



金嗓子控股集團有限公司

GOLDEN THROAT HOLDINGS GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 06896

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2017



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Golden Throat Holdings Group Company Limited (the “Company”, together with its subsidiaries, the “Group”) places great emphasis on corporate culture and corporate philosophy. In recent years, the government, consumers, clients and investors have paid close attention over corporate governance, environmental protection and product safety. Therefore, apart from stepping up its efforts to improve business performance, the Group also pays extra attention to protect employees’ rights and the environment and continues to show our love and care to the society with concrete actions. The Company adheres to the strategic approach of “Creating success through concerted efforts, persistent hard work and second-phase venturing strategy” and lives up to our corporate goal to benefit the society at large by pragmatically producing safer, healthier and more effective products. This report is prepared to report on the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

I. ENVIRONMENTAL

With increasing concerns over environmental issues around the world, environmental protection and energy saving have become the key topics in respect of sustainable development of enterprises. As a corporation that advocates green culture, the Group spares no efforts in emission reduction and energy saving and endeavours to minimise the impact of its daily operation on the environment.

Emission Reduction

The Group’s exhaust gas is mainly flue gas emitted by coal-fired steam boilers. During the year, the chemical oxygen demand, sulphur dioxide and ammonia nitrogen emitted by the Group were approximately 2.6 tonnes (a decrease of 0.2 tonnes as compared to 2016), approximately 29 tonnes (a decrease of 2 tonnes as compared to 2016) and approximately 0.05 tonnes respectively. The sulphur dioxide and ammonia nitrogen emitted by the Group were approximately 0.08 tonnes and 148 grams, respectively for every 1,000 boxes of products produced. All of the above have complied with level two standard of GB13271-2001 “Emission Standard of Air Pollutants for Boilers” (《鍋爐大氣污染物排放標準》) and were in compliance with emissions standards in China.

The principal business of the Group involves processing raw materials into finished products and the sale of finished products. The production process of the Group does not generate hazardous wastes, while the non-hazardous wastes resulted from the Group’s production and operation in 2017 amounted to approximately 270 tonnes in total, i.e. 0.8 tonnes of non-hazardous wastes was generated for every 1,000 boxes of products produced, which was the same as compared to the total wastes generated in 2016. Such wastes were primarily activated carbon clay and dregs, all of which were delivered to the sanitation departments for the centralized treatment. The Group adopted refined management in its production process, with a view to reducing the generation of solid wastes from source, thus achieving reduction in solid wastes. The solid waste disposal of the Group is in compliance with the principles of renewability, minimisation and detoxification as stipulated in the Solid Waste Pollution Prevention and Control Law (《固體廢物污染防治法》) of the PRC and other statutory requirements in respect of handling of solid wastes.

Use of Resources

In 2017, the annual electricity consumption and water usage of the Group were 2,733,500kWh and 140,000 tonnes, respectively, representing a decrease of electricity consumption of 200,000kWh and water usage of 10,000 tonnes as compared to 2016. The electricity consumption and water usage were approximately 8,100kWh and 400 tonnes, respectively for every 1,000 boxes of products produced. The Group had no issue in sourcing water that is fit for purposes. The effluents discharged by the Group were mainly effluents from the production process. Our sewage treatment reaches the first-tier standard of GB8978-1996 “Integrated Wastewater Discharge Standard” (《污水綜合排放標準》). The Group has established a set of sewage treatment facilities which employs processing procedures of “gas floatation + anaerobic process + efficient water purifier + sand filtration” and has effluent processing capacity of 700 tonnes per day. The purified sewage can be used for removing dusty water in boilers, as well as planting trees in the industrial areas. In respect of recycling of water, the Group achieved a waste water reuse rate of 60%. The management has formulated measures in relation to conservation of water resources and will monitor the implementation on a daily basis, while the Group will maximise the waste water reuse rate to achieve the goal of emission reduction. The packaging materials for finished goods used by the Group in 2017 amounted to an aggregate of approximately 2,600 tonnes, i.e. approximately 7.7 tonnes of packaging materials were used for every 1,000 boxes of products produced, representing a decrease of 50 tonnes as compared to 2016.

The Environment and Natural Resources

The Group is committed to reducing the emission of pollutants by carrying out specific environmental management measures. Besides, the Group has obtained the ISO14001:2004 environmental management system certification. The Group strives to minimise the impact of its production business on the environment and step up its efforts in monitoring and managing the environment, with a view to strictly manage the production process and identify the wastes discharged and factors which may have a potential impact on the environment. The Group also utilises the energy resources effectively, which will help to protect the resources and solve the problem of climate change. In 2017, the Group’s business activities did not cause any significant adverse impact on the environment and natural resources. Clean energy, i.e. natural gas-fired boilers, will be used for all of the Group’s new R&D and production bases for pharmaceutical products, which are currently under construction. Clean energy is expected to effectively conserve non-renewable resources in the future.

II. SOCIAL

Occupational Safety

According to the requirements of “Basic Rules for Standardization of Safety Production of Enterprises” (《企業安全生產標準化基本規則》) of the PRC, the Group has formulated different relevant specifications to clearly specify different safety management responsibilities. The Group has also established a comprehensive occupational safety management system under the principles of “key responsible persons shall be held accountable” and the safety philosophy of “two roles in one post”.

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Moreover, the Group conducts regular safety reviews. In 2017, the Group's review team completed 12 occupational safety reviews. The encouraging results show that different relevant departments and production areas of the Company have achieved significant improvements in terms of protective equipment, on-site environment, fire-fighting equipment, operating specifications, equipment management, etc.

Each year, the Group's internal control department, together with the security department, prepare an annual review plan. All departments are required to conduct internal review in accordance with different safety standards and operating specifications. The departments will then submit a report listing out all items in violation of the safety standards, analyse the reasons behind such violation and propose rectification measures. The internal control department, together with the security department, monitor the proposed rectification according to the scheduled due time to ensure such violation of safety production standards will be rectified as soon as possible.

In 2017, the Group's internal safety inspection on production safety found 11 safety-related issues that still need to be improved and 7 hidden safety dangers, all of which had been rectified under the cooperation and joint efforts of different departments. Meanwhile, the Group's Human Resources Centre organised fire drills in June every year, and regularly arranged staff meeting to provide relevant occupational safety instructions so as to enhance safety awareness of its employees and ensure that all safety aisles or passageways of the Group are clear. As of 31 December 2017, the Group had no fatal accidents in relation to safe production and no employee applied for leave due to work-related injury.

Employment and Labour Standards: Working Environment and Culture

The Group values talent diversification and forbids discrimination on the basis of gender, age, ethnicity, religion, marital status for candidates who meet the job requirements. Everyone who joins the Group shall be treated equally.

The Group safeguards the legitimate rights and interests of minors by strictly complying with the relevant laws and regulations, such as the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) and the Regulations on Prohibiting Use of Child Labour (《禁止使用童工規定》). Newly recruited employees must be at least aged 18 and satisfy the recruitment conditions before being qualified for the recruitment formalities. The Group also conducts overall review on its practices regarding employment from

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time to time to avoid child labour, forced labour or the occurrence of other potential non-compliance with the relevant laws and regulations. As of 31 December 2017, the Group had 970 full-time employees. In view of the changes in the social culture and labour environment in the Mainland China, the Group has established a reasonable, legitimate and effective human resources management system pursuant to government regulations to provide its employees with competitive remuneration and benefits. The Group provides good working environment for its employees, including a workplace that is free from discrimination and harassment. The Group has also formulated a performance assessment system and promotion system, through which all employees will be provided equal opportunities and competitive remuneration. The Group has formulated its remunerations and benefits in strict compliance with the relevant regulations and rules. Employees with outstanding performance at various levels will be rewarded with remuneration, bonus, reward and other benefits as a gratitude for their valuable contribution to the Group. The Group also provides marital leave, causal leave and compassionate leave in accordance with relevant regulations. In addition, all employees working in the same positions are entitled to the same level of benefits and compensation. Such policy applies to all employment ordinances and conditions, including recruitment, employment, placement, dismissal, redundancy and deployment.

As a company producing food and pharmaceutical products, the Company holds the physical and mental health of the employees in high regard. Employees are encouraged to participate in various activities, work hard and be serious at work, enjoy their life and stay happy every day. In 2017, the Company organised volleyball competition and volleyball elite competition for its employees, during which the Group rented venues for them to practise and hold the volleyball competition.

This year, the trade union of the Company sent their festive greetings to all female employees, staff members and children on “March 8 Women’s day”, “May 1 Labour day” and “June 1 Children’s day”, respectively. Besides, the Company extended its regards to the employees staying in hospitals, arranged gynaecological medical examination for female employees and maintained mutual-support medical insurance for its employees in addition to the medical insurance required by the State.

Development and Training

With respect to trainings, the Company arranges its employees to study the newly promulgated laws and regulations in the PRC in a timely manner so as to ensure that products produced by the Company are in compliance with the laws and regulations. In addition, the Company proactively participates in various trainings and educational activities organised by the drug administration bureaus of the State and that of the autonomous regions.

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The Company also organises various training programmes targeting employees from different business departments and functions. For example, there are training programmes in relation to knowledge of Chinese medicinal herbs and Chinese medicine decoction pieces as well as the trainings in relation to production quality standard of pharmaceutical products, equipment maintenance and repair, etc. All of these are designed to provide support to the technological development and team building of different departments.

Meanwhile, the Company also attaches great importance to nurturing of talents. The Company strives to optimise its manpower reasonably by assigning competent staff to suitable positions upon completion of training and passing the assessment test. The management is thus able to provide targeted trainings to its subordinates with potentials.

JIANG Peizhen, the Chairman of the Company, has reiterated at meetings that the Company should play an active role in organising trainings for employees so as to keep our employees abreast of the new regulations and technologies while enabling the Company to remain at the forefront of the industry in terms of production and management standards.

Giving Back to Community

“Benefiting human beings with Golden Throat Lozenges” is always the corporate mission upheld by the Company. In order to give back to the society, the Company has contributed a total of over RMB60 million to support various community welfare projects, of which RMB1 million was invested in the construction of two “Golden Throat” pedestrian footbridges on the east and west side of Wuyi Road in Liuzhou city; over RMB25.60 million was contributed for the establishment of Guangxi Golden Throat Football School; and RMB2 million was contributed to support the Guangxi sports delegation team to participate in the 9th National Games. In times of natural disasters over the years, the Group has donated money and materials of over RMB3.8 million. We have sent greetings to teachers in Liuzhou on Teachers’ Day for 33 consecutive years, and have provided financial aids to schools in poor mountainous regions on a long-term basis.

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The Group has funded a number of schools from 1998 to 2017, including Guangxi Golden Throat Posuo Primary School (廣西金嗓子坡索小學) in the old revolutionary base area of Donglan County, Hechi Prefecture, Guangxi, Guangxi Golden Throat Beigeng Secondary School (廣西金嗓子北更中學) in Xincheng County, a national-level poverty region, Xiangfen Secondary School in Rongshui Miao Autonomous Region (融水苗族自治區香粉中學), Yaji Primary School and Chaxi Primary School in Sanjiang Dong Autonomous County (三江侗族自治縣牙己小學、茶溪小學). Over these years, the Group has supported the building of two Project Hope primary schools, two school buildings, 6 washrooms and 2 libraries; donated over 2,000 classroom tables and chairs, over 20,000 warm winter outfits and sponsored over 200 girls under the Spring Buds Program. JIANG Peizhen, the Chairman, has also taken the lead to sponsor over 10 ethnic minority girls from Longmei Secondary School (龍美中學) in Guzhai Township, Liucheng County to receive 9-year compulsory education.

III. CORPORATE DEVELOPMENT AND MANAGEMENT

Supply Chain Management

The Company has always attached great importance to the coordination and balance of its stability and development. It is committed to maintaining an effective management and control plan, while continuing to cooperate with industry organisations, suppliers and external experts. During the year, the Company exercised extensive management over suppliers pursuant to the regulatory requirements of Good Manufacturing Practice (GMP) standards for pharmaceutical products and carefully reviewed their qualifications so that the suppliers may rectify problems on a continuous basis. We have also conducted on-site review of major suppliers to ensure that the quality of raw material is up to standard.

The Company has reviewed 20 suppliers introduced during the year, among which 18 of them officially became our suppliers and 2 of them were changed, while the introduction of 2 suppliers were terminated. The Company insists on the principle that suppliers should manage their own work while the Company should be responsible for supervision and review. The Company will file reports to the Food and Drug Administration timely in respect of the extracts suppliers that the Company has decided to introduce. The Company also adheres to the principle that daily management and emergency alert system should be integrated and reviews the operation risks of suppliers on a regular basis.

Production and Management Environment of the Company

The Company keeps its surrounding environment clean, maintains the roads smooth and fosters a nice green environment. Besides, there is no pollution in the production areas and no obstruction in sewers. Reliable liquid seal devices are installed in the floor drains in clean areas. Production staffs who have direct contact with our products receive medical examination every year. Health archives will be established to ensure all production staffs are free from infectious diseases. In addition, the Company has laid

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down and has strictly enforced management requirements in respect of procurement as well as stock-in and stock-out of inventories. The Company has also set storage periods for its materials, where materials are re-inspected upon the expiry of their storage periods and only materials passing the re-inspection will be used, otherwise they will be discarded. The stock-out of materials is carried out on a “first come first out” basis. Complete record with signatures of both the issuers and recipients are maintained. The Company has constructed warehouses for finished products, cold stuffs and inner and outer packaging materials that are complementary to the production. These warehouses are equipped with facilities of different functions such as lighting, ventilation systems, cooling, anti-pest and anti-rodent based on the storage requirements of different materials and finished products. Materials and finished products are stored separately with clear labels. Store keepers monitor the temperature and moisture level of each warehouse and make record accordingly. The workshop is equipped with advanced production equipment which are able to deliver reliable performance. Meanwhile, the Company has formulated various quality management systems as well as quality standards and regulations for standard inspection procedures in respect of raw materials, packaging materials, intermediates, semi-finished products and finished products, and strictly monitors the implementation of such systems, standards and regulations.

The Company provides its employees with safe working environment by strictly complying with various national policies, including regulations on safe production and regulations on prevention and control of occupational diseases and hazards. The Group organizes education and training on safety knowledge for its staff once every quarter. New staff will receive safety training before commencing work. The Group has also formulated detailed distribution system in respect of labour protection supplies, pursuant to which work uniforms, gloves, masks, etc. are distributed as planned. Our staff receives medical examination every year to prevent and control occupational diseases.

Product Responsibility

The Group is always committed to providing safe, reliable and effective products that are in line with national standards for consumers and its customers. During the year, the Group updated the Company’s documents on quality standards by taking reference to the industry standards for product safety and the latest national laws and regulations to conform with the policy of advertising, labelling and privacy matters and methods of redress. It has also optimised its operational procedures based on the requirements of new technologies and new equipment. In 2017, the Group actively supported the unannounced inspection of the Food and Drug Administration of the State and the Guangxi Autonomous Region. No issue of material rectification was required according to the inspection results. The Group voluntarily inspected its products based on the requirements of product inspection. For products that require engagement of third parties for inspection, the Company will deliver the products to the inspection institutes of third parties for inspection on a timely basis.

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The Group strives to provide quality and safe products. We have maintained different channels for customers to express their opinions and suggestions. Customers may refer to the package of products for our contacts. All feedbacks from customers will be handled by our sales department.

For the year 2017, there was no non-compliance with the major laws and regulations in relation to the product responsibility by the Group.

Anti-corruption

The Group has formulated the Anti-malpractice Operation Regulations (《反舞弊工作條例》) and the Reporting System (《舉報制度》) to prevent extortion, fraud and money laundering, and strictly complied with the relevant requirements. We have established a sound voluntary interest declaration mechanism and adopted diversified reporting channels such as mail, fax, telephone and email. Follow-up investigation will be carried out for all suspicious cases. The Group also vigorously promotes enterprise education to promote the concept of anti-corruption through a variety of means such as seminars to build an honest and self-disciplined working environment. Over the past year, the employees of the Group have complied with the laws and have not violated the relevant anti-corruption legislation.

IV. LEGAL COMPLIANCE

The Group has complied with relevant laws and regulations that have a significant impact on the Group relating to (i) air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste; (ii) compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare; (iii) providing a safe working environment and protecting employees from occupational hazards; (iv) preventing child and forced labour; (v) health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress; and (vi) preventing bribery, extortion, fraud and money laundering.