



大成糖業控股有限公司\*  
**GLOBAL Sweeteners Holdings Limited**  
(incorporated in the Cayman Islands with limited liability)  
Stock Code: 03889



# 2017

Environmental  
Social  
Governance  
Report

\* For identification purpose only

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## MESSAGE FROM CHAIRMAN

While China has always been the centre of attention with regard to its environment problems, nevertheless, 2017 was a year which witnessed the state's determination and efforts to fix its environmental issues. In 2017, the Ministry of Environmental Protection of the PRC raised the standards for inspections and regulations on corporations which emit wastes or pollutants to the environment. Environmental pollution related policies and laws were updated, and emission inspection teams were sent all over the country to examine corporates' compliance with these laws and regulations. The corn refinery industry, as a result, faced even more stringent examinations. While a number of factories were required by the environment protection department to suspend production for remediation of emission level, Global Sweeteners had passed all the inspections successfully as in the past years. Again, this has shown our commitment to sustainable development on environmental protection.

In our daily practices, where our philosophy of environmental conservation was rooted, we focus on improving operation and production efficiency throughout the whole production process. In our daily operation, we encouraged every employee to use recycled paper while printing; from the corporate management level, we continued to search for cooperation opportunities with other market leaders and individual laboratories to achieve sustainable development – while we continue to monitor closely our emission level in accordance with laws and regulation, our R&D team never stops exploring new technologies that can be applied to our production facilities for higher efficiency, lower emission rate and better product mix.

In the year 2017, our internal control team has further reviewed and enhanced the Group's enterprise risk management and internal control systems after the engagement of the external experts for the review and analysis of the major risks of the Group's business in 2016. Following the advice of the external experts, our internal control team worked closely with our staff in Changchun, Shanghai and Jinzhou production bases to formulate and furnish the framework and concrete policies that are suitable for application to the Group. In the meantime, trainings and seminars were given to management and relevant staff to ensure smooth policy execution. It is our commitment that continuous review and enhancement in our risk management and internal control systems shall be diligently conducted as we fully understand the importance of governance on the success of an enterprise.

Global Sweeteners has always dedicated her care to its people and community. Aiming to promote a working environment of corruption-free, self-improvement, self-motivation, together with unity and harmony, we embed our corporate culture of "Ethics forms the foundation of prosperity and harmony" into our Code of Conduct and pay attention to the physical and mental health of our employees as well as their career development. As in the past years, we offer comprehensive training sessions on production safety, production techniques, professional knowledge, administration and management to our employees, and provide sports and other recreational activities for employees to participate in.

Looking forward, we would continue to explore opportunities for further implementation of our sustainable development strategies and strive to deliver the utmost value to all our stakeholders as a whole.

**Kong Zhanpeng**  
*Chairman*

May 2018

# 1. WORKPLACE QUALITY

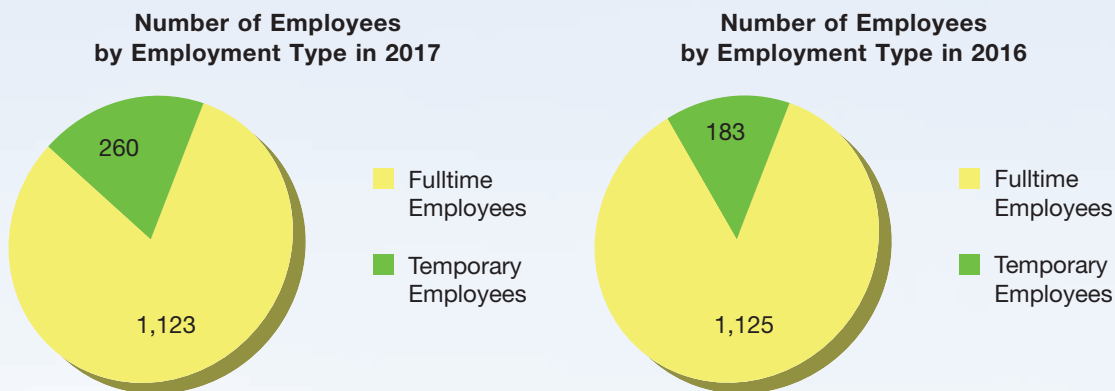
In Global Sweeteners Holdings Limited (“GSH” or the “Company”) and its subsidiaries (collectively referred to as the “Group”), our employees are essential to the success of the Group. GSH values every contribution from its people which paves the way to success and emphasises the importance of a healthy and friendly working environment which laid a good foundation for capable people to commit to the Group. GSH is keen to establish a corporate culture with self-discipline, inspirations and commitment. We aim to attract the best talents in the market, create a nurturing ground for both the Company and our people to grow and enjoy the fruits of our success together. Apart from offering competitive remuneration to our employees, GSH also provides them with trainings, career development and growth opportunities. GSH places high emphasis on workplace condition and safety. This is one of the keys to our success.

## 1.1 WORKPLACE CONDITIONS

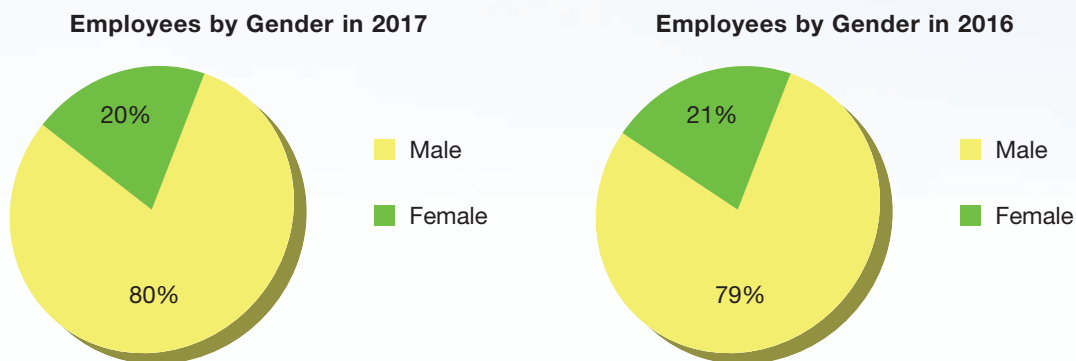
### 1.1.1 Employment Structure

GSH currently has operations in Changchun, Shanghai, Jinzhou and Dalian, with its headquarters in Hong Kong. Below charts show an overview of GSH’s employment structure:

#### Employees by Employment Type



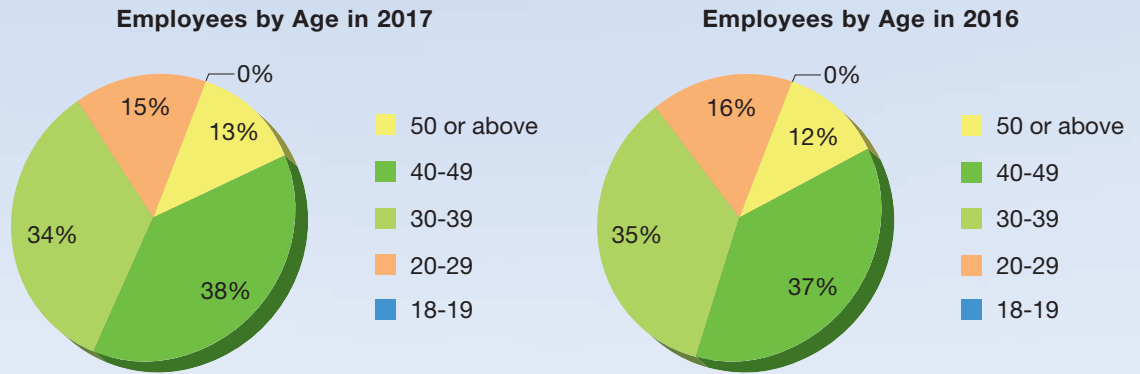
#### Employees by Gender



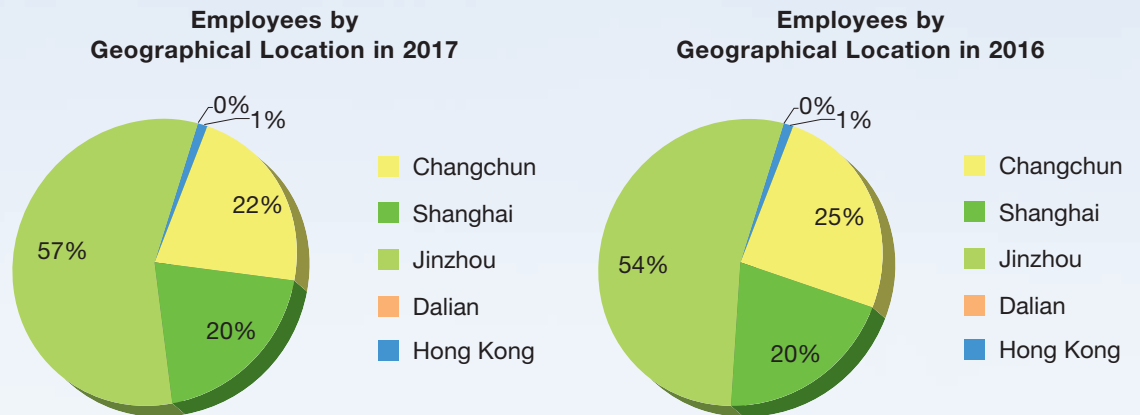


# 1. WORKPLACE QUALITY

## Employees by Age



## Employees by Geographical Location



### Remarks:

2017: figures as of 31 December 2017  
 2016: figures as of 31 December 2016

### 1.1.2 Turnover Rate

The Group's staff turnover rate for the year 2017 was approximately 11% (2016: 15%). Among the total number of turnover staff, approximately 76% of them (2016: 70%) were full-time staff.

# 1. WORKPLACE QUALITY

The details of the staff turnover pattern are outlined in the tables below:

## **Turnover Rate by Geographical Region and Employment Type**

	Changchun	Shanghai	Jinzhou	Dalian	Hong Kong	Total
<b>2017</b> Fulltime Employees	12	71	42	1	2	128
Temporary Employees	0	0	41	0	0	41
Total No. of Turnover Staff	12	71	83	1	2	169
Turnover Rate	4%	21%	9%	14%	22%	11%
<b>2016</b> Fulltime Employees	51	50	51	1	3	156
Temporary Employees	38	0	28	0	0	66
Total No. of Turnover Staff	89	50	79	1	3	222
Turnover Rate	22%	16%	10%	13%	27%	15%

## **Turnover Rate by Age and Employment Type**

	50 or above	40-49	30-39	20-29	18-19	Total
<b>2017</b> Fulltime Employees	4	20	28	72	4	128
Temporary Employees	11	20	10	0	0	41
Total No. of Turnover Staff	15	40	38	72	4	169
% to Total Staff Turnover	9%	24%	22%	43%	2%	100%
<b>2016</b> Fulltime Employees	8	37	80	30	1	156
Temporary Employees	12	30	20	4	0	66
Total No. of Turnover Staff	20	67	100	34	1	222
% to Total Staff Turnover	9%	30%	45%	15%	1%	100%

### **Remarks:**

Internal transfer under the Group was not counted in turnover rate.

2017: figures for the period from 1 January 2017 to 31 December 2017

2016: figures for the period from 1 January 2016 to 31 December 2016

# 1. WORKPLACE QUALITY

## 1.1.3 Working Hours

Working hours for all employees under the Group in the PRC are in compliance with the local labour regulations including the “Labour Law of the People’s Republic of China” and the “Law of the People’s Republic of China on Employment Contracts”.

For operations in the PRC, office workers work 5 days a week with 8 hours a day. Workers at production sites work on shifts, 8 hours a shift. In any case where overtime work is required, overtime payment will be rewarded to employees as required under the PRC labour law. Employees’ rest days and public holidays are formulated in line with the labour regulations in the PRC. Details of working hours, rest days and holidays are outlined in the employment contracts for all employees.

All employees in Hong Kong work 5 days a week with 8 hours a day and enjoy rest days, statutory holidays and paid annual leave during employment. Those are in line with labour legislation in Hong Kong.

## 1.1.4 Staff Welfare and Benefits

GSH believes a highly motivated working team will be crucial to the development of the Company. Employees’ remuneration packages are based on their performance and reviewed individually every year to maintain competitiveness. Apart from this, employees have comprehensive medical, accidental and disability insurance coverage and retirement schemes (such as MPF).

All GSH employees have insurance coverage as required by law and the Company complies with all the relevant labour regulations and procedures, including the followings:

- Labour Law of the People’s Republic of China (《中華人民共和國勞動法》)
- Law of the People’s Republic of China on Employment Contracts (《中華人民共和國勞動合同法》)
- Measures of Shanghai Municipality on the Basic Medical Insurance for Urban Employees (《上海市城鎮職工基本醫療保險辦法》)
- Employment Ordinance (Hong Kong) (《僱傭條例》(香港))
- Minimum Wage Ordinance (Hong Kong) (《最低工資條例》(香港))
- Mandatory Provident Fund Schemes Ordinance (Hong Kong) (《強制性公積金計劃條例》(香港))
- Employees’ Compensation Ordinance (Hong Kong) (《僱員補償條例》(香港))

Apart from this, the Company also provides welfare housing for eligible employees. Applicants for welfare housing will be assessed by their service term and overall performance.

During traditional Chinese festivals like mid-autumn festival and lunar new year, it is the Company’s practice to give away gifts such as foodstuff and necessity to employees. The Company would also provide assistance to employees whose families are in difficulties from time to time.

# 1. WORKPLACE QUALITY

## 1.2 HEALTH AND SAFETY

GSH is committed to providing a safe and non-hazardous working environment for all staff. Apart from keeping update on the latest regulations by local and national authorities and government bodies, GSH reviews the working environment in each operation sites from time to time to ensure the health and safety of all staff. Such measures includes those internal control procedures such as setting up a team to inspect the production sites from time to time, reporting any work related accidents, remedies and improvement measures to be taken to the management in a timely manner, etc. All employees are trained before they commence carrying out their duties to ensure they are fit for the job and continuous training are provided to minimise chance of work related accidents.

### 1.2.1 Work Related Accidents

There were no work-related fatal event (2016: nil) during year 2017.

During 2017, there were three (2016: one) work related accidents happened in the Group's Shanghai production site and nil (2016: six) in the Jinzhou production site. Among the three accidents happened in Shanghai, one of them was a traffic accident during goods delivery, one happened as the worker tripped over at work, the last one happened during operation of machinery. Immediately after the accidents happened, the management in Shanghai production site formed an investigation team to look into the causes of these accidents and to give solutions for preventing such incidents happening again in the future. Extra training sessions were provided to workers on work safety and operation of equipment to educate them on the work safety after the accidents happened. For the year ended 31 December 2017, lost days due to injuries was 255 days (2016: 657 days). Apart from what have been disclosed above, there was no other major work related accident or disaster happened during 2017.

### 1.2.2 Implementation and Monitor of Occupational Health and Safety Measures

All operations under GSH comply with the labour law and safety regulations by local as well as national governments. List of regulations regarding the Group's compliance are as followings:

- Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》)
- Work Related Injury Insurance Regulations (《工傷保險條例》)
- Guides to Define Work Related Injuries (《工傷認定辦法》)
- Code of Occupational Disease Prevention of PRC (《中華人民共和國職業病防治法》)
- Regulation for Safety Management of Dangerous Chemicals (《危險化學品安全管理條例》)
- Occupational Safety and Health Ordinance (Hong Kong) (《職業安全及健康條例》(香港))

The Group has its own tailor-made work manual (the "Manual(s)") for employees, which incorporates all the occupational health and safety procedures. The Manuals are designed to comply with the regulations/laws above. The Group also set up work safety inspection teams (the "Inspection Team(s)") to ensure the implementation of these procedures. The Inspection Team carries out weekly inspection to ensure workplace safety and avoid any potential risk, reviews and improves the Manual from time to time and offers internal training to staff. The Manual also includes aftermath procedures in case of emergency or accidents.



# 1. WORKPLACE QUALITY

## 1.3 DEVELOPMENT AND TRAINING

GSH invests in the personal and career development of its employees. Career development and advancement opportunities are provided to dedicated staff. To improve employee's knowledge and skills to discharge duties at work, employees in different posts are fairly provided with tailor-made training programmes regardless of one's gender and background, either in-house or by external institutions to ensure their performance are in line with the Company's expectations and the changing market.

The Group also actively promotes good corporate governance by offering chances for senior management or executives to attend seminars or forums organised by regulators or other professional authorities on topics such as corporate governance best practices, handling price sensitive information, risk management and updates on latest listing rules, etc. Such training materials will be translated and circulated to the Board as well as subordinate staff in different departments as internal training materials. Internal trainings are given to the Board as part of the corporate governance practices.

### 1.3.1 Training Programmes for Employees at the Operations in China

#### ***Ordinary staff:***

All subsidiaries under GSH follow the Group's training requirements and tailor-made/specific training programmes are offered fairly to staff in different posts. All employees attend internal training programmes before commencement of work (including introduction of production processes, operation manual of machineries, work skills training, work safety procedures, management structure and corporate governance, etc.).

On top of this, on-the-job trainings such as work skills training, career planning guidance and training for promoted staff are provided for employees' continuous career development and improvement of their work skills. Implementation of staff training is taken by the Human Resources Department, based on the assessment and recommendations by the head of each department on the needs and requirements for their relevant staff to formulate the standards, contents and plan for staff training every year. Assessment tests/examinations and questionnaires are given to staff after training to assess the effectiveness and results. Quiz competitions and forums are held regularly for staff to assess the effectiveness of and exchange their ideas on the training programmes.

In light of the industrial accidents occurred in the Group's Shanghai production site (details please refer to 1.2.1), occupational safety training has been arranged for all staff in Shanghai site in 2017.

In 2017, the Group's ordinary staff in the PRC received an average of 10.2 hours of training (2016: 10.3 hours). Percentage of ordinary staff trained was approximately 100% (2016: 72%). During the year of 2017, the Group launched more training programmes in Changchun production base for employees to participate in. As such, the training rate returned to around 100%.

#### ***Managerial grade or above:***

Training programmes for managerial grade or above are provided both in-house and from outside training programmes sponsored by the Group, with seminars or talks by external parties on specific topics occasionally or according to market needs. Employees at managerial grade or above may attend training sessions on topics such as professional knowledge, corporate culture, sales and marketing, occupational safety, management enhancement and policy implementation programmes. Such training sessions were carried out by way of seminars, DVD training sessions or reading sessions. Certain subsidiaries under the Group offer training sessions for managerial grade or above employees on food safety, cost control and career planning.

In 2017, staff at managerial grade or above in the Group's PRC operations received an average of 12.9 hours of training (2016: 12.3 hours). Percentage of managerial grade or above staff trained was approximately 100% (2016: 100%).

# 1. WORKPLACE QUALITY

## 1.3.2 Training Programmes for Employees at the Headquarters in Hong Kong

### **Ordinary staff:**

All new employees are given an introduction session on the Company's operation, corporate governance and corporate culture. All employees are given a copy of the Company's employee handbook as guidelines. Internal and external trainings in relation to professional knowledge and listing rules are also provided via seminars and reading sessions on a continuous basis.

In 2017, the Group's ordinary staff in Hong Kong received an average of 33.2 hours of training (2016: 14.5 hours). Percentage of ordinary staff trained was 100% (2016: 100%). Such increase was a result of the continuing education allowance scheme provided by the Company to all employees in the Hong Kong office since 2016, which has successfully stimulated employees to accelerate professional development; in addition, the Company also provides more and better in-house trainings as promised.

### **Managerial grade or above:**

Trainings for senior management mainly cover the following aspects: corporate governance, business management and administration, professional knowledge and listing rules. Such trainings are in the form of lectures organised by the Company. Apart from this, the Company Secretary will update the Company's management from time to time regarding the latest changes in the listing rules and guidelines from SEHK to ensure their work are in compliance of the listing rules.

In 2017, staff in managerial grade or above in the Group's Hong Kong office received an average of 10.1 hours of training (2016: 8.7 hours). Percentage of managerial grade or above staff trained was 100% (2016: 100%).

## 1.4 LABOUR STANDARDS

GSH has stringent recruitment procedures to avoid child or forced labour. The Group's labour standards and recruitment procedures are in compliance with all the local as well as national labour regulations. Human Resources Department of each subsidiary will handle all staff-related matters including recruitment, remuneration, training and other welfares to make sure they comply with the relevant labour regulations.

Recruitment and employment under GSH are in strict compliance with all the local and national labour law and regulations, including the followings:

- Labour Law of the People's Republic of China (《中華人民共和國勞動法》)
- Law of the People's Republic of China on Employment Contracts (《中華人民共和國勞動合同法》)
- Minority Protection Law of the People's Republic of China (《中華人民共和國未成年人保護法》)
- Provision on the Prohibition of Child Labour (《禁止使用童工規定》)
- Provision on Special Protection Against Under Aged Labour (《未成年工特殊保護規定》)
- Employment Ordinance (Hong Kong) (《僱傭條例》(香港))
- Employment of Children Regulations (Hong Kong) (《僱用兒童規例》(香港))

# 1. WORKPLACE QUALITY

## 1.4.1 Recruitment Procedures and Standards

As a part of recruitment and internal procedures, use of child or forced labour is prohibited in the Group and this is explicitly cited in the recruitment guidelines of each subsidiary under the Group. The Group has maintained a database of the qualifications and requirements for different positions and a well-established structure for each department in each subsidiary. Such information would serve as a guideline for recruiting new staff to fit in the position under recruitment. Department supervisors would notify and apply for recruitment of new positions or replacement to the Human Resources Department. Human Resources Department would assess the application and approve or disapprove based on the results of assessment. Recruitment channels include recruitment agencies, recruitment websites, campus recruitment and internal referral. Respective candidates should pass written tests and interviews and certification of academic qualification including identity card. The Human Resources Department will arrange the signing of a formal employment contract upon confirmation and keep file of all personal data of each employee as required by the relevant Labour Law.

## 1.4.2 Remedial Measures in Case of Non-compliance

In case of non-compliance on child or forced labour, the Group would report the case to the Police and the local Labour Bureau and provide any appropriate assistance to the victim(s), including sending the victim(s) back home. The Group would endeavour to ensure the employees of its subsidiaries to co-operate with the Police and the Labour Bureau during the investigation of the crime. If it is found to be the act of negligence of the employee of the Group that caused the crime, the Group would immediately terminate the employment contract with the relevant employee and compensate any loss or damage which has been caused to the victim(s). However, if it is found that such crime was caused by fraudulence by any parties, the Group would take any necessary legal action against the fraud.

## 2. ENVIRONMENTAL PROTECTION

Ecosystem integrity is extremely important to our natural habitat. The Group has strong awareness on environmental conservation and places it as important as our business development. It is the Group's mission to maintain environmental sustainability together with its business growth.

To achieve this, the management of the Group is committed to:

1. continuously improve production efficiency and lower greenhouse gas emission through our research and development (“R&D”);
2. reduce waste disposal and impose stringent wastewater treatment standards against the discharge of pollutants;
3. promote use of recycled materials and renewable resources;
4. promote sustainable use of energy, water, crops and other raw materials;
5. promote energy conservation;
6. minimise the impact on biodiversity and ecosystem;
7. comply with the relevant environmental regulations in all production facilities.

### 2.1 EMISSION

The Group has supervising team (“Supervising Team(s)”) set up in each subsidiary to monitor emission of gas, discharge of waste water and generation of hazardous and non-hazardous wastes. The Supervising Teams are responsible for the formulation of emission/discharge control procedures and environmental protection measures, regular check and evaluation of emission standards, and ensuring those standards are in compliance with the relevant national and local environmental regulations. Upon the request from the Environment Bureau, each subsidiary would also submit emissions and discharges samples for random check.

#### 2.1.1 Types of Emissions and Respective Emission Data

During the production processes of the Group, certain amount of sulfur dioxide, nitrogen oxide, wastewater and cinders would be emitted/discharged. The emission data are outlined in the tables below:

##### *Summary of the Types of Emission and Emission Data in 2017*

GSH Operation Locations	Greenhouse Gases			
	Sulfur Dioxide (metric tonne)	Nitrogen Oxide (metric tonne)	Wastewater (metric tonne)	Cinders (metric tonne)
Changchun	0	0	134,885	0
Shanghai	0	36	338,672	0
Jinzhou	148	220	1,144,912	2,116
<b>Total</b>	<b>148</b>	<b>256</b>	<b>1,618,469</b>	<b>2,116</b>



## 2. ENVIRONMENTAL PROTECTION

### Summary of the Types of Emission and Emission Data in 2016

GSH Operation Locations	Greenhouse Gases		Wastewater (metric tonne)	Cinders (metric tonne)
	Sulfur Dioxide (metric tonne)	Nitrogen Oxide (metric tonne)		
Changchun	0	0	65,995	0
Shanghai	3	68	340,000	0
Jinzhou	155	304	176,732	7,442
<b>Total</b>	<b>158</b>	<b>372</b>	<b>582,727</b>	<b>7,442</b>

#### Remarks:

2017: figures for the period from 1 January 2017 to 31 December 2017

2016: figures for the period from 1 January 2016 to 31 December 2016

While our relocation projects went on in 2017, our glucose/maltose project completed and started trial run in April 2017. With the commencement of production in Xinglongshan, total emission amount of Changchun production site went up as a result. As to the Jinzhou production site, we resumed production in 2017, thus its wastewater emission rose significantly. Meanwhile, as we upgraded production facilities during the period of suspension of production, its greenhouse gases and cinder emission reduced notably.

Regarding the emission standards in the PRC, there is no written standard on the quantity emitted. However, the Environmental Bureau in the PRC has written guidelines on the emission concentration and quality. For example, these guidelines are written on the “Emission Permit” issued by the local Environmental Bureau to the subsidiaries of the Group.

The Group’s production processes would emit certain greenhouse gases such as sulfurdioxide and nitrogen oxide. Same as the arrangement for wastewater treatment, monitoring devices are placed at all emission outlets and are subject to real time monitor by the Supervising Teams and the local as well as the provincial Environmental Bureau.

All major production sites of the Group in the PRC (except the one in Changchun which uses the wastewater treatment services provided by the subsidiary of the Group’s parent company, Global Bio-chem Technology Group Company Limited, “GBT”) have their own wastewater treatment facilities in place to remove physical, chemical and biological contaminants from wastewater (from both industrial and domestic sewage in the production sites), with the objective to produce an environmentally-safe sewage discharges and recycle uses. The Group’s Supervising Teams monitor the discharges of wastewater by the wastewater treatment facilities of the Group every hour through sample testing to ensure the PH value, COD (Chemical Oxygen Demand) value and discharge volume of the wastewater are in line with the relevant laws and regulations. In case of discharges beyond emission standards, the Supervising Teams will alert the wastewater treatment plant and the production plant immediately to fix the problem. In addition, monitoring devices are placed at all discharge outlets of the Group’s wastewater treatment facilities and connected with the local Environmental Bureau’s network to keep track of emission data such as COD value. Such data is also subject to real time monitor by the Environment Protection Information Centre of the City as well as the Provincial Environmental Protection Information Centre.

With respect to the cinder produced by the power plants, it will be sold as raw material for the production of cinder blocks after treatment.

In 2017, the Group’s emission and discharge of wastes are in compliance with local laws and regulations. No penalty notice nor warning has been received by the Group during the period (2016: nil).

## 2. ENVIRONMENTAL PROTECTION

### 2.1.2 Compliance with the Relevant Laws and Regulations on Emissions

All subsidiaries under GSH are in strict compliance with the relevant laws and regulations on emission amounts, emission standards and the monitoring of emission data in the PRC. These laws and regulations include:

- Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》)
- Law of the People's Republic of China on the Prevention and Control of Atmospheric pollution (《中華人民共和國大氣污染防治法》)
- Law of the People's Republic of China on the Prevention and Control of Water Pollution (Amended) (《中華人民共和國水污染防治法(修正)》)
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste (《中華人民共和國固體廢物污染環境防治法》)
- Catalogue of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2017 Version) (《固定污染源排污許可分類管理名錄(2017年版)》)
- The Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) (《排污許可管理辦法(試行)》)
- Policies for Technologies Used to Prevent and Clean up Pollution in the Sugar Industry (《製糖工業污染防治技術政策》)
- Discharge Standard of Water Pollutants for Sugar Industry (《製糖工業水污染物排放標準》)
- Discharge Standard for Municipal Sewerage System (《污水排入城鎮下水道水質標準》)
- Integrated Standard of Wastewater Discharge of Shanghai City (《上海市污水綜合排放標準》)
- Integrated Standard of Wastewater Discharge of Liaoning Province (《遼寧省污水綜合排放標準》)
- Emission Standard of Air Pollutants from Industrial Kilns and Furnaces (《工業爐窯大氣污染物排放標準》)
- Emission Standard of Air Pollutants from Thermal Power Plants (《火電廠大氣污染排放標準》)
- Emission Standard for Air Pollutants from Boilers (《鍋爐大氣污染物排放標準》)
- Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境噪聲排放標準》)

### 2.1.3 Recycle Use of Wastewater

With respect to water conservation, part of the wastewater will be recycled after wastewater treatment and biological treatment. Recycled water will be used as cooling agent in production and daily use such as cleaning and as flushing water. Apart from wastewater, certain catalysts used during the production process could also be recycled after rinsing and filtration.

## 2. ENVIRONMENTAL PROTECTION

### 2.2 USE OF RESOURCES

The production processes of the Group would involve the consumption of water, electricity, steam, coal and packaging materials. As the majority of the Group's products are food grade products, it is crucial for the Group to source water from reliable source. Therefore, source of water of the Group comes mainly from the local water supplies with a portion of recycled water. For electricity, as most of the Group's production sites have a power plant in place, nearly 30% of the electricity the Group needs for production is supplied by the power plant internally. All the steam required for production is generated by the boilers in the power plants. Coal and packaging materials are sourced from the market by bids and tenders. To ensure the quality of the suppliers and their services, all suppliers should pass the Group's standard verification procedures and quality assurance process before being recognised as the Group's suppliers.

Regarding the use of resources, all subsidiaries under the Group are encouraged to take part in energy conservation scheme to promote environmental awareness amongst the employees. Results of energy conservation are included as one of the parameters in the annual appraisal of each subsidiaries as well as individual staff.

#### 2.2.1 Summary of Consumption of Water, Electricity, Steam and Coal

##### **Total Consumption of Water, Electricity, Steam and Coal**

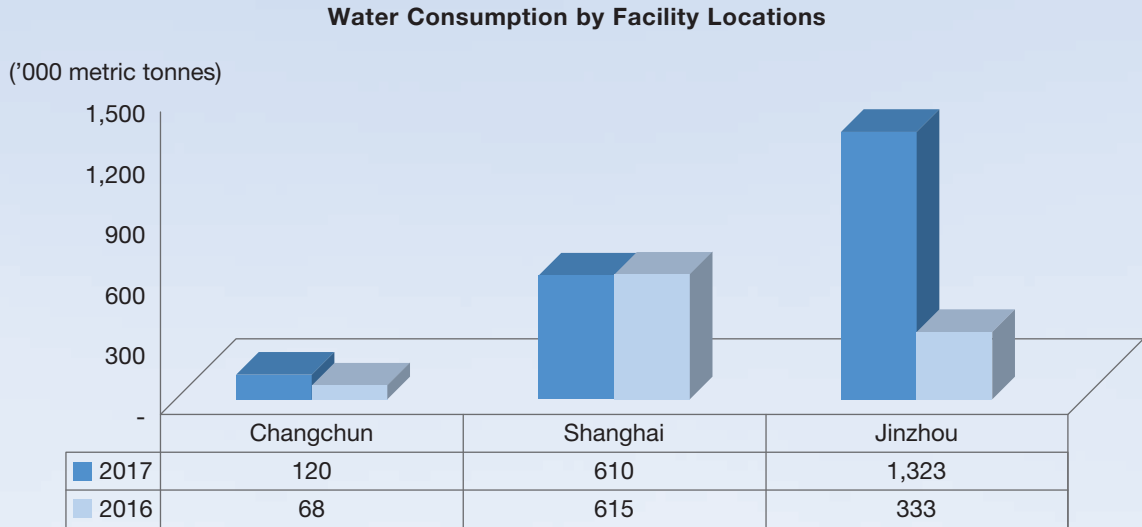
	Water (metric tonne)	Electricity ('000 kwh)	Steam (metric tonne)	Coal (metric tonne)
2017	2,052,491	92,797	728,612	125,248
2016	1,015,814	38,962	340,412	44,973
<b>Change</b>	<b>102%</b>	<b>138%</b>	<b>114%</b>	<b>178%</b>

##### *Remarks:*

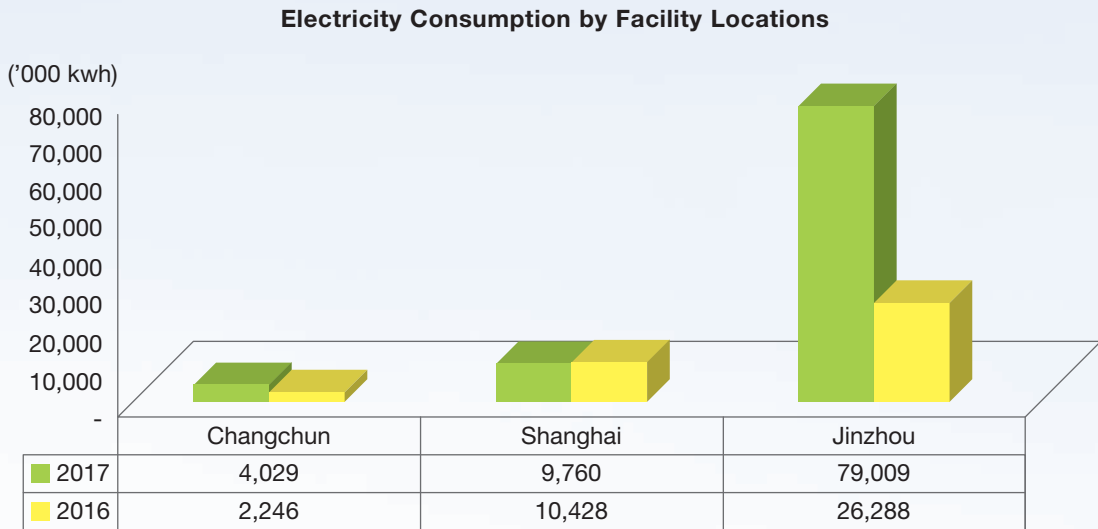
In 2017, due to the increase in production volume of upstream and downstream operations in Jinzhou production site, total consumption level went up significantly. Meanwhile, with the completion of the glucose/maltose relocation project and the commencement of its production in Xinglongshan, the consumption level of Changchun production site increased consequently, which also contributed to the rise in the Group's total consumption level.

## 2. ENVIRONMENTAL PROTECTION

### Water Consumption by Facility Locations



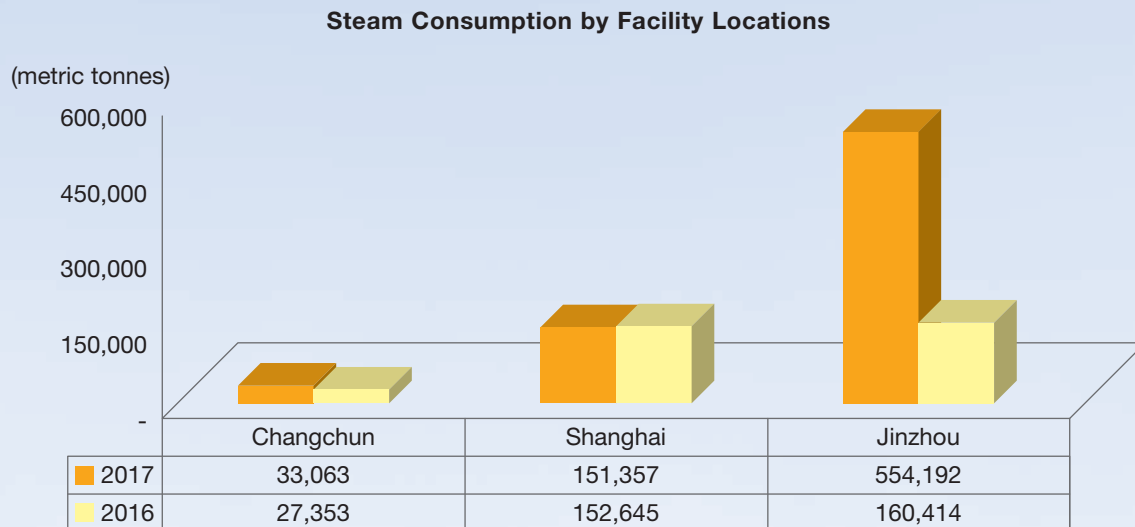
### Electricity Consumption by Facility Locations





## 2. ENVIRONMENTAL PROTECTION

### Steam Consumption by Facility Locations



### Coal Consumption by Facility Locations



**Remarks:**

Overall consumption of water, electricity, steam and coal of the Group's Jinzhou and Changchun production sites in 2017 increased substantially compared to that of 2016, which was mainly attributable to the resumption of production in Jinzhou production site and the completion of the glucose/maltose relocation project together with its commencement of production in Xinglongshan during 2017. Although total consumption level witnessed a major rise, unit consumption remained at almost the same level.

## 2. ENVIRONMENTAL PROTECTION

### Consumption of Water, Electricity, Steam and Coal by Upstream and Downstream Production

	Water (metric tonne)	Electricity (’000 kwh)	Steam (metric tonne)	Coal (metric tonne)
<b>2017</b>				
Upstream	1,322,933	79,009	544,192	125,248
Downstream	729,558	13,788	184,420	0
<b>2016</b>				
Upstream	313,118	25,736	152,195	44,973
Downstream	702,696	13,226	188,217	0

### Unit Consumption of Water, Electricity, Steam and Coal Per Metric Tonne Product Produced

	Water (metric tonne)	Electricity (kwh)	Steam (metric tonne)	Coal (metric tonne)
2017	2.81	126.89	1.00	0.17
2016	2.81	107.74	0.94	0.12
<b>Change</b>	<b>0%</b>	<b>18%</b>	<b>6%</b>	<b>38%</b>

#### Remarks:

As different products have different resource consumption patterns, unit consumption varies slightly due to changes in product mix. Increase in the Group’s unit consumption of electricity, steam and coal in 2017 was attributable to the change in product mix and resumption of production in the Jinzhou and Changchun production bases.

### Unit Consumption of Per Metric Tonne Product Produced by Geographic Location

#### Unit Consumption of Per Metric Tonne Product Produced in 2017

GSH Operation Locations	Water (metric tonne)	Electricity (kwh)	Steam (metric tonne)	Coal (metric tonne)
Changchun <sup>1)</sup>	2.22	74.71	0.61	0.00
Shanghai	2.90	46.44	0.72	0.00
Jinzhou	2.83	169.10	1.16	0.27
<b>Average<sup>2)</sup></b>	<b>2.81</b>	<b>126.89</b>	<b>1.00</b>	<b>0.17</b>

## 2. ENVIRONMENTAL PROTECTION

### *Unit Consumption of Per Metric Tonne Product Produced in 2016*

GSH Operation Locations	Water (metric tonne)	Electricity (kwh)	Steam (metric tonne)	Coal (metric tonne)
Changchun <sup>1)</sup>	4.52	149.49	1.82	0.00
Shanghai	2.86	48.48	0.71	0.00
Jinzhou	2.53	199.93	1.22	0.34
Average <sup>2)</sup>	2.81	107.74	0.94	0.12

#### *Remarks:*

- 1) As a result of the completion of the glucose/maltose relocation project, the new facilities significantly increased production efficiency and thus decreased the unit consumption of resources.
- 2) As different products have different resource consumption patterns, unit consumption varies slightly due to changes in product mix.

### *Unit Consumption of Per Metric Tonne Product Produced by Upstream and Downstream Production*

	Water (metric tonne)	Electricity (kwh)	Steam (metric tonne)	Coal (metric tonne)
<b>2017</b>				
Upstream	3.28	195.83	1.35	0.31
Downstream	2.23	42.06	0.56	0.00
<b>2016</b>				
Upstream	2.41	198.10	1.17	0.35
Downstream	3.03	57.08	0.81	0.00

#### *Remarks:*

2017: figures for the period from 1 January 2017 to 31 December 2017

2016: figures for the period from 1 January 2016 to 31 December 2016

### 2.2.2 Conservation of Resources

GSH has strong awareness of resource conservation. Continuous R&D work on raising the efficiency use of energy, water and steam is a major focus of the Group. The Group's R&D team is dedicated to improve the facilities and production technology to achieve conservation of resources. Their achievements have been recognised and this is shown by the awards and recognition received in the past years.

The Group has formulated a "Guidelines on Resource Consumption" for all its subsidiaries to ensure efficient use of energy, water, steam and other raw materials. To increase employees' awareness of resource conservation, the Group also incorporates production efficiency and resource conservation scheme results into the annual appraisal of individual staff. Apart from this, maintenance works and system check are carried out on all machineries and facilities on regular basis to keep them in good shape and ensure production safety.

## 2. ENVIRONMENTAL PROTECTION

### 2.2.3 Consumption of Fuel

#### Consumption of Fuel by Type

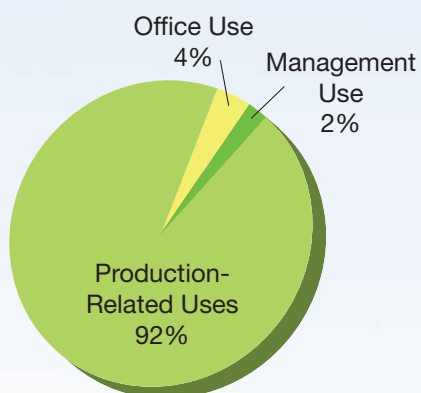
	Gasoline (L)	Diesel (L)	Total (L)
2017	56,456	873,900	930,356
2016	25,308	694,990	720,298
<b>Change</b>	<b>123%</b>	<b>26%</b>	<b>29%</b>

#### Remarks:

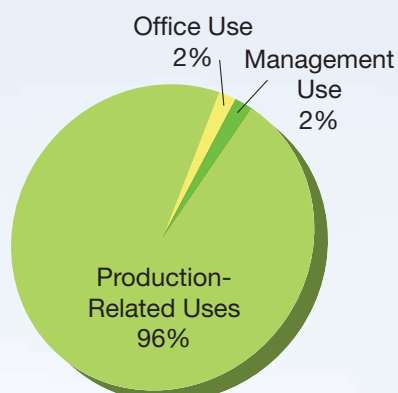
The increase in consumption of fuel in 2017 was mainly attributable to the resumption of production in Jinzhou and Changchun production site.

#### Consumption of Fuel by Purpose

Consumption of Fuel in 2017



Consumption of Fuel in 2016



#### Remarks:

Production-related uses include fuel consumption in relation to transportation of raw materials and products.



## 2. ENVIRONMENTAL PROTECTION

### 2.2.4 Consumption of Packaging Materials

Major packaging materials the Group uses are plastic pails and packaging bags, depending on the storage requirements of the products and the specifications on customer's orders. The Group encourages the recycle use of packing materials. Among them, most plastic pails could be recycled and reused. To encourage customers to participate in the recycle of packaging materials, the Group requires each of its customers to pay a deposit equivalent to the cost of the plastic pails. In case of failure of return or damage, the Group will deduct the amount from the deposit as penalty. In addition, the Group continuously explores new packaging materials and transportation mode that are more environmental-friendly and cost saving.

#### Consumption of Packaging Materials of the Group

	Plastic Pails (Unit)	Packaging Bags (Unit)	Total Consumption (Unit)	Unit Consumption (Unit)
2017	153,004	2,217,060	2,370,064	3.24
2016	54,208	881,989	936,197	2.59
<b>Change</b>	<b>182%</b>	<b>151%</b>	<b>153%</b>	<b>25%</b>

#### Remarks:

In 2017, the consumption of packaging materials was significantly higher as a result of resumption of production in Jinzhou and Changchun production base.

#### Summary of the Consumption and Recycle Use of Packaging Materials of the Group

	Recyclable Reusable (Unit)	Recyclable Obsolete (Unit)	Non-Recyclable Sold (Unit)	Total (Unit)
2017	80,782	16,869	2,353,195	2,450,846
2016	159,140	18,180	918,017	1,095,337
<b>Change</b>	<b>(49%)</b>	<b>(7%)</b>	<b>156%</b>	<b>124%</b>

#### Remarks:

As most of the packaging bags are sold and not recyclable, with the resumption of production in Jinzhou and Changchun which lifted sales, non-recyclable /sold packaging materials increased as a result.

## 2. ENVIRONMENTAL PROTECTION

### 2.3 EFFECTS ON THE ENVIRONMENT AND NATURAL HABITATS

The ecosystem plays an important part in our life. It maintains the stability of our natural habitat which provides us with what we need. The maintenance of biodiversity is crucial for a healthy mechanism of the ecosystem. As the major raw material of the Group is corn kernel, the distortion of the ecosystem and the environment will have immediate effect on our operation. GSH is dedicated to maintain biodiversity and minimise the footprints on the environment.

The operation and production processes of the Group have minimal effects on the natural environment. As described in the previous sections, emission of greenhouse gases and wastewater are in compliance with the relevant regulations, while cinders and a portion of wastewater are treated for recycle use. In terms of the use of resources, conservation of resources with high efficiency and exploration of recycle use of materials are highly promoted among the Group's members. Nevertheless, the Group will continuously study and research for ways to further minimise our footprints on the environment.

On top of this, the Group also promotes office and production automation to reduce consumption of paper and unnecessary exhaustion of other raw materials. All data and information regarding daily operation such as procurement, production, sales and finance are digitally created, collected, stored, edited, and relayed to accomplish basic tasks. At the production plants, production procedures and manipulation of machineries are all automated to ensure precision and lower consumption of paper for production records, etc. All employees of the Group are advocates of resource conservation. Recycle use of paper is a common practice within the Group.

Below is a summary of paper consumption of the Group:

GSH Operation Locations	2017	2016	Change
Changchun	75,000	60,000	25%
Shanghai	92,237	93,835	(2%)
Jinzhou <sup>1)</sup>	199,000	113,900	75%
Dalian	3,000	2,000	50%
Hong Kong <sup>2)</sup>	723,241	578,317	25%
<b>Total</b>	<b>1,092,478</b>	<b>848,052</b>	<b>29%</b>

Remarks:

- 1) Paper consumption in Jinzhou production site raised as a result of resumption of production.
- 2) The paper consumption of the Group's Hong Kong office includes the paper consumption with respect to the preparation for the publication of circular, annual reports and interim reports. While publication of announcements and circulars increased during the year 2017, paper consumption of Hong Kong office went up by 25%.

During the year, with the aim of reducing our impact on the ecosystem, we continued to use environmental-friendly paper when printing our annual reports and interim reports.

## 3. OPERATING PRACTICES

Sustainable development covers not only environmental aspects but also social ones. To our customers, product safety ranks at the top of our priority list. Apart from ensuring product hygiene and safety during production processes, supply chain management is a continuous focus of the Group. Supplying quality and safe products to customers not only builds the reputation and brand name of the Group, but also exhibits our social responsibility to the community. On the other hand, to provide a nurturing ground for the healthy growth of the industry, the Group is dedicated to uphold a lawful operating environment. We continuously educate our staff on business conduct. Corruption, bribery, fraud or any form of crimes are strictly prohibited. We also have whistleblowing and investigation procedures in place to reinforce the integrity of the Group.

### 3.1 SUPPLY CHAIN MANAGEMENT

Ensuring product quality and safety products has always been the mission of GSH. The Group has stringent control in every process, from supply chain management, production processes, packaging, to delivery to customers. With respect to supply chain management, the Group has respective guidelines and policies in place for all staff when carrying out their duties.

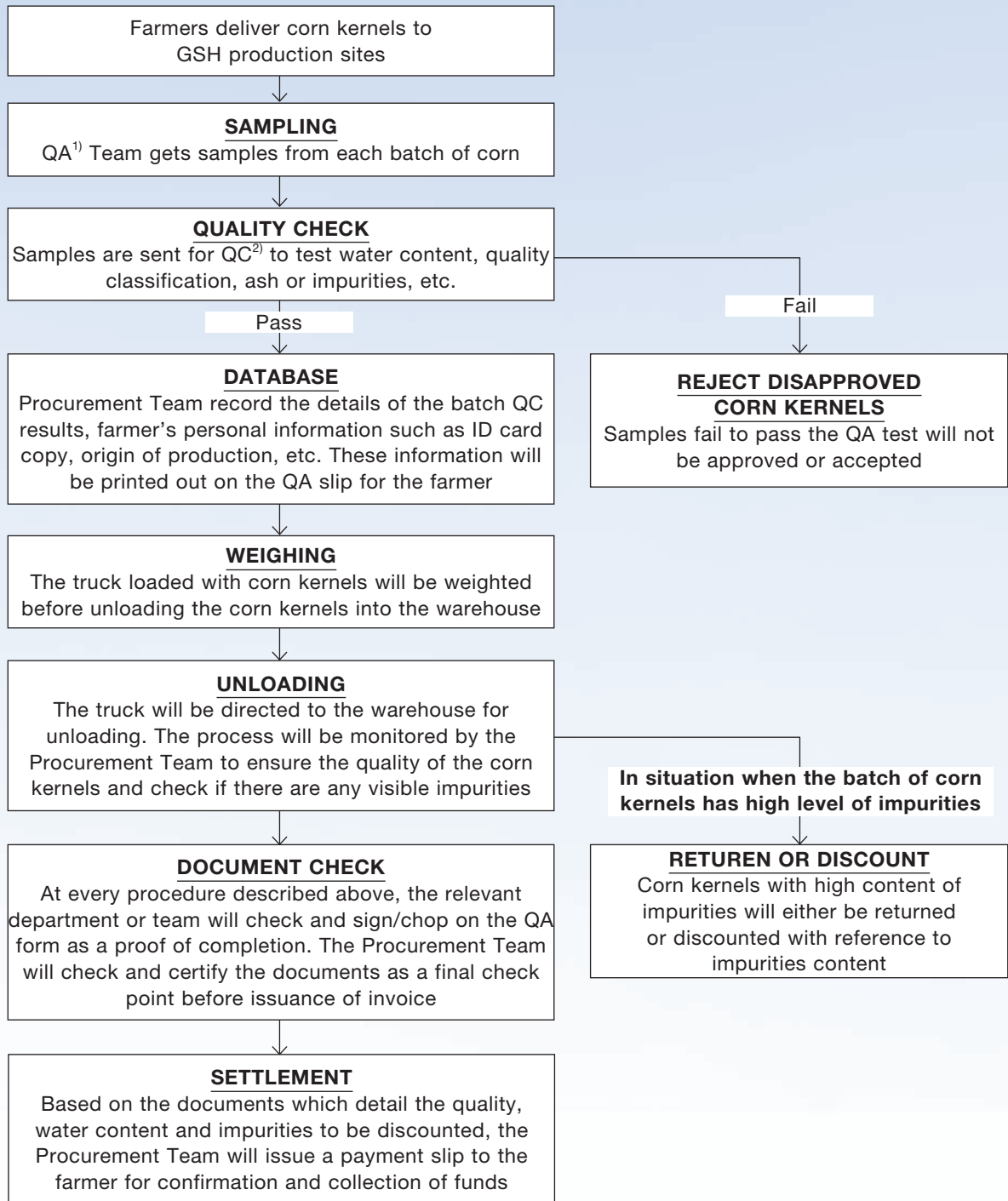
#### 3.1.1 Engaging Suppliers

For the engagement of suppliers, the Group implements a stringent supplier certification process. Every supplier is required to go through a list of assessment procedures before getting qualified as the Group's supplier.

##### 3.1.1.1 Corn Procurement Procedures

The Group procures corn kernels, the Group's major raw material, in the corn producing regions in Northeast China. Most of the corn was purchased directly from farmers. As a major raw material for production, the Group adopts stringent quality control/assurance process during the corn procurement process. Below is a summary of the flow of corn procurement adopted by GSH:

### 3. OPERATING PRACTICES



Remarks:

- 1) QA: Quality Assurance
- 2) QC: Quality Control



## 3. OPERATING PRACTICES

### 3.1.12 Maintenance of Suppliers Database (for procurements other than corn)

The Procurement Centre of the Group plays an important role in the screening and engagement of suppliers. The primary focus of the Procurement Centre is to conduct market researches, maintain a database of suppliers and update suppliers' information on regular basis. The Procurement Centre will examine each supplier in the following aspects:

Aspects	Details
<b>Qualifications</b>	Examine supplier's business registration, production approval, examination report of the product and other related documents to justify the supplier has the relevant qualifications, ability and capacity to produce.
<b>Company Background</b>	Assess supplier in terms of its operation, credit worthiness, management system, environmental awareness and lawfulness. Supplier who has good operation and credit worthiness and has the least impact on the environment would be preferred. Food safety is another major consideration during the assessment process. Supplier with stringent control in production safety and hygiene with no records of violation of food safety laws will pass the assessment.
<b>Product Quality Assurance</b>	For raw material and packaging suppliers, they should submit samples for assessment and testing. The test will be based on the relevant national or industry standards. Suppliers are also required to submit food safety and/or quality assurance documents issued by Government bodies for certain types of raw materials (food related).
<b>Pricing</b>	Pricing is another major aspect that the panel would look into to get the best quality with the best price. The principal objective is to ensure the Group operates at the lowest cost without sacrificing quality.
<b>Delivery</b>	Continuously check on the samples from supplier's delivery, product/service quality as well as the timeliness of delivery.
<b>Customers Service</b>	Assess supplier's responsiveness and timeliness regarding order placement, delivery and after sale service.

The assessment reports of the suppliers will be filed properly and those suppliers which passed the assessments by the Procurement Centre will be updated in the database.

### 3.1.13 Screening and Engaging Suppliers (for procurements other than corn)

Every year end, each subsidiary will submit its annual procurement plan which lays down the details of the procurement items/services (including machineries, production raw materials and daily consumables) to the Procurement Centre for approval. The Procurement Centre will then assess if the proposed items and quantities are justified. After the plan is approved, the Procurement Centre will provide a list of suppliers for the corresponding items (at least 3 suppliers for each item) from its database. The information and the list of suppliers will be submitted to a panel made up of the representatives from Procurement Department, Production Department, Materials Department for screening. The panel will review and assess the suppliers with reference to the reports from the Procurement Centre and the suppliers' quotation. The panel will also consider engaging more than one supplier for the same item to avoid over-reliance on a single supplier.

After the procurement plan is finalised, each subsidiary will enter into a supply contract with the assigned supplier which outlined the details of the purchase and the obligations and rights of each party.

## 3. OPERATING PRACTICES

### 3.1.14 Suppliers' Quality Assurance and Order Follow Up (for procurements other than corn)

To monitor the quality of the suppliers' goods and services, the QA Department will carry out random check periodically. For those suppliers whose goods or service qualities fail to meet the Group's requirement, they will be panelised (such as refunds or delayed payment, return of goods, etc.). For serious and/or continuous misconduct, they will be blacklisted and disqualified as the Group's suppliers.

### 3.1.2 Numbers of Suppliers (for procurements other than corn)

#### Summary of Numbers of Suppliers by Categories and Locations in 2017

GSH Operation Locations							Total by Locations <sup>2)</sup>
	Machinery <sup>1)</sup>	Raw Materials	Packaging Materials	Utilities	Logistics	Others	
Changchun	24	10	4	1	5	0	44
Shanghai	30	20	10	3	6	3	72
Jinzhou	20	35	8	9	12	3	87
Dalian	0	0	0	0	0	0	0
<b>Total by Categories<sup>2)</sup></b>	<b>74</b>	<b>65</b>	<b>22</b>	<b>13</b>	<b>23</b>	<b>6</b>	<b>203</b>

#### Summary of Numbers of Suppliers by Categories and Locations in 2016

GSH Operation Locations							Total by Locations <sup>2)</sup>
	Machinery <sup>1)</sup>	Raw Materials	Packaging Materials	Utilities	Logistics	Others	
Changchun	140	16	4	4	4	2	170
Shanghai	60	21	5	2	6	3	97
Jinzhou	117	22	8	7	18	1	173
Dalian	0	0	0	0	0	0	0
<b>Total by Categories<sup>2)</sup></b>	<b>317</b>	<b>59</b>	<b>17</b>	<b>13</b>	<b>28</b>	<b>6</b>	<b>440</b>

#### Remarks:

- 1) In light of market changes and operating environment fluctuations, the Group has reviewed the relocation projects and revised the feasibility studies for submission to the relevant bodies for approval. As such, the crystallised glucose project and corn refinery project has been pending for further approval. Detailed timeframe can be referred to in the GSH 2017 annual report. While the glucose/maltose project and maltodextrin started relocation preparation in 2016, most of its machinery procurement was done in the year 2016. As such, machinery procurement in 2017 dropped sharply compared to 2016.
- 2) Since certain suppliers supply goods or services to various subsidiaries of the Group, the total numbers of suppliers in the above tables do not represent the total number of suppliers of the Group as a whole for the relevant year.

## 3. OPERATING PRACTICES

### Geographic Distribution of Suppliers in 2017

Geographic Regions	Machinery	Raw Materials	Packaging Materials	Utilities	Logistics	Others	Total by Locations <sup>1)</sup>
Northeast China	24	24	9	8	16	2	83
Northern China	7	11	1	2	0	0	21
Eastern China	38	23	12	3	6	3	85
Others	4	5	0	0	0	1	10
<b>Total by Categories<sup>1)</sup></b>	<b>73</b>	<b>63</b>	<b>22</b>	<b>13</b>	<b>22</b>	<b>6</b>	<b>199</b>

### Geographic Distribution of Suppliers in 2016

Geographic Regions	Machinery	Raw Materials	Packaging Materials	Utilities	Logistics	Others	Total by Locations <sup>1)</sup>
Northeast China	114	24	7	7	21	3	176
Northern China	25	4	1	1	1	0	32
Eastern China	122	20	7	2	9	3	163
Others	14	3	1	0	0	1	19
<b>Total by Categories<sup>1)</sup></b>	<b>275</b>	<b>51</b>	<b>16</b>	<b>10</b>	<b>31</b>	<b>7</b>	<b>390</b>

#### Remarks:

- 1) Since certain suppliers supply goods or services to various subsidiaries of the Group, the total numbers of suppliers in the above tables could be different from the ones on p.25 and do not represent the total number of suppliers of the Group as a whole for the relevant year.

## 3.2 PRODUCT SAFETY

As a responsible corporate, GSH puts a lot of efforts to ensure product safety, especially a lot of our products go to the F&B industry. With the increasing concern about food safety in China, it is of the Group's priority to ensure product quality and safety.

The Group adopts stringent control on product quality and safety along the production process. This has earned the Group a good reputation in the industry. The internal quality controls of the Group are mainly operated according to the requirements of ISO9001 quality management systems and ISO14001 environmental management systems. The subsidiaries of the Group were also awarded the HACCP (Hazard Analysis and Critical Control Point) certifications and QS quality safety certifications.

### 3.2.1 Standards and Procedures of Quality Assurance Processes

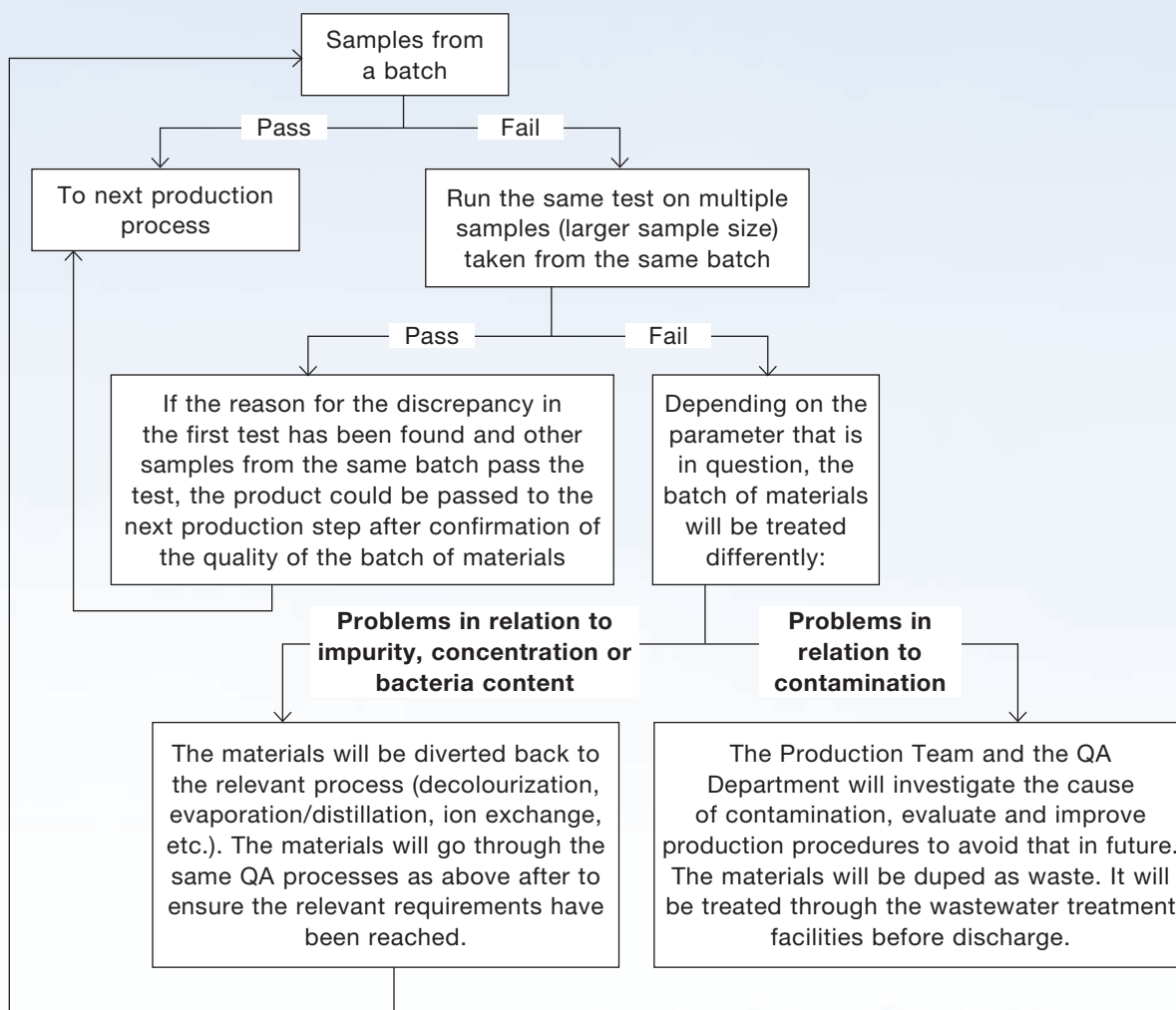
GSH has written guidelines and standards for the quality assurance processes which include the details of the examination of raw materials, packaging materials and finished products, etc. The details of the examination cover the examined subject, methods and scope which the Group has formulated with reference to the requirements of the relevant national and industry standards. Below is a summary of the standards of the Group adopts for different types of materials or products:

- Raw materials & production materials: The QA Department and the relevant production units would inspect and examine all raw materials and production materials to make sure they are in line with the relevant National GuoBiao (GB) standards and the Group's requirements. Those which have not been examined or did not pass the examination are strictly prohibited for production use.

### 3. OPERATING PRACTICES

- Intermediate and finished products: The Production Team and the QA Department are responsible for the inspection and examination of intermediate and finished products. The Production Team monitors each of the production processes and carries out tests for the materials in each process; while the QA Department is responsible for carrying out tests on all finished products and random tests on intermediate products. Both teams keep a record of the findings of the tests which includes the details of production batch number, test frequency, sample size and passing rate, etc. In general, the QA Department will keep every batch of tested samples for 3-12 months (depending on the shelf life of the products and nature of customers). In case of customer's complaint, this will serve as a basis to investigate the cause of the quality issue.

The Group adopts random sample testing method for most of the production processes as required by the relevant National GB standards or industry standards. In general, sample testing is carried out on every stage of production. Only qualified materials could be passed to the next process. The below diagram illustrates the workflow of the QA process:





### 3. OPERATING PRACTICES

On top of the above arrangements, each subsidiary will submit samples to third party laboratory or inspection bodies for examination and inspection on regular basis as required by PRC regulations.

- **Packaging materials:** Cleansed packaging materials and tankers would be inspected and examined randomly before sending into the packaging lines. During the packing process, workers keep track of the weight of materials to ensure it falls within the allowed range. Packaged products would be inspected before sending to the warehouse to ensure product quality.
- **Warehousing:** Finished products will be transferred to the warehouse after inspection and stocktaking. The warehouse should be kept in clean, ventilated and dry condition as required by national and industry standards.
- **Delivery:** Before delivery, QA Department will carry out a final random check on the products. Once the batch of products passes the examination, the QA Department will issue a QA report to the customers. At the same time, as part of customer service and quality assurance follow up, the QA department will keep the samples from each batch for 3 to 12 months, depending on the nature or requirement of each customer. The truck should be clean and sterilised before loading products onto it.

Below is a list of the relevant national and industry standards for the Group's products:

- Glucose Syrup: GB/T 20885-2007
- Edible Glucose: GB/T 20880-2007
- Maltose: GB/T 20883-2007
- Syrup for Brewing: QB/T 2687-2005
- Isomaltooligosaccharide: GB/T 20881-2007
- High Fructose Syrup: GB/T 20882-2007
- Maltodextrin: GB/T 20884-2007
- Food Additive — Sorbitol Solution: GB 7658-2005
- Edible Corn Starch: GB/T 8885-2008
- Corn Gluten Meal for Feedstuffs: NY/T 685-2003
- Maize Oil: GB 19111-2003

#### 3.2.2 Standards and Procedures for Recall of Products

All of the Group's products must undergo the relevant examinations or tests to ensure they are free from any possible quality or food safety problems; and if they do, the results of the examinations or tests would prevent them from getting into the market. To ensure we react quickly enough in case of any products which are proved to have quality defects or may endanger public health and safety; and to minimise possible risk or damage posed to the community, the Group has written guidelines regarding the procedures for the recall of products. All members of the Group strictly follow the guidelines in case of problematic products.

### 3. OPERATING PRACTICES

Every subsidiary of the Group establishes a Product Recall Team to be responsible for the recall of problematic products, which is directly led by the General Manager of the subsidiary. QA Department is the major functional department of the team and it also consists of members from the Production Department, Sales Department, Logistics Department and Administration Department, all members of the team must work together and ensure they are well-informed about the latest situation during the product recall procedures. The procedures for product recall are as follows:

1. When Sales team receives customer's complaint regarding product quality or safety, they will collect all the relevant information according to the nature of complaint and submit to QA department immediately for further investigation. With the information on hand, the QA department will then start investigating the case. If the product is proved to have defect, whether it is visible or latent in nature, in relation to quality such as large discrepancy in concentration or color, high bacteria content or contamination, etc., the QA department will report to the Product Recall Team immediately. The Product Recall Team will inform the relevant departments to suspend production and sale of the problematic product and at the same time commence the product recall procedures.
2. As soon as the Production Department receives the reported case, they will examine the production record of the relevant batch of product involved including the product name, specification, batch number, deliveries, volume sold and stock. The Production Department will then issue a "Product Recall Notice" to the Sales Team.
3. The Sales Team will follow up with customers and request to quarantine the product involved. The Sales Team will also record the involved volume and the reasons for requesting recall, and then inform the Logistics Team to arrange the recall of the products. The Logistic Team will record the details (including product name, volume, order number and invoice number, etc.) of the products recalled and segregate them properly.
4. QA Department will examine the recalled product and submit a report outlining the type of the quality defect, the cause of the problem, people who might be affected, level of seriousness and urgency, and suggesting solutions to handle the problematic products (disposal for contaminated or hazardous product while other problematic products (such as problems in relation to concentration or color) will be reprocessed and recycled as appropriate). Depending on situation, the product recalled will also be sent to a third party laboratory and inspection body for examination. The report will be submitted to the General Manager of the relevant subsidiary for further handling. If it is found that the product may endanger human safety, the QA Department will immediately inform the relevant government bodies responsible for quality supervision. Considering the seriousness of the case and as advised by the relevant authorities, the Company will make a proper announcement to the community through the media to notify the people who are affected or may possibly be affected. At the same time, the Company would seek legal advice from the legal counsel regarding the legality of decisions and actions.
5. The Production Department will reprocess/dispose the problematic products as suggested while the Sales Department will follow up the case with the customer.
6. Administration Department will keep a full report of the case for record.
7. QA Department will revise and verify the quality assurance system from time to time to ensure the products are safe and meet the quality requirements.

There was no product recall case in relation to food safety problems in the Group in 2017 (2016: nil). However, there were cases of customer's complaints and product return cases reported during 2017 and 2016 primarily in relation to concentration and packaging materials. Details of the cases are outlined in section 3.2.3 below.

## 3. OPERATING PRACTICES

### 3.2.3 Statistics of Customer's Complaint and Product Return Cases for the Group's Core Business

#### Number of Cases of Customers' Complaints and Product Return in 2017

Number of Cases	Problems in relation to											
	Product Quality		Packaging		Quantity		Invalid Complaints		Others		Total	
	*C	**PR	*C	**PR	*C	**PR	*C	**PR	*C	**PR	*C	**PR
Changchun	0	0	0	0	0	0	0	0	0	0	0	0
Shanghai	2	0	0	0	0	0	5	0	1	0	8	0
Jinzhou	0	0	1	1	0	0	0	0	0	0	1	1
<b>Total</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>9</b>	<b>1</b>

#### Number of Cases of Customers' Complaints and Product Return in 2016

Number of Cases	Problems in relation to											
	Product Quality		Packaging		Quantity		Invalid Complaints		Others		Total	
	*C	**PR	*C	**PR	*C	**PR	*C	**PR	*C	**PR	*C	**PR
Changchun	0	0	0	0	0	0	0	0	0	0	0	0
Shanghai	1	0	1	0	0	0	5	0	1	0	8	0
Jinzhou	3	0	0	0	0	0	0	0	0	0	3	0
<b>Total</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>11</b>	<b>0</b>

\* C — Number of complaint cases

\*\* PR — Number of product return cases

Based on the number of reported cases, percentage of customers' complaint cases and product return cases over the total number of sales orders processed for GSH in 2017 were 0.04% (2016: 0.05%) and 0.00% (2016: 0.00%) respectively.

#### Tonnage of Products Involved in Relation to Customers' Complaints and Product Return in 2017

Tonnage of Products Involved (Metric Tonne)	Problems in relation to											
	Others		Total		Others		Total		Others		Total	
	*C	**PR	*C	**PR	*C	**PR	*C	**PR	*C	**PR	*C	**PR
Changchun	0	0	0	0	0	0	0	0	0	0	0	0
Shanghai	7	0	0	0	0	0	91	0	61	0	159	0
Jinzhou	0	0	2	2	0	0	0	0	0	0	2	2
<b>Total</b>	<b>7</b>	<b>0</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>91</b>	<b>0</b>	<b>61</b>	<b>0</b>	<b>161</b>	<b>0</b>

### 3. OPERATING PRACTICES

#### **Tonnage of Products Involved in Relation to Customers' Complaints and Product Return in 2016**

Tonnage of Products Involved (Metric Tonne)	Problems in relation to											
	Others		Total		Others		Total		Others		Total	
	*C	**PR	*C	**PR	*C	**PR	*C	**PR	*C	**PR	*C	**PR
Changchun	0	0	0	0	0	0	0	0	0	0	0	0
Shanghai	5	0	5	0	0	0	66	0	67	0	143	0
Jinzhou	60	0	0	0	0	0	0	0	0	0	60	0
<b>Total</b>	<b>65</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>66</b>	<b>0</b>	<b>67</b>	<b>0</b>	<b>203</b>	<b>0</b>

\* C — metric tonnes of products involved in complaint cases

\*\* PR — metric tonnes of products involved in product return cases

Based on the volumes involved, percentage of customers' complained volume and product return volume over the total sales volume for GSH in 2017 were 0.03% (2016: 0.05%) and 0.00% (2016: 0.00%) respectively.

#### **3.2.4 Compliance with the Relevant Laws and Regulations on Quality Assurance & Product Safety**

All subsidiaries under GSH are in strict compliance with the relevant laws and regulations in relation to quality assurance and product safety in the PRC. These laws and regulations include:

- Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》)
- Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》)
- Food Hygiene Law of the People's Republic of China (《中華人民共和國食品衛生法》)
- Standardization Law of the People's Republic of China (《中華人民共和國標準化法》)
- Agriculture Law of the People's Republic of China (《中華人民共和國農業法》)
- Law of the People's Republic of China on Quality and Safety of Agricultural Products (《中華人民共和國農產品質量安全法》)
- Law of the People's Republic of China on Import and Export Commodity Inspection (《中華人民共和國進出口商品檢驗法》)
- Special Provisions on Strengthening Food Safety Supervision and Management from the State Council (《國務院關於加強食品等產品安全監督管理的特別規定》)
- Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》)

#### **3.2.5 Product Liability Insurance**

Apart from monitoring the Group's product quality through the above-mentioned internal control process to minimise the chance of quality issues, the management also reviews and assesses the Group's risk bearing ability from time to time.

In 2017, the Group has not engaged in any product liability insurance contract (2016: nil).



## 3. OPERATING PRACTICES

### 3.2.6 Confidentiality

There are written guidelines in all subsidiaries of GSH for all staff to ensure customers' information is protected. Unless required by laws in special circumstances, all employees of the Group are required to keep customers' information confidential. They are also educated from time to time to be in compliance with the guidelines and the local laws and regulations. In certain circumstances or as requested by customers, the Group will also enter into confidentiality agreements to protect the right of customers as well as the Group.

## 3.3 ANTI-CORRUPTION

Corporate social responsibility, integrity and fairness laid a solid foundation for the Group's corporate value. GSH operates and continuously improves its internal control system to ensure the business activities are conducted properly and in compliance with laws and the Code of Conduct of the Group.

As a public listed company, GSH applies the principles and complies with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and adopts a code of conduct in relation to the Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules set out in Appendix 10 to the Listing Rules. A Corporate Governance Committee has been set up to ensure the effectiveness of corporate governance and system of internal non-financial controls of the Group. The Committee shall introduce and propose relevant principles concerning corporate governance and review and determine the corporate governance policy, so as to enhance and ensure a high standard of corporate governance practices in the Group.

To motivate employees to maintain fair internal environment of the Group, GSH provides employees with whistle blowing channels and guidance to assist individuals to reveal inappropriate behaviors one believes to be to the Group and the senior management. The Group adopts a confidential and prudent approach when dealing with all the disclosed information; without consent from the employee, the Group would not disclose identity of the whistleblower.

The Group outlines its ethical principles and behavioral framework in its Code of Conduct, which provides guidance for all the members of GSH on their behaviours, responsibilities, rights and obligations. All members are expected to strictly comply with the Code of Conduct to ensure the Group operates in a lawful and orderly manner.

### 3. OPERATING PRACTICES

As anti-corruption is an important part of good governance, guidance in relation to anti-corruption is also outlined in the Code of Conduct. Relevant guidance is formulated based on “A Corruption Prevention Guide for Listed Companies” (published by Hong Kong Independent Commission Against Corruption) with reference to the actual situation that is appropriate for the Group, which contains the anti-corruption policy of the Group, definition of advantages and entertainment, allowance and supervision regarding acceptance of advantages or entertainment, and reimbursement policy for business related entertainment expenses. The Company also has a whistleblowing policy and procedures to encourage and enable Group members to raise concerns about corruption and violation.

The Group adopts zero tolerance policy to corruption. Under no circumstances shall a Group member offer or take bribes for personal earnings from business dealings (may it be in the form of commission, loan, gifts, services or offering/ accepting a position in an organisation). For business related entertainment expenses, employees are required to follow the company policies strictly and submit the relevant applications and declarations where applicable, to suppress any bribery, fraudulent and corrupt practice which would adversely affect the reputation and operations of the Group.

The Group is in compliance with the relevant national or local laws, regulations and guidance in relation to anti-corruption, which are listed as followings:

- Company Law of the People’s Republic of China (《中華人民共和國公司法》)
- Criminal Law of the People’s Republic of China (《中華人民共和國刑法》)
- Law of the People’s Republic of China Against Unfair Competition (《中華人民共和國反不正當競爭法》)
- Prevention of Bribery Ordinance (Hong Kong) (《防止賄賂條例》(香港))
- Theft Ordinance (Hong Kong) (《盜竊罪條例》(香港))
- A Corruption Prevention Guide for Listed Companies (Hong Kong) (《上市公司防貪指引》(香港))

There is no cases in relation to bribery, blackmail, extortion or money laundering reported in any of the subsidiaries under the Group in 2017 (2016: nil).

## 4. COMMUNITY INVOLVEMENT

As a part of sustainable development, GSH is dedicated to community investment as it is the source of our people and resources. Apart from the Group's continuous efforts on employee's career development and environmental protection, GSH is committed to communicate with the communities where the Group operates in order to understand their needs and concerns. To achieve this, the Group is open to communications with our stakeholders, employees, the local governments, the community and other industry players. We encourage interactive consultation with the community during the planning and development of projects as well as proactive community involvement.

As a manufacturing firm, GSH has strong awareness in our environmental footprints. The Group is dedicated to operate with minimum impact on the environment. Apart from the stringent control on the emission level and wastewater treatment, GSH continuously explores ways to lower energy consumption during the production process and raise overall efficiency.

As announced by the Group on 7 January 2014, in response to the recent regional development plan of the local government, the Group agreed to relocate its production facilities in Changchun to the new site in Xinglongshan. The Group is now gradually relocating its production facilities to the new site in Xinglongshan according to the relocation plan. The relocation is a good opportunity to upgrade the Group's production facilities and streamline production processes. It is expected that after the relocation, production efficiency at the new site will be improved and thus reducing the Group's energy consumption and footprints on the environment.

GSH is also dedicated to contribute to the corn-refinery and corn sweeteners industries. We actively take part in relevant associations to promote the industry, food safety and production safety. GSH believes that a well-developed industry standard would form a solid foundation for the growth of the industry. The Group has participated in various organisations including the China Food Additives & Ingredients Association, the China Fermentation Industry Association, the China Association of Bakery & Confectionery Industry and Provincial Quality and Technology Supervision Association.

Corn is the Group's major raw material which we source mostly from local farmers. It is the Group's mission to promote the better use of corn and contribute to the value adding process. It would create mutual benefit for both farmers and corporate. To achieve this, the Group participates in the Provincial Agriculture Industrialisation Association which aims to promote agricultural projects, applications of agricultural products and commercialisation of these projects with the target to enhance the life of farmers and better utilisation of resources.

## 4. COMMUNITY INVOLVEMENT

In 2017, the Group achieved good results in various evaluations and assessments organised by various institutions.

<b>GSH Operation Locations</b>	<b>Awards</b>	<b>Awarding Institution(s)</b>
Shanghai	Outstanding Brand of Shanghai (上海名牌)	Shangh Jinzhou Binhai New Arearomotion Committee (上海市名牌推薦委員會)
	Shanghai Enterprise with Good Credit Honoring Contracts (上海市守合同重信用企業)	Shanghai Contract Credit Promotion Commission (上海市合同信用促進會)
	AAA Contract Credit Rating (合同信用等級AAA級)	Shanghai Contract Credit Promotion Commission (上海市合同信用促進會)
Jinzhou	Demonstration Site of Standardised Construction of Party Branch (黨支部規範化建設示範點)	Organization Department of Jinzhou Municipal Committee (中共錦州市委組織部)
	Advanced Corporation of Production Safety Management in 2016 (2016年度安全生產工作目標管理先進單位)	Jinzhou Binhai New Area Management Committee (錦州濱海新區管理委員會)
	Advanced Enterprise in Export Trade of Agricultural Refinery Product (市農產品深加工重點出口企業)	Jinzhou Municipal Government (錦州市人民政府)
	Advanced Community-level Party Organization (先進基層黨組織)	CPC Work Committee of Jinzhou Binhai New Area (中共錦州濱海新區工作委員會)

Our commitment to the community also involves our people. The Group organised various extracurricular and social activities for our employees regularly and encourage our employees to participate in community investment activities. During 2017, the subsidiaries of the Group have organised various sports events and ball games, and selected outstanding athletes to take part in local marathon and other public sports events. Organisation of these sports events helped enhance the Company's corporate image and at the same time, cultivate the sense of belongings and initiative of our people.