



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



2020

ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT

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 2020, the Group has further deepened 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 conservation have become the key topics in sustainable development of enterprises. As a corporation that advocates green culture, the Group spares no efforts in emission reduction and energy conservation 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. For instance, the Group makes rational use of clean energy, improves energy use efficiency and implements policies in respect of energy conservation and emission reduction, 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 environmental impact of wastewater, exhaust gas and non-hazardous solid wastes produced during the manufacturing and operation process of the Company. The Group’s greenhouse gas and exhaust gas emissions are mainly flue gas emitted by oil-fired steam boilers. Greenhouse gas emission in 2020 was approximately 8.11 tonnes and approximately 4,129.6 cubic meter, exhaust gas emission of sulphur dioxide was approximately 7.2 tonnes

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and nitrogen oxide was approximately 0.8 tonne. As a result of the Group's improvement in flue gas treatment equipment and the decrease in production volume in 2020, greenhouse gas, sulphur dioxide and nitrogen oxide emission has decreased by 1.01 tonnes, 0.9 tonne and 0.1 tonne, respectively, as compared to 2019. The greenhouse gas, sulphur dioxide and nitrogen oxide emission of the Group were approximately 27.1 kilograms, 24.1 kilograms and 2.6 kilograms, respectively, for every 1,000 boxes of products produced. All of the above have complied with the 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 minimise 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 generated in its production and operation, primarily activated carbon clay and dregs, in 2020 amounted to approximately 200 tonnes in total, i.e. 769.6 kilograms of non-hazardous wastes were generated for every 1,000 boxes of products produced, which has decreased by approximately 93 tonnes as compared to the total wastes generated in 2019 due to the decrease in production volume in 2020. All wastes were delivered to the Environmental Hygiene Department for centralized treatment. In 2020, the Group adopted refined management in its production process, with a view to reducing the generation of solid wastes from the 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 the statutory requirements in respect of handling of solid wastes.

In order to encourage the use of environmentally-friendly vehicles by employees, the Group provided employees with Baojun new energy electric vehicles produced by Liuzhou SGMW (柳州上汽通用五菱) for employees commuting to work. The Group ordered a total of over 700 new energy electric vehicles from SGMW, which would significantly reduce the carbon emission generated in the commuting of employees.

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, developed the concept of green office, and

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promoted paperless office 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 save energy.

In 2020, the annual electricity consumption and water usage of the Group were 2,360,700 kWh and 142,670 tonnes respectively, representing a decrease in electricity consumption of 586,000 kWh and a decrease in water usage of 30,900 tonnes as compared to 2019. The electricity consumption and water usage were approximately 7,900 kWh and 478 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 were mainly sewage from 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 flotation + 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 2020, the Group continuously improved the recycling and utilization policy of water resources, and enhanced the recycling of wastewater and the utilization rate of water resources. In respect of recycling water, the Group achieved a wastewater reuse rate of 65%. The management has formulated measures in relation to conservation of water resources and will monitor the implementation on a daily basis. The packaging material for finished goods used by the Group in 2020 amounted to an aggregate of approximately 2,645 tonnes, i.e. approximately 8.86 tonnes of packaging material were used for every 1,000 boxes of products produced, representing a decrease of 255 tonnes as compared to 2019 due to the decrease in production volume in 2020.

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 potential impacts on the environment. The Group also utilises energy resources effectively, which will help protecting resources and solving climate change issues. In 2020, the Group's business activities did not have any significant adverse impact on the environment and natural resources. All of the Group's new R&D and production bases for pharmaceutical products 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 regulations 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 2020, 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 2020, the Group’s internal safety inspection on production safety found 5 safety-related issues that is subject to improvement and 3 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, including fire emergency preparedness drills, drills in respect of the actual use of fire apparatus, fire evacuation drills and fire safety education programmes, which can enhance employees’ skills in dealing with fire emergencies and their evacuation techniques. The Group also organises staff meeting regularly to provide guidelines for relevant occupational safety, which can raise employees’ safety awareness and ensure all the Group’s secret routes are free from obstructions. As of 31 December 2020, 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 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 periods in strict accordance with regulations to assist them with achieving work-life balance. Workers will be arranged to take day-off on statutory holidays in compliance with the relevant laws to enhance their sense of well-being. As of 31 December 2020, the Group had 938 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 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 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 gynecological examination for female employees and maintained mutual-support medical insurance for its employees in addition to the compulsory medical insurance required by the State.

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In 2020, while we were committed to developing our business, we adhered to the concept of “benefiting mankind and repaying society”. As for employee benefits, in August 2020, the Group provided employees with Baojun new energy electric vehicles produced by Liuzhou SGMW (柳州上汽通用五菱) for employees commuting to work. The Group ordered over 700 new energy electric vehicles from SGMW, which would not only solve the transportation problem of employees with long commuting distance, but also effectively stimulate local consumption demand in Liuzhou and help economic growth and recovery.

Development and Training

With respect to training, the Group proactively arranges its employees to participate in various internal and external training programmes. In 2020, the Group organised 30 different internal training sessions for employees from different systems and departments and of different functions, with a total of 710 participants. 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 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. In addition, in light of the need of pandemic prevention during the pandemic, the Group specially introduced the “physical and mental health” segment into the anti-pandemic programme targeted at all staff members for them to acquire scientific anti-pandemic knowledge.

For external training, in 2020, due to the impact of the pandemic, external training was mainly conducted online. The Group assigned 26 key personnel from each department to attend 21 corresponding specialised trainings mainly in 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 etc. In addition, the Group had arranged its licensed pharmacists to participate in the annual continuing education and training for practicing qualification of the district.

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The trainings 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 mankind 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 35 consecutive years, and has provided financial aids to schools in poor mountainous regions on a long-term basis.

The Group has funded a number of schools from 1998 to 2020, 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 (牙己小學) and Chaxi Primary School (茶溪小學) in Sanjiang Dong Autonomous County. 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.

Combating Pandemic and Supporting Disaster Relief

2020 is not an ordinary year. The sudden outbreak of Covid-19 has brought about far-reaching outcomes on economic development, industry structure, living style and other aspects. This was a year in the history of China that people will never forget. This year, ruthless as the pandemic, under the leadership of the state, we felt the united and striving spirit of people, carrying on tiding over the hardship. Together we will succeed and defeat the pandemic eventually. In February 2020, while we were confronted with the pandemic, Golden Throat has been proactively responding, actively resuming work and production, and collecting anti-pandemic materials by utilizing all overseas resources, and donated money and materials with a total value of over RMB1.60 million.

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 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 32 suppliers introduced during the year, among which 32 of them officially became our suppliers and 2 of them were changed, while the introduction of 2 suppliers 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 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 humidity 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, operating procedures for positions 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.

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The Company provides its employees with safe working environment by strictly complying with various national policies, including regulations on production safety 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 consumers and customers with safe, reliable and effective products that are in line with national standards. The standard of Golden Throat Lozenges, a product of the Company, was jointly proposed and reformulated by the Company and Guangxi Institute for Drug Control. It is the first lozenge medicine with the 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 quality of its products based on an internal quality control standards higher than national standards. The manufacturing process of Dule Lozenges of Golden Throat Lozenge Series Products, a food product series of the Company, was monitored in accordance with the requirements of pharmaceutical manufacturing. The Company adopted an industry-exclusive internal quality control standard by introducing the inspection of certain pharmaceutical products on top of all national standards for food products.

The Company insists on placing comprehensive quality control as the core of corporate management, and established a three-tier quality management network with delineated quality assurance and quality control 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 not be allowed to enter the 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 departments would be dismissed directly. Quality management department strengthens daily and sample inspection and the examination work. Inspection results and product quality would be 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.

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The Company attaches great importance to product quality, thus contributing to the excellent quality of Golden Throat with safety, stability, reliability and effectiveness. 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 companies of the Group were 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 2020, all products of the companies of the Group have 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 autonomous region and municipal 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. In addition, the Group vigorously promotes enterprise education to promote the concept of anti-corruption through a variety of means such as seminars, and 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 or 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.