

## MESSAGE FROM THE CHAIRMAN

## 黄金十年 共享未来！

I am delighted to present the Group's second annual ESG Report. This report captures the Group's commitments and achievements in advancing sustainability and business continuity to create shared value with our stakeholders over the past year.

2017 marks the second year of our "Golden Decade" strategic plan. Upholding this year's motto "Together we strive • Together we achieve", Ausnutria recorded approximately RMB3,926.5 million of revenue, an increase of 43.3% when compared with 2016. The Group achieved several business development milestones during the year, facilitating our sustained and continuous growth. In the Netherlands, both Ausnutria Heerenveen Pluto B.V. (the "Pluto Factory") and Ausnutria Heerenveen Hector B.V. (the "Hector Factory"), jointly referred to as the "Ausnutria Heerenveen Factories", have obtained certification from and completed registration with the

Certification and Accreditation Administration of the PRC (the "CNCA"). In New Zealand, a new factory was completed to expand our upstream operations and is now ready for production of formula milk powder products. A newly acquired modern dairy manufacturing enterprise in Australia has already commenced production. Moreover, a high end nutritional business with a factory based in Australia has begun to develop, manufacture and distribute nutritional products under the brand names *Nutrition Care* and *Brighthope*.

Of our milestone achievements mentioned above, it is worthy to note that as at the date of this report, there are only a total of ten infant formula blending and packaging factories in the Netherlands duly registered with the CNCA, of which three out of these ten factories are attributable to the Group.



Two acquisitions were also completed during the year to expand the Group's sales network in Taiwan and Australia. It is our belief that value cannot be created for one single group unless it is created with and for all of our stakeholders. This includes the Group's shareholders, employees, customers, business partners and the community.

During the year, we continued to implement the "Energy Efficiency Plan 2017-2020" and invest in upgrading production processes for energy conservation in our factories in the Netherlands. As the Ausnutria Heerenveen Factories commence operation, which significantly increase our production capacity, we start a new chapter of sustainability journey. The incorporation of energy efficient technologies into our production processes is expected to reduce our impact on the environment, allowing us to provide additional value throughout the value chain.

We have grown to an enterprise with over 3,000 employees around the world. Developing a trusting and collaborative relationship with our employees has been challenging, yet is our utmost priority. In the past year, we have introduced a series of employee engagement activities and initiatives to encourage communication. We have also promoted an inclusive and safe working environment for our employee comfort. Furthermore, our internal training centre, Ausnutria University, was awarded The 2017 Most Excellent Corporate Universities in the PRC in December 2017, reinforcing the Group's commitment to fostering talent for organisational development.

As we further expand our business, we would like to include our customers and business partners in our journey. Specifically, we have provided structured training on management skills for distributors in our principal market, the PRC, to support them in today's competitive business environment. We have been actively communicating with our customers through our Weibo platform and reaching out to them in multiple national and international events during the year. Their feedback inspires and motivates us to continuously promote our product quality and diversity.

To prepare our business for exciting opportunities and challenges, our research and development ("R&D") teams have developed strategic relationships with reputable universities, research institutions and industrial partners globally. Two new partnerships were formed in 2017 with China Agricultural University in the PRC and Taiwan Chung Shan Medical University in Taiwan to develop new products and study the nutritional values of existing formula products. In March 2017, we launched the Scientific Board with external experts to support the R&D work in the Netherlands. A two-day meeting was held to inaugurate the Scientific Board, where meaningful conversations on the development of infant formula towards breast milk were carried out.

With the goal of ensuring that every family can enjoy high quality goat milk, we launched the "Kabrita U Love Plan" since 2013 to donate free infant formula and supplements to support the lives of infant in underprivileged families with the need to be fed on breast-milk substitutes in the PRC. We also promoted the importance of nutrition in the first 1,000 days of life to the wider public through holding 20 public programmes during the year to address this topic, reaching over 12,000 families.

We would like to express our sincere gratitude for the continued support of our stakeholders over the years. Going forward, long-term value creation will remain an integral part of our development to encourage sustainable business growth. We will continue to adhere to our sustainability commitment, and we hope that our stakeholders will work hand in hand with us to create more value for the betterment of society.

**Yan Weibin**  
Chairman

The PRC  
5 July 2018