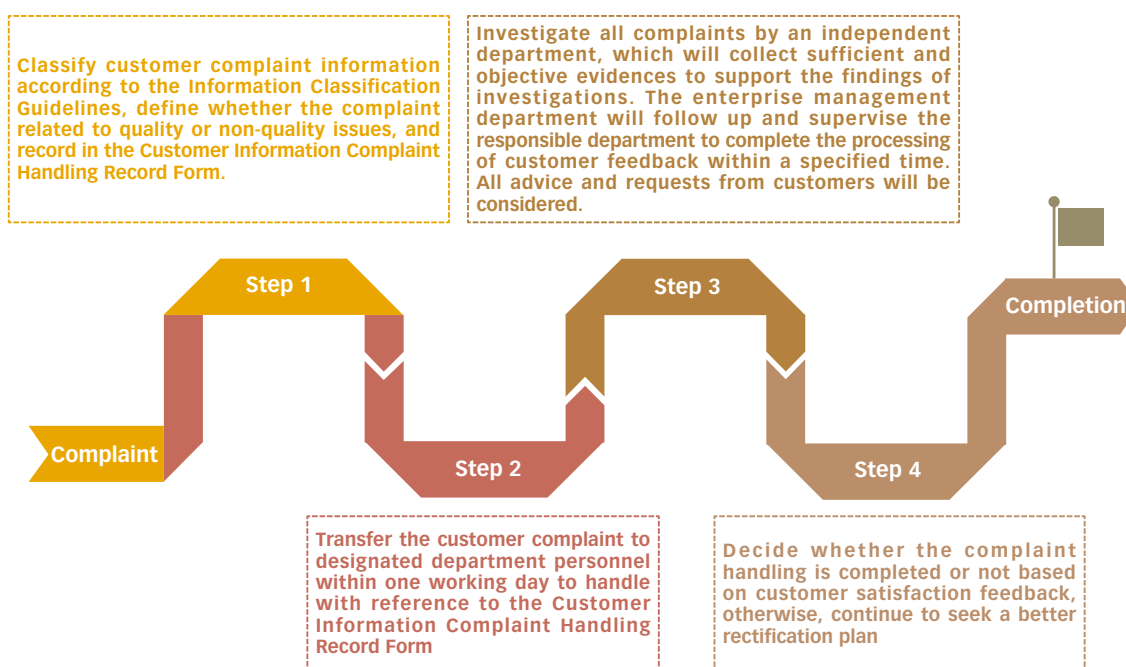
⁴ A subsidiary of the Group accounts for 80% equity interests.

To protect and safeguard intellectual property rights, the Group strictly abides by relevant laws and regulations on intellectual property rights, including but not limited to the Copyright Law of the PRC (《中華人民共和國著作權法》), the Trademark Law of the PRC (《中華人民共和國商標法》) and the Patent Law of the PRC (《中華人民共和國專利法》). The regulations require that business operators shall not, without the permission of the trademark registrant, use a trademark that is identical with or similar to the registered trademark on the same commodity, or sell, knowingly or unintentionally, a commodity that infringes upon the right of the exclusive use of a registered trademark. The Group has taken effective measures to protect its intellectual property rights, including filing or registration of patents as required, in order to prevent abuse of the patent rights. It is clearly stated in the employment contract that all employees shall take prompt actions to protect the legitimate rights and interests of the Company when they are aware of any possible infringement of intellectual property rights.

Based on the above measures, the Group has not identified any case of material violations of laws and regulations relating to intellectual property rights during the Reporting Period.

Service Quality Control Mechanism

The Group is committed to developing long-term cooperation relationships based on mutual trust with its business partners and has built a sophisticated customer network. The Group has established its closely-knit yet extensive network of leading manufacturers of processed meat products and sausages, not only for cooperation with enterprises in the PRC but also with those in various overseas markets, such as South America, Southeast Asia and the United States. During the Reporting Period, the Group continued to supply high-quality sausage casing products to a number of renowned food suppliers in the PRC. The Group strives to provide customers with quality and appropriate services. Therefore, we have developed a comprehensive customer complaint handling procedure and goods return procedures to standardize the handling of customer complaint information and improve the timeliness and effectiveness of handling complaint.



Data Protection and Privacy

The Group respects personal data and privacy of customers. All personal data are collected for sales services purpose only. The Group has developed clear customer data management guidelines to regulate the collection, storage, access, use as well as deletion and modification of customer data. Customer information will not be collected before receiving customer consent, and all personal data will be stored in an encrypted data system of the Group. Access to and use of personal data will only be confined to personnel of authorized departments. Any change to the personal data will be subject to the consent of customers. In addition, we have installed a network security system as the first line security to protect customer data, as well as the proactive defence against ransomware attacks and detect malicious intrusion.

The Group also sets out the requirements on data use and confidentiality in its employee handbook. In the event of any non-compliance incident regarding the rules, the employee will be subject to disciplinary action, or in the event of serious cases, will be transferred to the law enforcement agency for legal actions.

Sustainable Supply Chain

The Group understands very well that customers and suppliers are the keys 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 legal qualifications, production scale, supply capacity, price advantage, quality assurance, after-sales service, environmental management system and social responsibility. For example, provided the quality assurance is satisfied, priority will be given to suppliers which implement environmentally-friendly measures and employ disabled workers. We advocate local procurement to reduce our carbon footprint. In addition, the Group will hold supplier seminars from time to time to advocate the Company's green procurement policies, assist suppliers to implement energy conservation and environmental protection policies, and integrate into a green supply chain in serving customers.

Meanwhile, we will review major suppliers annually and conduct on-site assessments. If a supplier fails to pass the assessment, we will suspend using such supplier to ensure that the overall products and services meet the quality requirements and the principles of sustainable development, and avoid the negative impact on quality and safety of products. In terms of advertising and marketing labels, we have established a comprehensive information review system to conduct detailed verification of product labels, promotional documents, website information, and advertisements before the products are launched or advertisement is released, so as to ensure the legal compliance of product labels and marketing behaviors.

The Group's product liability is mainly regulated by the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), the Law on Protection of Consumer Rights and Interests of the People's Republic of China (《中華人民共和國消費者權益保護法》), the General Principles of the Civil Law of the People's Republic of China (《中華人民共和國民法通則》), the Advertising Law of the PRC (《中華人民共和國廣告法》) and other applicable laws and regulations. The laws and regulations require that producers must ensure that products quality meets the standards, that there is no unreasonable hazard to personal and property safety, and that it has proper performance and is consistent with its description. In addition, goods must not be adulterated or counterfeited. When products are sold, customers must be provided with true product description information to prevent customers from being misled, so as to ensure the legitimate rights and interests of consumers, including personal privacy, must also be protected. Based on the above measures, the Group has not identified any case of material violations of laws and regulations relating to product and service quality during the Reporting Period.



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Care for Employees

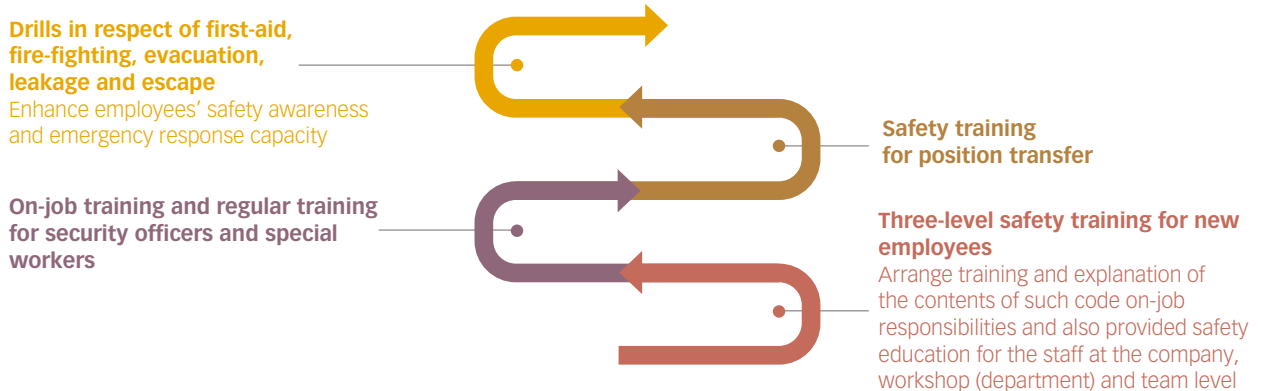
CARE FOR EMPLOYEES

Occupational Health and Safety

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. Wuzhou Shenguan 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 and completed the review work in December 2019. We are committed to establishing a sound safety system and obtained the OHSAS 18001 occupational health and safety management system certification from the Quality Assurance Centre of China Association for Quality (中質協質量保證中心).

The Group has 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 provide employees with safe working practices, 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. During the Reporting Period, the Group revised the above documents on safety management systems and improved the structure and management modes of the management departments of each production workshop to clarify management responsibility, optimize the safety guideline and improve the employees' safety awareness, with an aim to jointly create a safe working environment.

Safety Training Management



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 revised the Emergency Response Plan for Production Safety Incidents (《生產安全事故應急預案》) and improved incident reporting and investigation policy to encourage employees to report incidents and other matters. Moreover, the security and environment protection department regularly supervises the potential safety risks at production workshops and warehouses as well as handle and follow up on the incidents reported by the staff.

The Group conducts safety inspection and random safety inspection of the production workshops and key departments once a month, and organizes various special safety inspection related to the Company in accordance with the requirements of documents issued by the State and government departments, and rectifies hidden dangers in a timely manner, so as to ensure the personal safety of the Group's employees and protect their property from loss.

The health and safety management of the Group's employees is mainly regulated by the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Law on Prevention and Control of Occupational Diseases of the People's Republic of China (《中華人民共和國職業病防治法》) and other applicable laws and regulations. The laws and regulations require enterprises to provide a guarantee for the production safety of their units, including establishing

a comprehensive production safety responsibility system, organizing production safety rules and regulations and operating procedures, implementing safety education and training, inspecting and eliminating safety concerns of their units, supervising the work of production safety, formulating emergency plans and reporting production safety accidents. Enterprises are also required to prevent their employees from contracting occupational diseases. The Group strictly abides the regulations related to employee health and safety.

We continuously update compliance-related policy of the List of Laws, Regulations, Standards and Other Requirements (《法律法規·標準及其他要求清單》), so as to assist staff to identify various compliance requirements and protect the interests and rights of various stakeholders. The Group also applied “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 other rules and regulations to enhance the compliant operation of employees. Based on the above safety management and compliance measures, the Group has not identified any case of material violations of laws and regulations relating to the health and safety at the workplace during the Reporting Period.

Employment System

Human resources are 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.

Recruitment and Dismissal

We take the fundamental values such as integrity, innovation, enthusiasm and team spirit as the basic criteria for recruiting talents, and have established a stringent vetting process to ensure the fairness of the entire recruitment, dismissal and promotion process. The normative policies formulated by the Group are as follows:

Personnel Recruitment
Management System
(《人員招聘管理制度》)

Regulate the process of personnel recruitment and formulate human resources planning and recruitment objectives according to the Company’s development direction, business requirements and cost-effectiveness. All candidates are subject to an objective entry assessment, professional background, skills and experience so as to assess whether their ability and performance meet the Group’s development requirements and decide whether to recruit the job applicant or not.

Employee Turnover
Management System
(《員工離職管理制度》)

Protect the rights and interests of resigned employees, clarify the responsibilities and handling procedures of relevant departments to make the process highly transparent, and it is required that when an employee tenders a resignation application, the department head and human resources department shall arrange an exit interview with the employee to understand the reason thereof.

Remuneration Packages and Benefits

In order to attract and retain high-quality talents to ensure smooth operations and to cope with the Group’s continuing expansion, the standard remuneration packages of new employees are determined with reference to market conditions and based on staff’s responsibilities, job performance and job scopes, etc., and their salaries are adjusted year by year and promotion decisions are made with reference to the work performance of such employee. The Group will also revise the performance appraisal method according to actual needs and work performance to ensure its objectivity, fairness and representativeness. The Performance Management System (《績效管理制度》) of the Group clearly sets out the setting, implementation and application of key indicators as well as its assessment and evaluation. The Group has also formulated a work award scheme, under which well-performed employees will be given honorary titles and awards to encourage them to make continuous improvement.

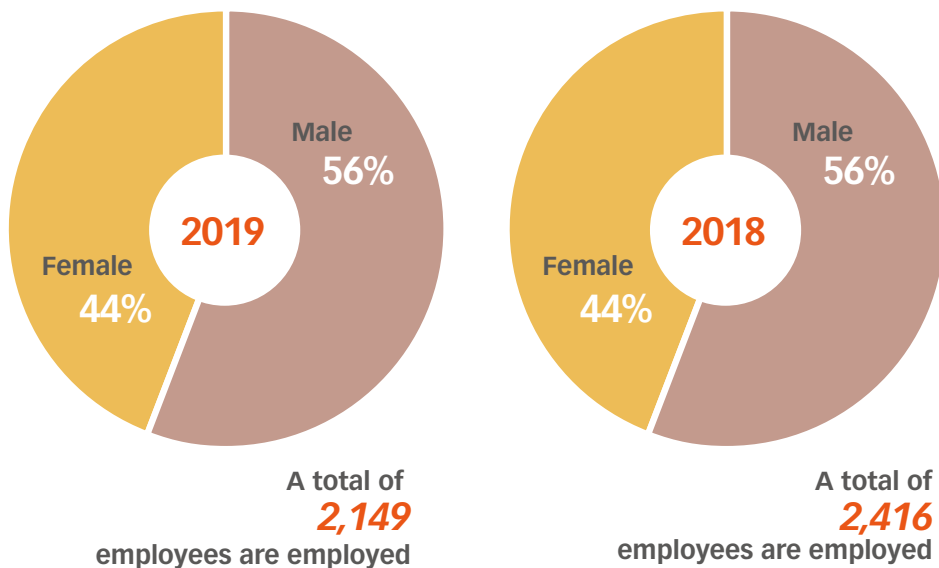
In addition, employees of the Group are entitled to social insurance and welfare according to law. The Group strictly complies with national and local laws and regulations in terms of working hours and holiday arrangements to ensure that our employees can balance between work and life and enjoy their holiday for keeping them physically and mentally healthy.

Equal Opportunities, Diversification and Anti-discrimination

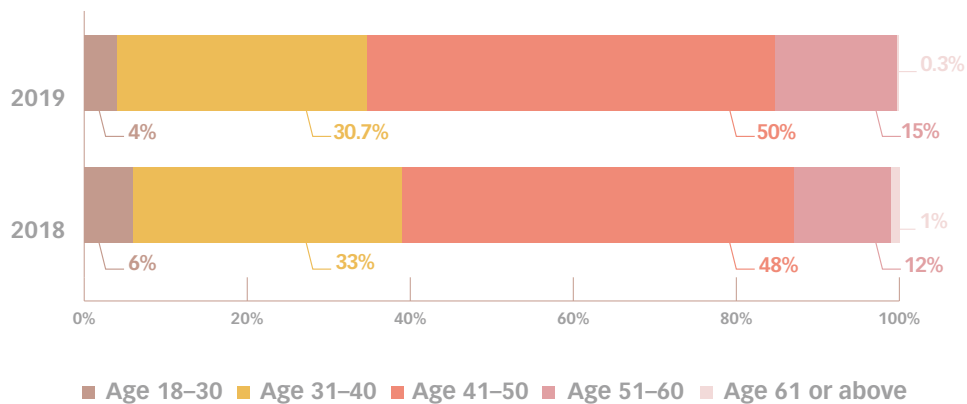
The Group strives to provide a working environment without discrimination. We endeavor to maintain a diversified working environment that provides opportunities for employees of different genders and ages to develop their talents. Any discrimination against our staff in respect of recruitment, dismissal, remuneration and promotion is 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.

The Group employed a total of 2,149 full-time and contract employees as at 31 December 2019, and 99.9% of the employees are from Chinese Mainland, the statistics of which are as follows by gender and age group:

Number of employees by gender

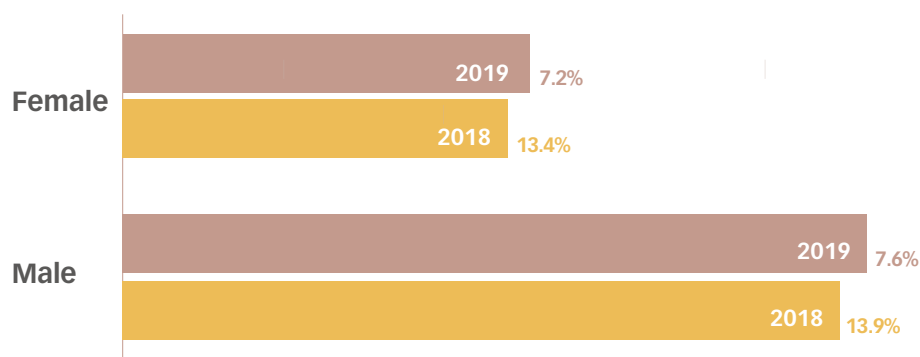


Number of employees by age group



The Group had a total of 159 full-time and contract employees from the Mainland China resigned voluntarily as at 31 December 2019, the statistics of which are as follows by gender and age group:

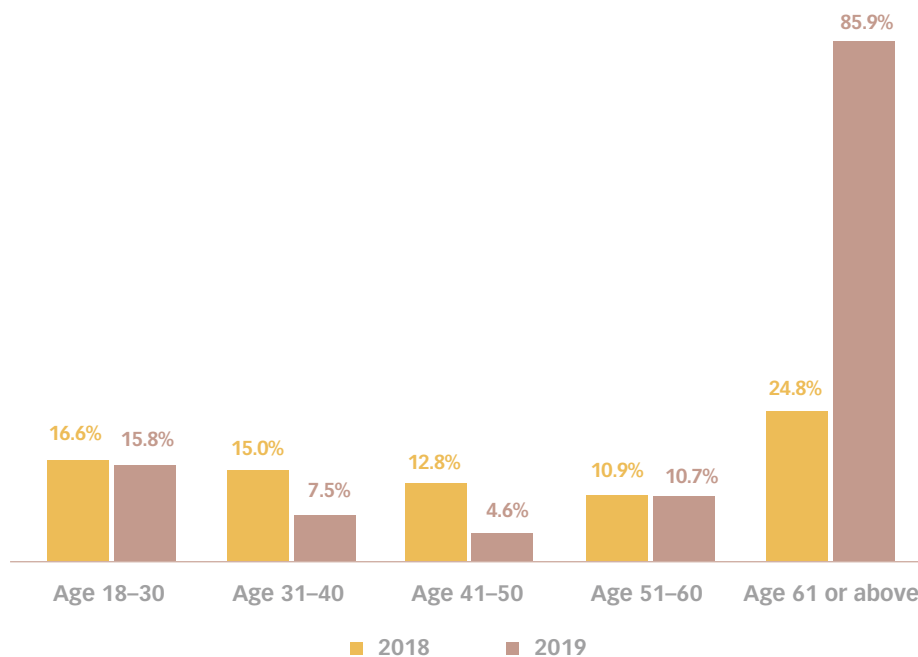
Number of resigned employees by gender



A total of **159** employees resigned voluntarily in 2019

A total of **331** employees resigned voluntarily in 2018

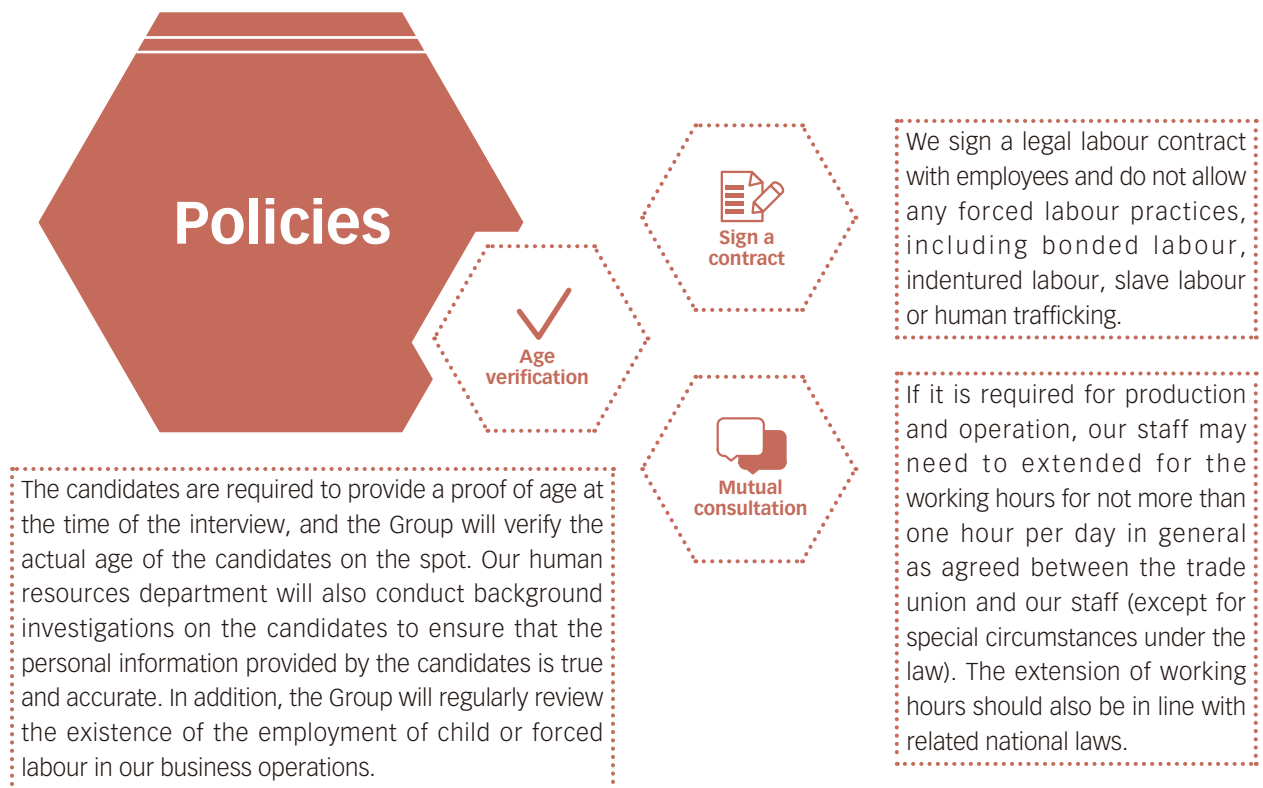
Number of resigned employees by age group



A retirement boom occurred during the Reporting Period, which resulted in a higher proportion of resigned employees aged 61 and above. The human resource management of the Group is mainly regulated by the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and other applicable laws and regulations. The laws and regulations require enterprises to establish sound rules and regulations to protect the rights and interests of employees, including reasonable working hours and holidays, payment of wages according to law, provision of social insurance and welfare, etc., and to clarify the rights and obligations of both parties in labour contracts. Enterprises must also bear the legal responsibility for jeopardising the rights and interests of workers. Based on the above measures, the Group did not identify any cases of material violations of laws and regulations regarding employment and human resources during the Reporting Period.

Prevention of Child or Forced Labour

We are always committed to building a mutual respect relationship with our employees. The subsidiaries of the Group recruit people in a fair, open and voluntary manner. Our human resources department strictly complies with the requirements of the Labour Law of the PRC and recruits people who are at the age of 18 or above holding a valid ID card issued by the Public Security Department of the PRC. The Group also strictly abides by the labour quota standard, in which we do not force or disguise to force employees to work overtime.



The labour standards of the Group are mainly regulated by the Labour Law of the People's Republic of China, Prohibition of Child Labour Provisions (《禁止使用童工規定》) and other applicable laws and regulations. The laws and regulations explicitly prohibit the recruitment of minors below the legal age and state that enterprises must take action to ensure that there is no violation of rights and interests such as the employment of child or forced labour. Based on the above prudent and comprehensive recruitment review process and related measures, 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.

Training and Development

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.



Total training hours in 2019:

28,993 hours

(2018: 26,084 hours)



The number of trained employees
in 2019:

91.9%

(2018: 71.2%)



Average training hours per employee in 2019:

13.5 hours

(2018: 10.8 hours)

Average training hours by gender



Average training hours of male
employees in 2019:

13.1 hours

(2018: 10.0 hours)



Average training hours of female
employees in 2019:

14.0 hours

(2018: 11.8 hours)

Average training hours by position grade level



Average training hours of
management-level employees
in 2019:

23.6 hours

(2018: 24.2 hours)

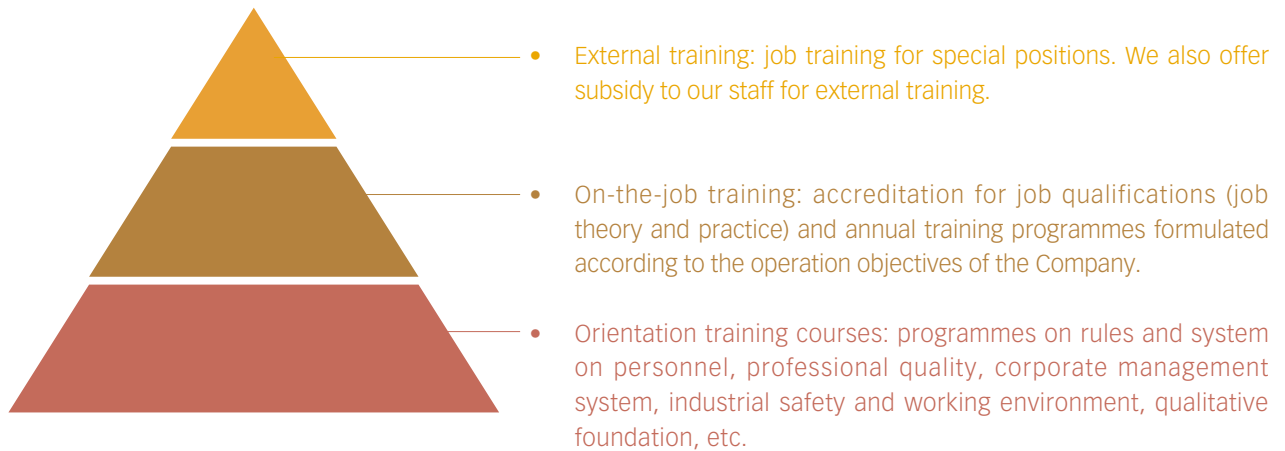


Average training hours of general
staff-level employees in 2019:

13.4 hours

(2018: 10.7 hours)

The Group has established a 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. We promise to continue to invest resources in providing the best training opportunities to help staff achieving personal and career advancement.

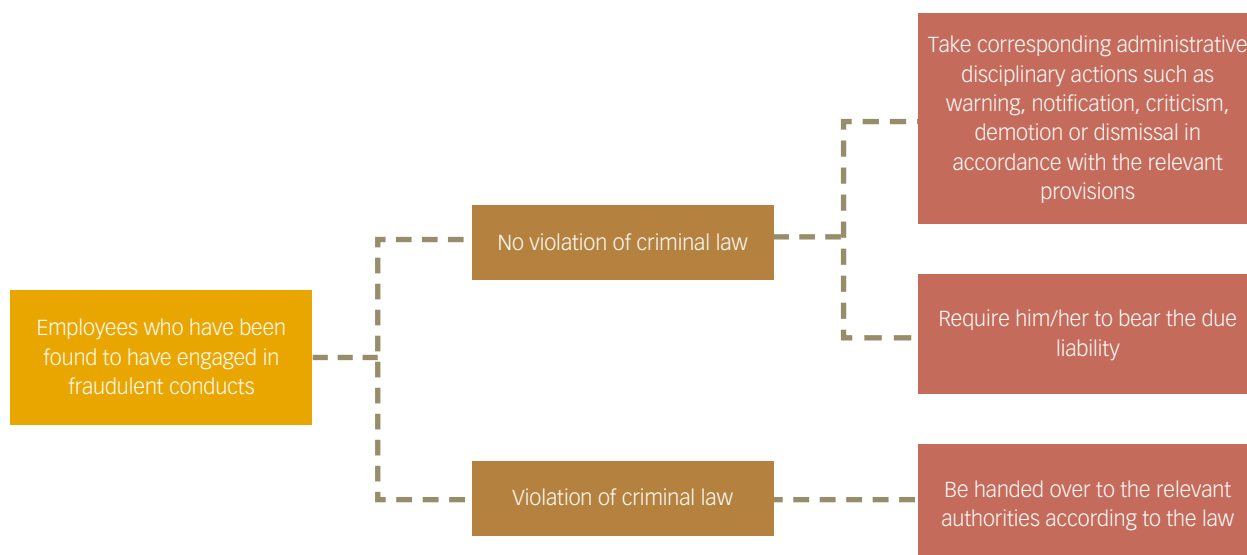


Prevention of Corruption and Fraud

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. For any behaviour that violates business ethics, we follow the spirit of no indifference and no indulgence and take severe disciplinary measures against violators so as to reduce the chances of frauds and corruptions.

We have internal channels in place for reporting wrongdoing, such as suggestion boxes, and our Party and Administration Office is responsible for receiving, investigating, reporting, and making comments upon the reporting of frauds in the spirit of fairness and justice. 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.

Accountability and remedial measures for fraud or corruption



In addition, in order to enhance the sense of integrity of our staff, we have included staff ethical behaviors into our employee code of conduct. 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.

The anti-corruption of the Group is mainly regulated by the Criminal Law of the PRC (《中華人民共和國刑法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) and other applicable laws and regulations. The laws and regulations strictly prohibit enterprise from accepting illegal property to seek benefits for others, and they also prohibit operators from engaging in unfair competitive behaviors, including obtaining benefits through theft, bribery, fraud, coercion or other means in violating provisions and rights. The Group adheres to the principles of voluntariness, equality, fairness and integrity, and complies with business ethics. Based on the above measures, 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.

Labour Relations and Communication

The Group pays attention to the harmony of labour relations and comprehensively strengthens the communication and coordination with employees, hoping to achieve mutual trust and respect between employees and us, prevent disputes from occurring and conflicts from intensifying. The Company establishes a trade union in accordance with the relevant laws and regulations, allowing employees to become union members after being employed by the Company. The trade union is established to solve the problems of labour conditions, labour safety and health issues encountered at work and to meet their needs, and strive to improve employee welfare measures.

In addition to the establishment of trade unions, we have also established a diversified and interactive mechanism to ensure smooth communication between employees and us, including employee suggestion boxes, internal publications, employee code of conduct, public information columns and internal meetings of various departments. They adhere to the principle of integrity and create a phenomenon that the employees and we unite with one heart, allowing employees to participate in the construction and development of the Company in a more active manner. If an employee has any suggestions to the Group or believes that his or her rights and interests have been jeopardised, he or she may report the situation and file a complaint through the above channels. We will hold regular labour meetings, organize trade union federation congresses and employee welfare unions to provide a platform for the two parties to exchange their views or consult on issues of common concerns in due course. The Group can respond more timely to improve employee satisfaction.

03

Environmental Protection

ENVIRONMENTAL PROTECTION

Emissions

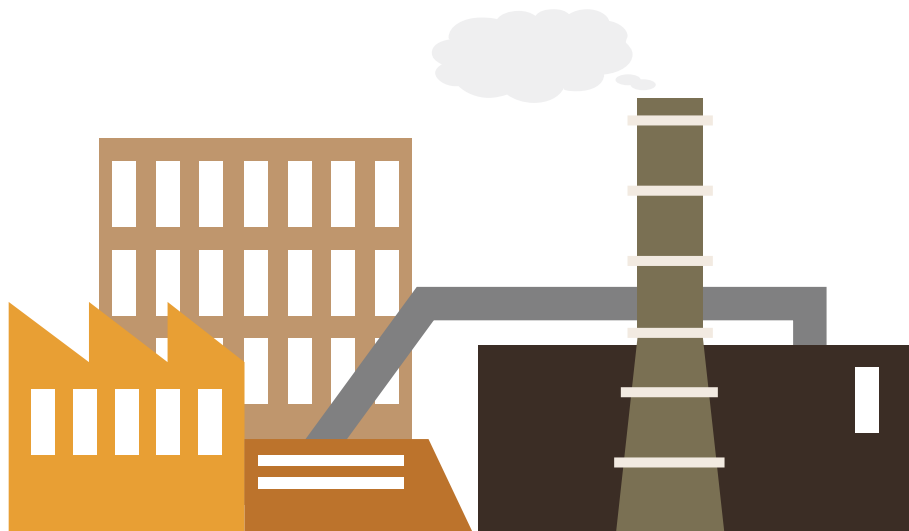
The Group is committed to building an environmentally-friendly corporation and strives to minimize the sewage and production of non-hazardous waste during the manufacturing process and reduce the effect of exhaust emission on the surrounding environment. We take precautions against any unnecessary pollution, 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 sewage in order to continuously improve the equipment and process for disposal of emissions and ensure their effectiveness. When purchasing machinery and equipment, the Group will give priority to advanced environmentally-friendly products to ensure that their emissions meet national emission standards and further strengthen the environmental performance of the Group.



Prevention First, Construction and Protection Going Hand in Hand

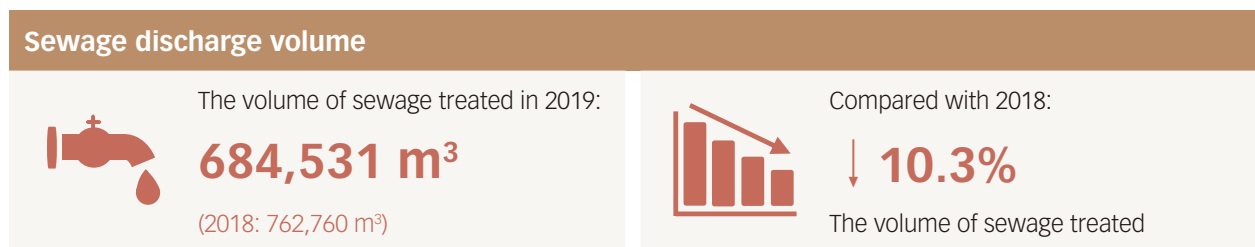
In addition, we devote sufficient resources to advocate the Group's environmental policy to our staff so as to strengthen their awareness of waste reduction. During the Reporting Period, we established the security and environment protection department with dedicated undersecretary and supervisor of security and environmental protection as well as environmental protection staff to conduct the environmental protection management of the Group. We also established environmental protection workshops within the production plants to deal with the sewage.

As a manufacturing enterprise, the Group is mainly regulated by the Law of Prevention and Treatment of Water Pollution of the PRC (《中華人民共和國水污染防治法》), the Solid Waste Environment Protection and Control Law of the PRC (《中華人民共和國固體廢物污染環境防治法》), the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》) and other relevant laws and regulations. The laws and regulations require that enterprises must take effective measures and methods to prevent and control water pollution, solid waste pollution and air pollution, and strictly abide by regulatory guidelines on supervision and management, including environmental impact assessment, accurate monitoring of emissions, installation of purification devices, etc., and ensure compliance with the emission standards. Production units shall be liable for the environmental damage caused. The Group shall comply with laws and regulations by implementing the following measures to deal with emissions. During the Reporting Period, the Group did not identify any cases of material violations of environmental-related laws and regulations.



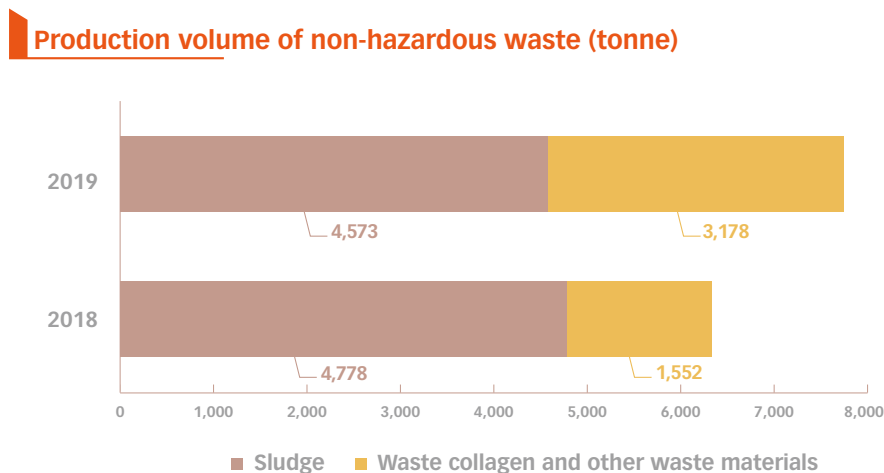
Sewage Discharge and Management

The Group collects sewage generated during the manufacturing process into a collection pool for sewage treatment. Subsequently, after an initial filter that removes the pollutants in the sewage, 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 solid-liquid separation 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 in-depth disposal to further purify the sewage. During the Reporting Period, the sewage pollutants of the Group fully met the discharge standards. The Group reduced sewage by conserving water and recycled purified sewage. During the Reporting Period, the sewage processed by the Group was as follows:



Waste Disposal and Management

The Group strives to minimize the manufacturing of waste during the production process and complies with the relevant laws and regulations through strictly complying with its waste management policies. The main wastes produced by the Group were waste collagen and other waste materials generated during the production process and sludge converted therefrom, which does not involve the generation of significant hazardous wastes. Therefore, the disclosure of hazardous waste information is not applicable. During the Reporting Period, the non-hazardous solid wastes produced by the Group and their respective recovery volume were as follows:



Recovery volume of non-hazardous waste



The volume of sludge recovered in 2019:

21.9%

(2018: 18.0%)



The volume of waste collagen and other waste materials recovered in 2019:

100%

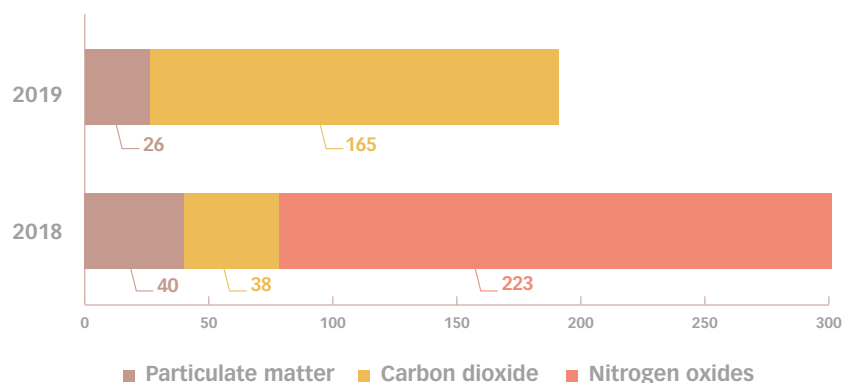
(2018: 100%)

The increase in the usage of waste collagen and other waste materials is due to the increase in production testing and equipment modification projects. The Group will recycle waste collagen and other waste materials, and waste materials that are not recycled will be converted into sludge for further treatment. 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 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 company.

Air Pollutant Emissions and Management

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 operation of natural gas boilers (including particulate matter, carbon dioxide and nitrogen oxides) and hydrogen chloride exhaust generated from production. The gas emissions of the Group during the Reporting Period were as follows:

Gas emissions (kilogram) – particulate matter, carbon dioxide and nitrogen oxides⁵



⁵ The Group planned to gradually replace the sawdust-fired boilers with natural gas boilers since 2018, and has completed all boiler replacement plans since 2019. There is no specific requirement from government departments requiring the Group to monitor carbon dioxide emissions from natural gas boilers. Therefore, no corresponding monitoring has been done during the Reporting Period. In addition, natural gas boilers produce less particulate matter and nitrogen oxides than sawdust-fired boilers during operation, resulting in a decrease in related emissions in 2019.

Air pollutant emissions – hydrogen chloride



Emissions of hydrogen chloride in 2019:

594,000 m³

(2018: 382,320 m³)



Compared with 2018:

↑ 55.4%

Emissions of hydrogen chloride

The difference in hydrogen chloride emissions data lies on the change of statistical method. During the Reporting Period, an advanced monitoring system was installed to more effectively and accurately monitor emissions data to review the environmental impact caused. In the future, the Group will continue to seek feasible emission reduction measures to further lessen the environmental impact of production activities.

Indoor Air Quality

It is the mission of the Group to provide employees with a comfortable, clean and safe working environment. We are aware that exhaust gas is released during some production and auxiliary production processes. Healthy indoor air flow is very important to enhance indoor air quality and prevent the accumulation of particulate matter, carbon dioxide and nitrogen oxides in the production areas. We use air purification equipment in the workplace for mechanical ventilation to filter out pollutants and impurities, regularly clean the ventilation system, as well as monitor and measure indoor air quality in the workplace to ensure good indoor air quality and protect the health of employees.

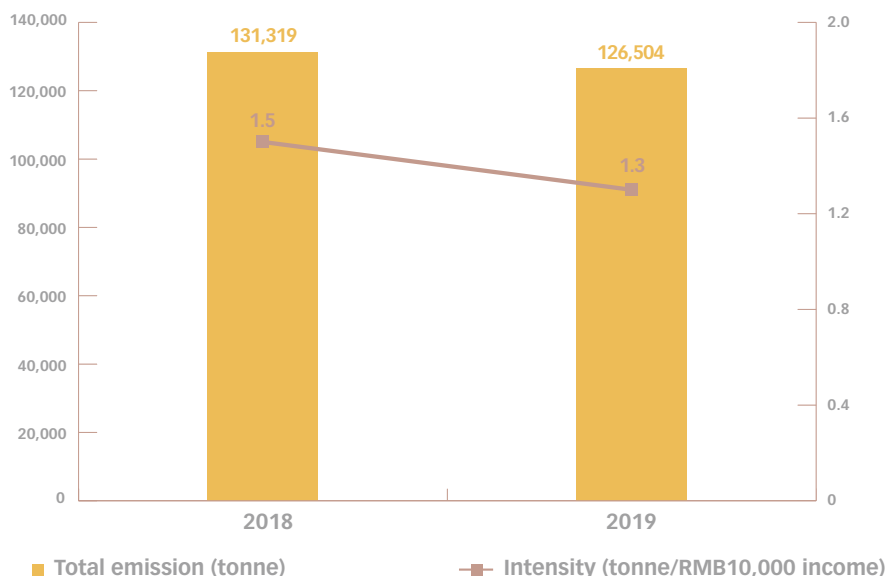
Greenhouse Gas Emissions and Management

Our carbon emissions are mainly derived from energy consumption of electricity and fuel oil. Implementing management policies to save energy and reduce carbon emissions, greenhouse gas emissions, water use, or other wastes, we notice a 13.2% drop in greenhouse gas emission intensity as compared with last year and a slight decrease in actual total emissions. While keeping close attention to the impact of our business operation on the environment, we will further identify new opportunities in the process of greenhouse gas emissions management, with a goal to continue controlling greenhouse gas emissions⁶. Please refer to the below section headed "Use of Resources" for details.

⁶ The calculation of carbon emission is performed in accordance with the Reporting Guidance on Environmental KPIs (《環境關鍵績效指標匯報指引》) of Hong Kong Stock Exchange, the Baseline Emission Factors for Regional Power Grids in China and the Calculation Method and Reporting Guidance on Greenhouse Gas Emission by Industry and Other Industrial Enterprises (Trial) promulgated by the Department of Climate Change of Ministry of Ecology and Environment of the PRC.

The relevant greenhouse gas emissions generated by the Group during the Reporting Period were as follows:

Greenhouse gas emissions (tonne) and intensity (tonne/RMB10,000 income)



In the face of the climate change, the Group is aware of its responsibility to reduce greenhouse gas emissions in the course of the operation and is committed to controlling the risks and impact of related emissions on its business. We actively formulate policies to cope with the impact of emissions, such as continuously evaluating, reporting and reviewing greenhouse gas emissions from energy consumption in the course of the operation and their impact on the environment, which form the basis for setting annual emission reduction targets in the future.

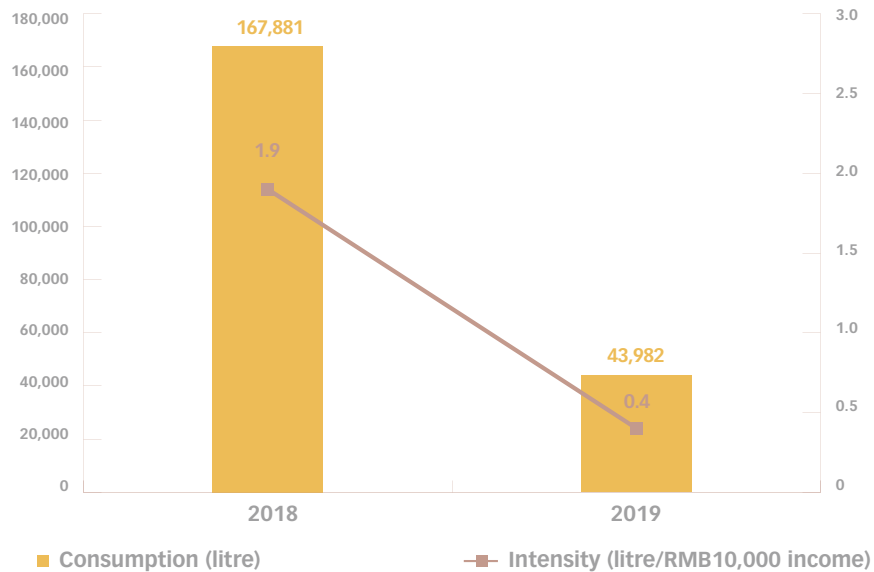
Use of Resources

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. Wuzhou Shenguan has obtained the ISO 14001 environmental management system certification to ensure that the Group has established a system to support sustainable operation, and effectively manage its impact on the environment, thus enhancing overall efficiency and maintaining competitiveness.

Energy Use and Efficiency

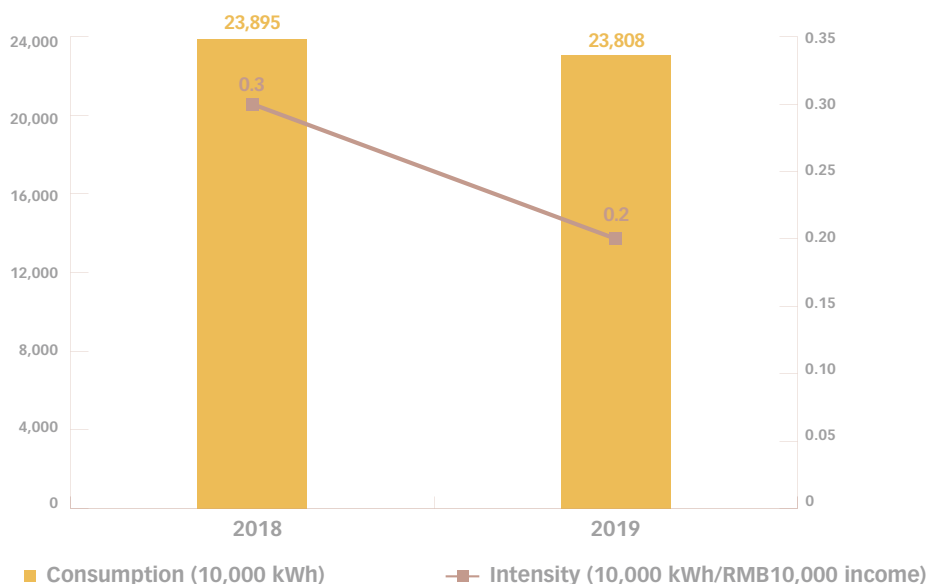
Major energy consumption of the Group during the Reporting Period was as follows:

Diesel consumption (litre) and intensity (litre/RMB10,000 income)

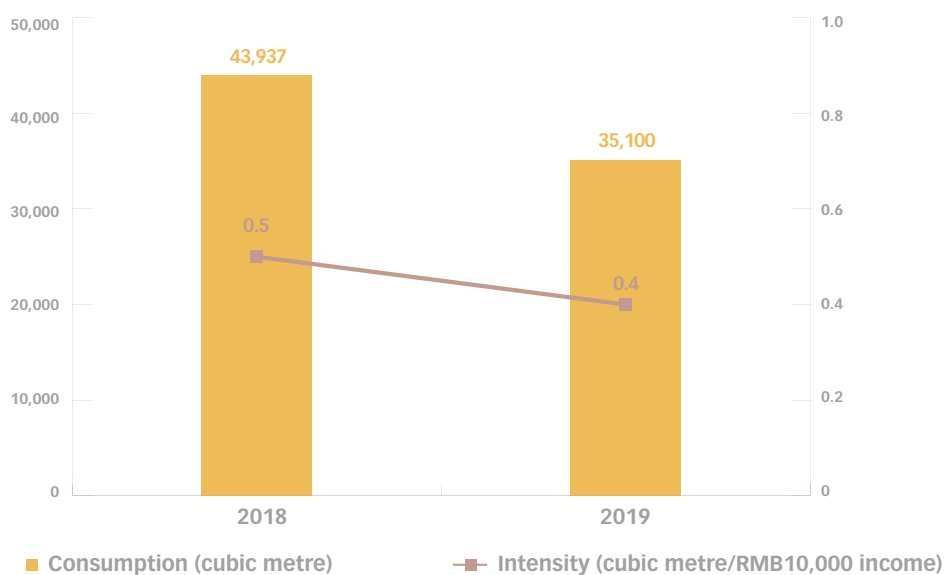


Most of the diesel was used for diesel forklifts, but the Group purchased a number of new electrically-charged forklifts to replace diesel forklifts during the Reporting Period, which reduced the utilization rate of diesel forklifts effectively, thus diesel consumption went down by 73.8%.

Electricity consumption (10,000 kWh) and intensity (10,000 kWh/RMB10,000 income)



Natural gas consumption (cubic metre) and intensity (cubic metre/RMB10,000 income)



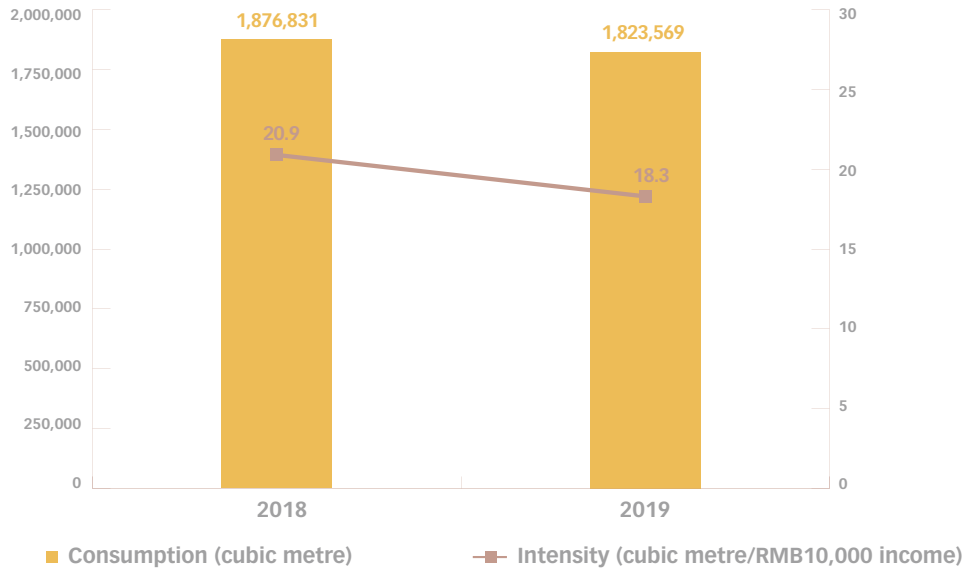
During the Reporting Period, the decrease in cellulose production saved natural gas consumption. The Group has also increased investments for energy conservation and emission reduction equipment, including phase-out of energy-consuming motors and replacement with highly-efficient motors. Besides, it has completed the upgrading of the heat pump system of sausage casing workshop, with a view to reducing electricity consumption per unit⁷ 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, the production efficiency is usually low with high energy consumption in summer. We will avoid large-scale production in summer when formulating a production plan, so as to reduce energy consumption and improve production efficiency.

⁷ Electricity consumption per unit refers to the amount of electricity needed in producing a product.

Water Resource Use and Efficiency

During the Reporting Period, the total water consumption of the Group was as follows:

Water consumption (cubic metre) and intensity (cubic metre/RMB10,000 income)

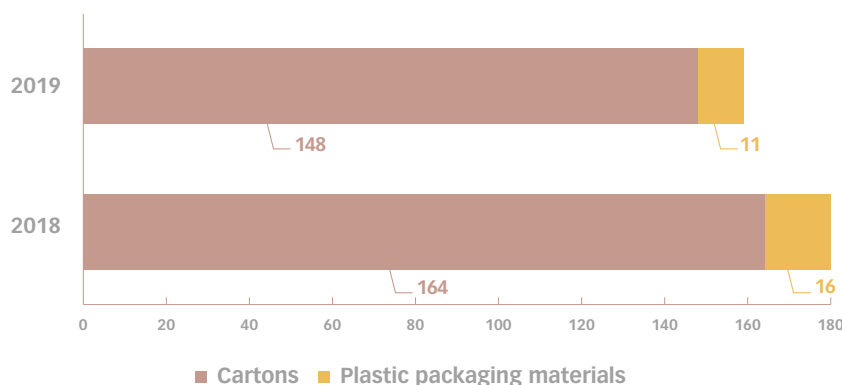


The water consumption of the Group was mainly for production and staff's domestic usage. We use water provided by the government and have no difficulty in obtaining suitable water sources. As a food manufacturer whose production activities require water resources, we are fully aware of the significance of water resource protection for environmental ecology. Our policy is to implement the recycle and reuse of water as much as possible and reduce the consumption of natural or clean water. A portion of the limewater and condensate water generated from the production process is treated for reuse through our own sewage treatment equipment, effectively reducing both water consumption and sewage discharge, and saving cost.

Use of Packaging Materials

During the Reporting Period, by adjusting our packaging methods and volumes, the Group had made better use of packaging materials to eliminate waste. In addition, the used packaging cartons were recycled after treatment with an aim to further reduce wastes for disposal, which reduced the use of packaging materials by 12.1%. The packaging materials used by the Group during the Reporting Period were as follows:

Packaging materials usage amount (tonne)



Environmental Investment and Resources Reuse

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 the 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 a focus on energy conservation and pollution reduction. The Group will 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 an 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 the staff of the subsidiaries of the Group, suppliers and partners so as to improve the environment as a team. The Group will continue to encourage its employees to protect the 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.

Noise Pollution

Due to the heavy use of machinery and instruments in the Group's production activities, the Group attaches great importance to eliminating vibration and noise sources during the production process to avoid noise transmission. The Group reasonably distributes the workplace of power machinery and tries to avoid running multiple large mechanical devices at the same location. However, it is forbidden to work at night in areas near residences, so as it will not affect the surrounding communities. In addition, if the use of air compressors, generators and other types of machinery generate higher decibel, the Group will add silencers to reduce noise.

04

Community Investment

COMMUNITY INVESTMENT

Social Welfare

The Group never forgets to give back to society and is passionate for 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.

In FY2019, the amount we invested in social welfare reached RMB2.62 million, and cash donations alone reached RMB2.5 million. The public welfare activities organized by the Group and in progress including but not limited to:

- Injected RMB1.5 million into Wuzhou Education Foundation
- Invested RMB1.2 million for the Spring Blossom Program
- Donated RMB0.3 million to Shenguan Class of No.1 Middle School of Wuzhou

The Group has established Shenguan Sunshine Charity Fund (神冠驕陽公益基金) to provide support for basic education, which offers financial assistance for the children in the impoverished areas to continue their education and help them 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), and “Wuzhou Education Foundation” (梧州市教育基金會), which provide various kinds of financial assistance. The Group has also 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.

Case scenario

Spring Blossom Program

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 1,000 Days Seedling Action – Nutrition and Health Program for Babies and Toddlers” 福格森黃金1,000 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, distribute promotion reading materials on nutrition and health for free, help improve the nutrition and health conditions of babies and toddlers in the impoverished areas and establishing scientific value of children rearing and pediatric nutrition.

SUMMARY OF STATISTICS

Air pollutant and greenhouse gas emissions category	Unit	2019	2018
Air pollutant emissions (Released from production and auxiliary production processes)			
Nitrogen oxides (NO _x)	kilogram	165	223
Particulate matter (PM)	kilogram	26	40
Hydrogen chloride (HCl) ⁸	cubic metre	594,000	382,320
Sewage	cubic metre	684,531	762,760
Greenhouse gas emissions			
Total greenhouse gas emissions	tonne	126,504	131,319
Intensity (per RMB10,000 income) ⁹		1.3	1.5
Direct greenhouse gas emissions (scope 1)	tonne	243	607
Indirect greenhouse gas emissions (scope 2)	tonne	125,128	129,549
Other indirect greenhouse gas emissions (scope 3)	tonne	1,132	1,163
Non-hazardous waste category			
Production volume			
Sludge	tonne	4,573	4,778
Waste collagen and other waste materials	tonne	3,178	1,552
Recovery volume			
Sludge	–	21.9%	18.0%
Waste collagen and other waste materials	–	100.0%	100.0%
Energy Consumption			
Electricity	10,000 kWh	23,080	23,895
Intensity (per RMB10,000 income) ⁹		0.2	0.3
Diesel	litre	43,982	167,881
Intensity (per RMB10,000 income) ⁹		0.4	1.9
Natural gas	cubic metre	35,100	43,937
Intensity (per RMB10,000 income) ⁹		0.4	0.5

⁸ Hydrogen chloride emissions = Regulated standard dry air volume x emission duration. The regulated standard dry air volume in 2018 was estimated, but from 2019 onwards, all the regulated standard dry air volume is monitored.

⁹ The denominator for calculating intensity has been changed from “per RMB10,000 output value” to “per RMB10,000 income”, so as to reflect the environmental performance of the Group more specifically.

Water consumption	Unit	2019	2018
Water consumption	cubic metre	1,823,569	1,876,831
Intensity (per RMB10,000 income) ⁹		18.3	20.9

Packaging materials category	Unit	2019	2018
Cartons	tonne	148	164 ¹⁰
Plastic packaging materials	tonne	11	16 ¹⁰

Total employees	Unit	2019	2018
Total number of employees at the end of the Reporting Period	headcount	2,149	2,416
Gender			
Male	–	56.0%	56.0%
Female	–	44.0%	44.0%
Age group			
Age 18–30	–	4.0%	6.0%
Age 31–40	–	30.7%	33.0%
Age 41–50	–	50.0%	48.0%
Age 51–60	–	15.0%	12.0%
Age 61 or above	–	0.3%	1.0%
Region			
Mainland China	–	99.9%	99.9%
Other regions outside Mainland China	–	0.1%	0.1%
Employment type			
Full-time and contracted	–	100.0%	97.0%
Others (part-time, fixed-term or casual)	–	0.0%	3.0%

⁹ The denominator for calculating intensity has been changed from “per RMB10,000 output value” to “per RMB10,000 income”, so as to reflect the environmental performance of the Group more specifically.

¹⁰ The figures have been restated for consistent comparison.

Employee turnover rate		Unit	2019	2018
Resignation during the Reporting Period		headcount	159	331
Turnover rate ¹¹		–	7.4%	13.7%
Gender¹²				
Male		–	7.6%	13.9%
Female		–	7.2%	13.4%
Age group¹²				
Age 18–30		–	15.8%	16.6%
Age 31–40		–	7.5%	15.0%
Age 41–50		–	4.6%	12.8%
Age 51–60		–	10.7%	10.9%
Age 61 or above		–	85.9%	24.8%
Region¹²				
Mainland China		–	7.4%	13.7%

Employee training ^{13,14}		Unit	2019	2018
Total number of employees trained		headcount	1,976	1,720
		(–)	(91.9%)	(71.2%)
Total training hours		hour	28,993	26,084
Average training hours ¹⁵		hour	13.5	10.8
Gender				
Male	Number of employees trained	headcount	1,045	874
	(trained employee ratio)	(–)	(86.8%)	(64.6%)
	Average training hours ¹⁶	hour	13.1	10.0
Female	Number of employees trained	headcount	931	846
	(trained employee ratio)	(–)	(98.5%)	(79.6%)
	Average training hours ¹⁶	hour	14.0	11.8
Position type				
Management level (Deputy manager or above)	Number of employees trained	headcount	13	11
	(trained employee ratio)	(–)	(93.1%)	(92.9%)
	Average training hours ¹⁶	hour	23.6	24.2
General employee	Number of employees trained	headcount	1,964	1,709
	(trained employee ratio)	(–)	(91.9%)	(71.1%)
	Average training hours ¹⁶	hour	13.4	10.7

¹¹ Employee turnover rate = number of employee resigned/total number of employees at the end of the Reporting Period.

¹² Employee turnover rate = number of employee resigned of this category/average total number of employees during the Reporting Period of this category.

¹³ The training data only includes internal training, including online courses.

¹⁴ Only include full-time employees.

¹⁵ Average training hours = total training hours/total number of employees at the end of the Reporting Period.

¹⁶ Average training hours = total training hours of this category/total number of employees of this category at the end of the Reporting Period.

INDEX OF THE GUIDE

The following is an index of the disclosure content of “Environmental, Social and Governance Reporting Guide” as set out in Appendix 27 of the Listing Rules of the Stock Exchange in this Report.

Aspects	No.	Reporting guidelines	Reporting sections	Notes
Environmental				
A1: Emissions	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a material impact on the issuer relating to air and GHG emissions discharge into water and land, and generation of hazardous and non-hazardous waste	Environmental Protection	
	A1.1	The types of emissions and respective emissions data	Environmental Protection, Summary of Statistics	
	A1.2	Greenhouse gas emissions in total and intensity	Environmental Protection, Summary of Statistics	
	A1.3	Total hazardous waste produced and intensity	–	The operation process does not produce a significant amount of hazardous waste
	A1.4	Total non-hazardous waste produced and intensity	Environmental Protection, Summary of Statistics	
	A1.5	Description of measures to mitigate emissions and results achieved	Environmental Protection	
	A1.6	Description of how hazardous and nonhazardous wastes are handled, reduction initiatives and results achieved	Environmental Protection	
A2: Use of Resource	General disclosure	Policies on efficient use of resources	Environmental Protection	
	A2.1	Direct and/or indirect energy consumption by type in total and intensity	Environmental Protection, Summary of Statistics	
	A2.2	Water consumption in total and intensity	Environmental Protection, Summary of Statistics	
	A2.3	Description of energy use efficiency initiatives and results achieved	Environmental Protection	
	A2.4	Description of whether there is any difficulty in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Environmental Protection	We have no problems in obtaining suitable water sources in our operation
	A2.5	The total packaging material used for finished products and with reference to per production output	Environmental Protection, Summary of Statistics	

Aspects	No.	Reporting guidelines	Reporting sections	Notes
A3: The Environment and Natural Resources	General disclosure	Policies on minimizing the issuer's material impact on the environment and natural resources	Environmental Protection	
	A3.1	Description of the material impact of business activities on the environment and natural resources and actions that have been taken to manage the impact	Environmental Protection	
Social				
B1: Employment	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a material impact on the issuer relating to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other benefits and welfare	Care for Employees	
	B1.1	Total workforce by gender, employment type, age group and geographical region	Care for Employees, Summary of Statistics	
	B1.2	Employee turnover rate by gender, age group and geographical region	Care for Employees, Summary of Statistics	
B2: Health and Safety	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a material impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Care for Employees	
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Care for Employees	
B3: Development and Training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work and description of training activities	Care for Employees	
	B3.1	Percentage of trained employees by gender and employee category	Summary of Statistics	
	B3.2	Classified by gender and employee category, average training hours per employee	Care for Employees, Summary of Statistics	

Aspects	No.	Reporting guidelines	Reporting sections	Notes
B4: Labour Standards	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a material impact on the issuer relating to the prevention of child labour or forced labour	Care for Employees	
	B4.1	Description of measures to review employment practices to avoid the child and forced labour	Care for Employees	
	B4.2	Description of steps taken to eliminate such practices when discovered	–	No violation was found during the Year
B5: Supply Chain Management	General disclosure	Policies on managing environmental and social risks of the supply chain	Industry Optimization	
B6: Product Responsibility	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a material impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Industry Optimization	
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	–	No incident relating to voluntary recall or product recall occurred during the Year
	B6.3	Description of practices relating to observing and protecting intellectual property rights	Industry Optimization	
	B6.4	Description of quality assurance process and recall procedures	Industry Optimization	
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Industry Optimization	

Aspects	No.	Reporting guidelines	Reporting sections	Notes
B7: Anti-corruption	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a material impact on the issuer relating to bribery, extortion, fraud and money laundering	Care for Employees	
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases	–	No corruption lawsuits occurred during the Year
	B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored	Care for Employees	
B8: Community Investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Community Investment	
	B8.1	Focus areas of contribution	Community Investment	
	B8.2	Resources contributed to the focus area	Community Investment	