



# 金嗓子控股集團有限公司

GOLDEN THROAT HOLDINGS GROUP COMPANY LIMITED

(Incorporated under the laws of the Cayman Islands with limited liability of its members)

Stock code: 06896

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

# 2019







# 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 to corporate governance, environmental protection and product safety. In 2019, the Group has further enhanced its understanding that it should continuously strive for improvement on safety and environmental protection. Therefore, we strictly follow regulations and adhere to a sense of responsibility, and have made certain achievements by comprehensively implementing the accountability system for safety and environment management objectives, enriching the Company’s safety management improvement projects, strengthening the detection and treatment of potential problems, developing a long-term risk management mechanism and taking other measures. 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 achieving brilliance again” 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. Unless otherwise specified, the reporting scope of this report is the same as last year, and includes Golden Throat Holdings Group Company Limited and its subsidiaries.

## 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 promotes energy conservation and emission reduction in every business procedure and strictly abides by the requirements of laws and regulations including the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》). The Group has taken effective measures from stages of production to emission of pollutants, such as processing flue gas and wastewater generated in the manufacturing processes with treatment equipment before they are emitted and discharged so as to continuously reduce the impact of wastewater, exhaust gas and non-hazardous solid wastes produced during the manufacturing and operation process of the Company.

The Group’s greenhouse gases and exhaust gas are mainly flue gas emitted by oil-fired steam boilers. Greenhouse gas emission in 2019 was approximately 9.1 tonnes and approximately 4,631.9 cubic meter, exhaust gas emission of sulphur dioxide was approximately 8.1 tonnes and nitrogen oxide was approximately 0.9 tonne. As a result of the Group’s improvement in flue gas treatment equipment, greenhouse gases, sulphur dioxide and nitrogen oxide

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emitted has decreased by 0.64 tonne, 11.9 tonnes and 0.1 tonne, respectively, as compared to 2018. The greenhouse gases, sulphur dioxide and nitrogen oxide emitted by the Group were approximately 27.2 kilograms, 24.2 kilograms and 2.7 kilograms, respectively, for every 1,000 boxes of products produced. All of the above have complied with level-two requirements of GB13271-2001 “Emission Standard of Air Pollutants for Boilers” (《鍋爐大氣污染物排放標準》) and are emitted through emission devices in an organised manner in order to reduce the impact on the surrounding environment. For the flue gas generated in the manufacturing process, it is discharged after being processed by treatment equipment and reaching the standards to minimize the emission of flue gas pollutants.

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, primarily activated carbon clay and dregs, in 2019 amounted to approximately 293 tonnes in total, i.e. 874.6 kilograms of non-hazardous wastes was generated for every 1,000 boxes of products produced, which has increased by 20 tonnes as compared to the total wastes generated in 2018 due to the increase in production volume in 2019. All wastes were delivered to the Environmental Hygiene Department for 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 in 2019. 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 terms of energy conservation, the Group sets energy consumption standards according to the actual operational needs of various departments with reference to the Energy Conservation Law of the People’s Republic of China (《中華人民共和國節約能源法》) and the Water Law of the People’s Republic of China (《中華人民共和國水法》), so as to enhance energy efficiency and avoid waste of resources.

Through cooperation with various environmental protection authorities, the Group organized various forms of training and educational activities to enhance employee’s awareness of environmental protection, improve application and understanding of energy conservation, emission reduction and energy efficiency, and to establish a corporate culture of low-carbon office. The Group also encouraged employees to save office supplies, reduce paper printing, reduce the use of electricity, turn off unused computers or electrical appliances and equipment, use energy-efficient light-saving bulbs, and adjust office air-conditioning temperature to 25 degree Celsius in order to enhance employees’ awareness on energy conservation and to conserve energy.

In 2019, the annual electricity consumption and water usage of the Group were 2,946,700 kWh and 173,600 tonnes, respectively, representing an increase of electricity consumption

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of 250,500 kWh and water usage of 57,600 tonnes as compared to 2018. The electricity consumption and water usage were approximately 8,800 kWh and 500 tonnes, respectively, for every 1,000 boxes of products produced. The Group had no issue in sourcing water that is fit for purposes. The wastewater discharged by the Group were mainly sewage 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 a processing capacity of 700 tonnes per day. The purified water can be used for removing dusty water in boilers, as well as planting trees in the factory areas. The use of resources policy of the Group aims to increase the wastewater reuse rate as much as possible to achieve the purpose of efficient use of resources. In 2019, the Group improved the water conservation management and water consumption measurement, enhanced the modification of water conservation technology, promoted the recycling of wastewater and increased the utilization rate of water resources. In respect of recycling water, the Group achieved a wastewater 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. The packaging materials for finished goods used by the Group in 2019 amounted to an aggregate of approximately 2,900 tonnes, i.e. approximately 8.48 tonnes of packaging materials were used for every 1,000 boxes of products produced, representing an increase of 166 tonnes as compared to 2018 due to the increase in production volume in 2019.

### **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 steps up its efforts in monitoring and managing the environment, with a view to strictly manage the production process and identify the pollutants 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 2019, the Group’s business activities did not cause any significant adverse impact on the environment and natural resources. All of the Group’s new R&D and production bases for pharmaceutical products currently under construction will be powered by clean energy, i.e. natural gas-fired boilers, and are 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 various relevant regulation 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”.

Moreover, the Group conducts regular safety reviews. In 2019, the Group’s review team completed 12 occupational safety reviews. The encouraging results show that various relevant departments and production areas of the Company have achieved significant improvements in protective equipment, on-site environment, fire-fighting equipment, operating specifications, equipment management aspects.

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, 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 2019, the Group’s internal safety inspection on production safety found 7 safety-related issues that needed to be improved and 2 hidden safety dangers, all of which had been rectified under the cooperation and joint efforts of various departments. Meanwhile, the Group’s Human Resources Centre organises fire drills in June every year, and regularly arranges 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 2019, 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 based on factors such as gender, age, ethnicity, religion or 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 processed for onboarding. The Group also



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conducts overall review on its practices regarding employment from time to time to avoid child labour, forced labour or the occurrence of other potential non-compliance with the relevant laws and regulations. The Group guarantees our employees reasonable working hours and rest days in strict accordance with regulations to assist them with achieving work-life balance. Workers will be arranged to take days off on statutory holidays in compliance with the relevant laws to enhance their sense of well-being. As of 31 December 2019, the Group had 903 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, legally compliant 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. Outstanding performance of employees at various levels will be rewarded with remuneration, bonus, rewards 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 the employment ordinances and conditions of the Group, including recruitment, employment, placement, dismissal, layoff and deployment.

As a company producing food and pharmaceutical products, the Group 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 2019, the Company organised light volleyball competition and light volleyball elite competition for its employees, during which the Group rented venues for them to practise and hold the light volleyball competition.

This year, the trade union of the Group 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 Group 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 compulsory medical insurance required by the State.

### **Development and Training**

With respect to training, the Group proactively arranges its employees to participate in various internal and external training programmes.

In 2019, the Group organised 36 different internal training sessions for employees from different systems and departments and of different functions, with the attendance of 650. The training covered laws and regulations related to pharmaceutical products, food products and health food products, safety and hygiene requirements for production staff, knowledge of

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microorganisms in clean areas, facilities and equipment related to production, and operating procedures for each position, and inspection and operating procedures for inspection staff, etc. After the training, participants were assessed by written examination, interviews, oral examination, on-site operations or other means to ensure that all of them can master the relevant knowledge, meet the expected goals of the training and be competent for their corresponding positions.

For external training, the Group assigned 50 key personnel from various departments to attend 12 corresponding specialised trainings in 2019 on aspects including laws and regulations related to pharmaceutical products and food, production risk management related to pharmaceutical products, GMP verification for pharmaceutical products, computer system verification, inspection technology for Chinese medicine, microorganism inspection technology for food and more. In addition, the Group had arranged its licensed pharmacists to participate in the annual continuing education and training for practicing qualification of the district.

In 2017, the Company began its cooperation with Liuzhou Municipal Preparations and Pharmaceutical Technical School (柳州市製劑醫藥技工學校) to provide a two-year part-time specialised training for “pharmaceutical preparation workers” for 50 employees. The programme had come to an end in 2019. With the efforts of all students and teachers, all the teaching tasks of the training courses were completed and diploma will soon be provided. In 2019, with the great support of Liuzhou Municipal Bureau of Human Resources and Social Security, the Group obtained the qualification to apply for the Guangxi vocational training vouchers and invited leaders of the drug administrations and experts from pharmaceutical enterprises to provide specialised training on GMP for pharmaceutical products for 100 employees of the Company.

The training aimed at enhancing the comprehensive quality and ability of employees, ensuring that our employees keep abreast of the new regulations and technologies to better complete the designated tasks and strengthen the talent building of the Company, which will enable the Group 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 society, the Group has contributed a total of over RMB60 million to support various community welfare projects since its establishment, 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. The Group has also sent greetings to teachers in Liuzhou on Teachers’ Day for 34 consecutive years, and has 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 2019, 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. We have also conducted on-site review of major suppliers for rectification of problems on a continuous basis to ensure that the quality of raw material is up to standard.

The Company has reviewed 35 suppliers introduced during the year, among which 34 of them officially became our suppliers and none of them were changed, while the introduction of 1 supplier was 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 satisfactory green environment. There is no pollution in the production areas and no obstruction in the sewers. Reliable liquid seal devices are installed in the floor drains in clean areas. Production staff members who have direct contact with our products receive medical examination every year. Health archives were established to ensure all production staff members are free from infectious diseases. In addition, the Company has laid 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



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those passing the re-inspection will be used, otherwise they will be discarded. The stock-out of materials is carried out on a “first-in-first-out” basis. Complete record with signatures of both the issuers and recipients are maintained. The Company has constructed warehouses for raw materials, finished products, cold stuffs, as well as inner and outer packaging materials that are complementary to the production. These warehouses are equipped with lighting, ventilation, cooling, anti-pest and anti-rodent facilities based on the storage requirements of different materials and finished products. Materials and finished products are stored separately with clear labels. Store keepers monitor and take record of the temperature and moisture level of each warehouse. The workshop is equipped with advanced production equipment which is able to deliver reliable performance. Meanwhile, the Company has formulated various quality management systems, job operating procedure 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 conducts a major inspection every year, 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. The standard of Golden Throat Lozenges, a product of the Company, was formulated and proposed by the Company in conjunction with Guangxi Institute for Drug Control. It is the first lozenge medicine with its ingredient measurement indicator included in the national standard of lozenge medicine of proprietary Chinese medicine, and its quality indicators have been ahead of similar products in China. Meanwhile, the Company monitored the product quality based on an internal quality control standard higher than the national standard. The manufacturing process of Dule Lozenges of Golden Throat Lozenge Series Products, a series of food products of the Company, was monitored in accordance with the standards of pharmaceutical manufacturing. The Company adopted an industry-exclusive internal quality control standard by including several items of inspection of pharmaceutical products on top of all national standards of food products.

The Company insists on placing total quality control as the core of corporate management, and created a 3-tier quality management network with delineated QA and QC responsibilities. Production management and quality management departments are completely independent of each other. Quality management department is directly supervised by the General Manager with absolute veto on quality. Substandard raw materials would be refused entry into the

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factory and substandard products would not be allowed to leave the factory. In case of material quality issue, the person in charge of the relevant department would be dismissed directly. Quality management department strengthens the daily sampling and the inspection work. Inspection results and product quality are linked to the income of employees. A special fund has been designated for the establishment of a quality fund reward, requiring 85% of the income of employees to be linked with the quality assessment. Full amount of fund will be disbursed only when all requirements of internal indicators are met.

The Company attaches great importance to product quality, contributing the excellent qualities of “safety, stability, reliability and effectiveness” of Golden Throat. Products of the Company successively won multiple accolades including the National Key Brand of Reassurance, the National Excellent Product of the Food Industry, Autonomous Region Customer Satisfaction Product and the Guangxi Famous Product. The Company of the Group was also granted approval for the Registered Hygiene Certificate for Exported Food (currently replaced by the Filing of Enterprises Producing Exported Food), the Halal certification and other certifications.

In 2019, all products of the Company of the Group reached a passing rate of 100% in various sampling and quality inspections conducted by government regulators, and no issue of material non-compliance was found in the daily supervisory inspections and unannounced inspection conducted by regulators at the municipal and autonomous region levels.

### **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 (vi) preventing bribery, extortion, fraud and money laundering.