



**GLOBAL
Sweeteners**

大成糖業控股有限公司

GLOBAL Sweeteners Holdings Limited



ESG Report 2012
Environmental, Social and Governance

2012年度
環境、社會及管治報告

Contents

MESSAGE FROM CEO

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Message From CEO

In recent years, in evaluating a listed company's corporate governance and value, in addition to researching its relevant industries and evaluating its operating environment, investors would also look at other aspects in order to grasp the idea of a company's fundamental value. In general, a company's contribution to and its corporate principle towards environmental protection, social responsibility and corporate governance would be the parameters for such evaluation. As a listed company in Hong Kong, Global Sweeteners, apart from striving for business growth from time to time, continuously dedicates its efforts in contributing in these aspects. We believe by increasing the transparency of the Company, we could raise general social awareness among the Group members. To achieve this, Global Sweeteners publishes its Environmental, Social and Governance Report ("ESG Report") on regular basis as a way to monitor and ensure we adopt the best practice.

This report is a description of the Group's strategies and practices in four major areas – working condition, environmental protection, operating practices and community involvement. We hope, by studying this report, our shareholders, investors, stakeholders and the related communities would have a deeper and more comprehensive understanding of the Group's corporate culture and strengths.

This report also serves as a channel to review the effectiveness of the Group's strategies in environmental, social and corporate governance. We are proud of what we have achieved throughout the years. At the same time, we strive to improve in areas that need to be strengthened. Going forward, Global Sweeteners will continue its efforts in perfecting its internal control system, promoting corporate culture, keeping up with innovative ideas, continuing efforts in energy saving and emission control, encouraging continuous development, reinforcing brand building, strengthening its management efficiency and competitive advantage.

Since the publication of our first ESG report in March this year, we have been working on updating the report with the data from 2012. Going forward, we will publish our ESG report regularly in first half of the year to report on the Company's performance in relation to environmental, social and corporate governance aspects for the previous year. We hope this report would be a good tool for the public to understand and monitor the progress of the Company's ESG performance. This report will be published on our Company's website and also on the website of the Environmental Protection Department of HKSAR under the section "A Collection of Environmental Information from the Listed Companies (Main Board) in Hong Kong". Your comments and opinions regarding this report on our corporate ESG strategies are most welcomed and appreciated. Please do not hesitate to let us know your comments through the Company's public communication channels. We look forward to hearing from you.

Chief Executive Officer

Zhang Fazheng

September 2013

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.

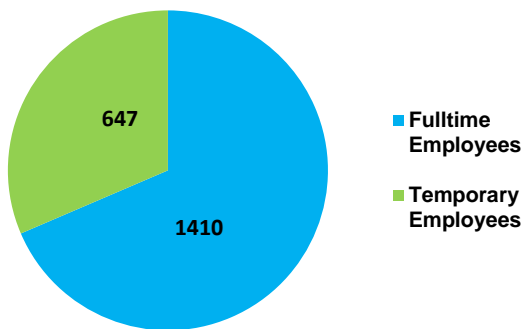
1.1 WORKPLACE CONDITIONS

1.1.1 Employment Structure

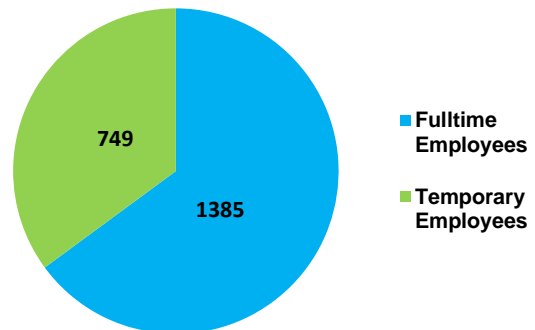
GSH currently has operations in Changchan, Dalian, Jinzhou and Shanghai, with its headquarters in Hong Kong. Below charts show an overview of GSH’s employment structure:

Employees by Employment Type

Employees by Employment type 2012

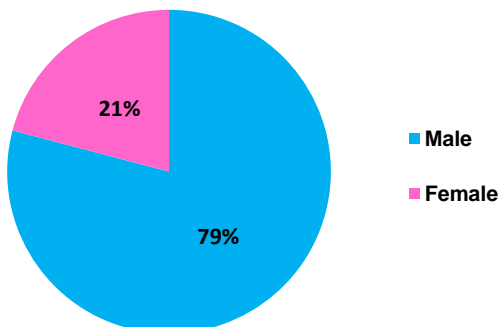


Employees by Employment type 2011

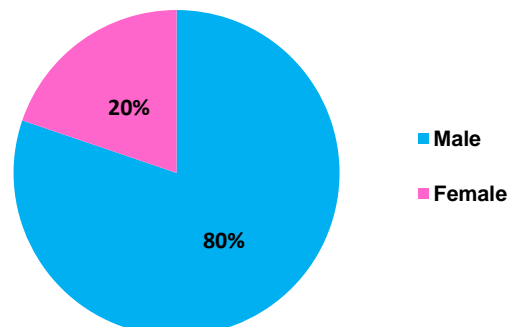


Employees by Gender

Employees by Gender 2012



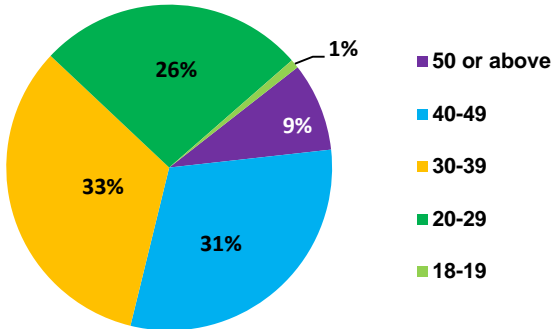
Employees by Gender 2011



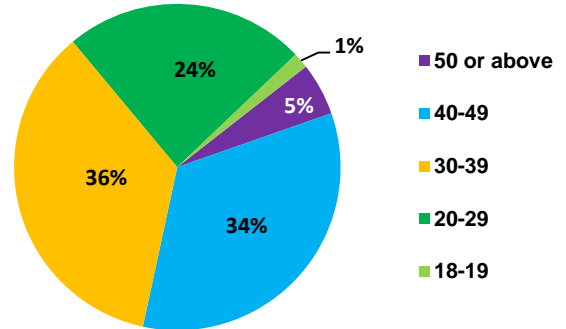
1. WORKPLACE QUALITY

Employees by Age

Employees by Age 2012

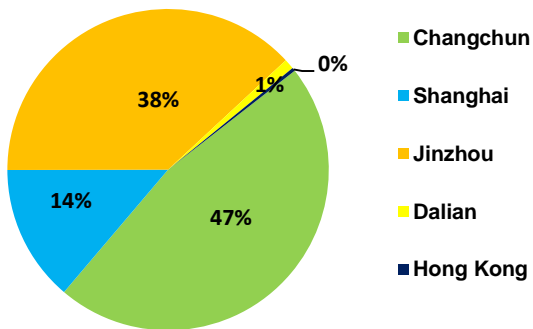


Employees by Age 2011

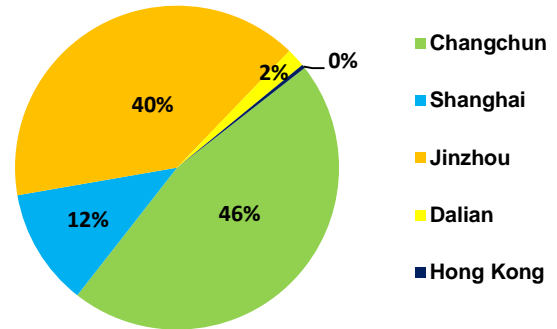


Employees by Geographical location

Employees by Geographical location 2012



Employees by Geographical location 2011



Remarks:

2012: figures as of 31 December 2012

2011: figures as of 31 December 2011

1. WORKPLACE QUALITY

1.1.2 Turnover Rate

The staff turnover rate for the year 2012 was 27% (2011: 22%). Among the total number of turnover staff, approximately 57% (2011: 62%) were temporary staff. The increase in staff turnover rate for the year 2012 was due to the streamline management and personnel structure as a result of the merger of the two subsidiaries in Shanghai and the suspension of business of a subsidiary in Dalian.

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

Turnover Rate by Geographical Region

| | | Changchun | Shanghai | Jinzhou | Dalian | Hong Kong | Total |
|-------------|-----------------------|-----------|----------|---------|--------|-----------|-------|
| 2012 | Fulltime Employees | 55 | 139 | 42 | 6 | 2 | 244 |
| | Temporary Employees | 251 | 0 | 51 | 18 | 0 | 320 |
| | No. of Turnover Staff | 306 | 139 | 93 | 24 | 2 | 564 |
| | Turnover Rate | 32% | 49% | 12% | 114% | 29% | 27% |
| 2011 | Fulltime Employees | 50 | 86 | 43 | 2 | 0 | 181 |
| | Temporary Employees | 237 | 10 | 51 | 1 | 0 | 299 |
| | No. of Turnover Staff | 287 | 96 | 94 | 3 | 0 | 480 |
| | Turnover Rate | 29% | 38% | 11% | 8% | 0% | 22% |

Turnover Rate by Age and Employment Type

| | | 50 or above | 40-49 | 30-39 | 20-29 | 18-19 | Total |
|-------------|------------------------------------|-------------|-------|-------|-------|-------|-------|
| 2012 | Fulltime Employees | 3 | 23 | 60 | 154 | 4 | 244 |
| | Temporary Employees | 58 | 117 | 93 | 49 | 3 | 320 |
| | Total | 61 | 140 | 153 | 203 | 7 | 564 |
| | Percentage to Total Staff Turnover | 11% | 25% | 27% | 36% | 1% | 100% |
| 2011 | Fulltime Employees | 3 | 20 | 48 | 95 | 15 | 181 |
| | Temporary Employees | 42 | 72 | 97 | 76 | 12 | 299 |
| | Total | 45 | 92 | 145 | 171 | 27 | 480 |
| | Percentage to Total Staff Turnover | 9% | 19% | 30% | 36% | 6% | 100% |

Remarks:

2012: figures for the period from 1 January 2012 to 31 December 2012

2011: figures for the period from 1 January 2011 to 31 December 2011

1. WORKPLACE QUALITY

As a responsible corporation, GSH aims at providing a safe and healthy working condition for its staff. The Human Resources Department will handle all staff-related matters including recruitment, remuneration, working hours and other welfares to make sure they are in compliance with the local as well as national labour regulations.

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 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》)
- Minimum Wage Ordinance (Hong Kong) (《法定最低工資條例》(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.

1. WORKPLACE QUALITY

During traditional Chinese festivals, 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.

1.2 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

During 2012, there was one work related accident happened in the Group's Changchun production site causing the injury of a worker. Apart from this, there was no other major work related accident or disaster happened in the Group during 2012 (2011: nil).

Summary of Work Related Injury Incidents for the Year 2012

| GSH Operation Locations | No. of Work Related Injury Incidents | No. of Injured Persons | Fatality Number | Lost days Due to Injury | Details of the Incident | Investigation Report on the Incident and Remedial Measures |
|-------------------------|--------------------------------------|------------------------|-----------------|-------------------------|---|--|
| Changchun | 1 | 1 | 0 | 210 | In violation to the Company's guidelines, the worker stepped on a forklift truck when it was elevating the finished products up on top of the pile. The operators on the ground also failed to notice the potential risks during the process, causing the injury of the worker with his four fingers on his left hand broken. | The incident involved the inappropriate use of forklift truck which is against the Company's guidelines. This indicated that work safety awareness was weak among the workers. After the incident, workers in each production plant have been given extra training sections on work safety to strengthen their safety awareness. |
| Shanghai | 0 | 0 | 0 | 0 | N/A | N/A |
| Jinzhou | 0 | 0 | 0 | 0 | N/A | N/A |
| Dalian | 0 | 0 | 0 | 0 | N/A | N/A |
| Hong Kong | 0 | 0 | 0 | 0 | N/A | N/A |
| Total | 1 | 1 | 0 | 210 | N/A | N/A |

1. WORKPLACE QUALITY

Summary of Work Related Injury Incidents for the Year 2011

| GSH Operation Locations | No. of Work Related Injury Incidents | No. of Injured Persons | Fatality Number | Lost days Due to Injury | Details of the Incident | Investigation Report on the Incident and Remedial Measures |
|-------------------------|--------------------------------------|------------------------|-----------------|-------------------------|-------------------------|--|
| Changchun | 0 | 0 | 0 | 0 | N/A | N/A |
| Shanghai | 0 | 0 | 0 | 0 | N/A | N/A |
| Jinzhou | 0 | 0 | 0 | 0 | N/A | N/A |
| Dalian | 0 | 0 | 0 | 0 | N/A | N/A |
| Hong Kong | 0 | 0 | 0 | 0 | N/A | N/A |
| Total | 0 | 0 | 0 | 0 | N/A | N/A |

Remarks:

2012: figures for the period from 1 January 2012 to 31 December 2012

2011: figures for the period from 1 January 2011 to 31 December 2011

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》)
- Animal Epidemic Prevention Law of the People's Republic of China (《中華人民共和國動物防疫法》)

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 "Team(s)") to ensure the implementation of these procedures. The Team will carry out weekly inspection to ensure workplace safety and correct in case of any potential risk, review and improve the Manual from time to time and offer 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 provided with tailor-made training programmes, 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 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 2012, the Group's ordinary staff in production facilities receives an average of 44 hours of training (2011: 42 hours). Percentage of ordinary staff trained was 100% (2011: 100%).

1. WORKPLACE QUALITY

Managerial grade or above:

Training programmes for managerial grade or above are provided mostly in-house, 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 corporate culture, sales and marketing, strengthening skills in management and policy implementation. Such training sessions were carried out by way of seminars, DVD training sessions or reading sessions. Certain subsidiaries under the Group offer training sessions managerial grade or above employees on food safety, cost control and career planning.

In 2012, the Group's managerial grade or above staff receive an average of 15 hours of training (2011: 21 hours). Percentage of managerial grade or above staff trained was approximately 100% (2011: 70%).

1.3.2 Training Programmes for Employees at the Headquarters in Hong Kong

All 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.

Senior management are offered chances to attend seminars and classes organised by regulators or other professional bodies such as SEHK, HKICPA and HKICS. 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.

1.4 LABOUR STANDARDS

GSH has stringent recruitment procedures to avoid child or forced labour. Since major operations of the Group are located in the PRC.,the Group's labour standards and recruitment procedures comply with all the local as well as national labour regulations.

List of regulations against child or forced labour:

- 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》)

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 employees as required by the Labour Law in China.

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 fraudster.

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 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 2012

| GSH Operation Locations | Greenhouse Gases | Greenhouse Gases | Wastewater (metric tonne) | Cinders (metric tonne) |
|-------------------------|-------------------------------|-------------------------------|---------------------------|------------------------|
| | Sulfur Dioxide (metric tonne) | Nitrogen Oxide (metric tonne) | | |
| Changchun | 0 | 0 | 1,766,393 | 0 |
| Shanghai | 197 | 43 | 420,000 | 2,600 |
| Jinzhou | 422 | 588 | 839,626 | 19,460 |
| Dalian | 0 | 0 | 0 | 0 |
| Hong Kong | 0 | 0 | 0 | 0 |
| Total | 619 | 631 | 3,026,019 | 22,060 |

2. ENVIRONMENTAL PROTECTION

Summary of the Types of Emission and Emission Data in 2011

| GSH Operation Locations | Greenhouse Gases Sulfur Dioxide (metric tonne) | Greenhouse Gases Nitrogen Oxide (metric tonne) | Wastewater (metric tonne) | Cinders (metric tonne) |
|--------------------------------|---|---|----------------------------------|-------------------------------|
| Changchun | 0 | 0 | 1,319,633 | 0 |
| Shanghai | 130 | 28 | 376,138 | 2,200 |
| Jinzhou | 356 | N/A | 750,936 | 45,794 |
| Dalian | 0 | 0 | 0 | 0 |
| Hong Kong | 0 | 0 | 0 | 0 |
| Total | 486 | 28 | 2,446,707 | 47,994 |

Remarks:

2012: figures for the period from 1 January 2012 to 31 December 2012

2011: figures for the period from 1 January 2011 to 31 December 2011

During 2012, inclusion of the full year emission figures from the corn refinery in Changchun has substantially increased the volume of wastewater discharge. As the Group completed the acquisition of the corn refinery on 17 November 2011, the figures for the year 2011 only incorporated data collected for the period from 17 November 2011 to 31 December 2011. Since the operation in Changchun purchased electricity and steam directly from the GBT Group, there is no data available for the emission of greenhouse gases (2011: nil).

During 2012, the corn refinery in the Group's Jinzhou site has added the desulfurization facilities to increase the efficiency of coal. It could also allow the Group to purchase lower cost coal as fuel. As a result, the emission of cinders from the Jinzhou production site has been substantially reduced by 58% during the year 2012 as compared to the previous year. However, as the Jinzhou site started to procure raw coal which has higher sulfur content, the emission of sulfur dioxide has increased accordingly. In addition, the Jinzhou plant has installed a nitrogen oxide emission control device to monitor the amount and concentration of its nitrogen oxide emission during the year 2012.

Regarding the emission standards in the PRC, there is no written standards on the quantity emitted. However, the Environmental Bureau in the PRC has written guidelines in 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.

In the years of 2012, the Group's emission and discharge of wastes are in compliance with local laws and regulations. No penalty nor warning has been received by the Group during the period (2011: 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》)
- Discharge Standard of Water Pollutants for Sugar Industry (《製糖工業水污染物排放標準》)
- 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)》)
- 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》)
- 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》)
- Emission Standard for Industrial Enterprises Noise at Boundary (《工業企業廠界環境噪聲排放標準》)

All major production sites of the Group in the PRC (except the one in Changchun which uses the wastewater treatment services provided by the Group's Parent Company, Global Bio-chem Technology Group Company Limited) 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.

2. ENVIRONMENTAL PROTECTION

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.

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.

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. For example, in the production site in Jinzhou, approximately 73,000 metric tonnes of wastewater was recycled every year for watering plants, 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 electricity, water, 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, about half of the electricity the Group needs for production is supplied by the power plant internally with the shortfall sourcing from local Electricity Supply Bureau. 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 Energy, Water, Steam and Coal

Total Consumption of Energy, Water, Steam and Coal

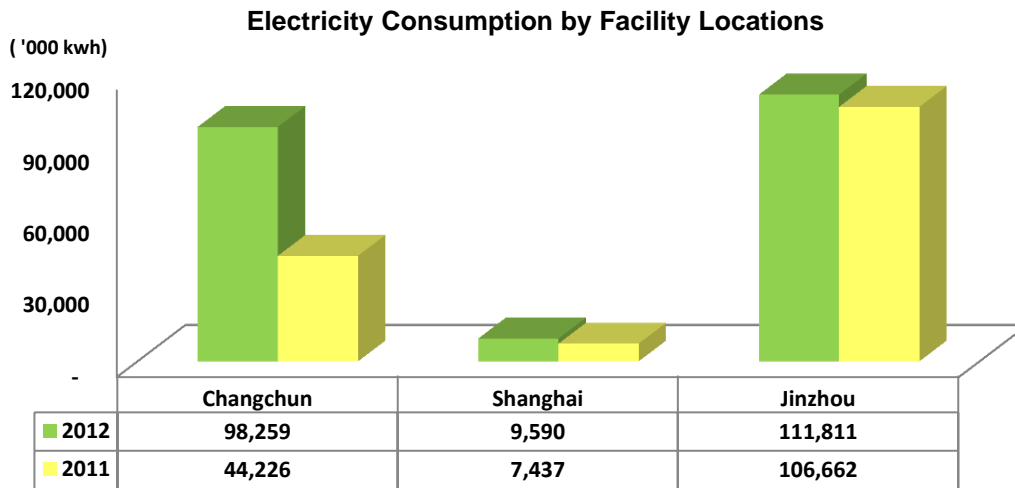
| | Electricity ('000 kwh) | Water (metric tonne) | Steam (metric tonne) | Coal (metric tonne) |
|--------|---------------------------|-------------------------|-------------------------|------------------------|
| 2012 | 219,660 | 4,578,160 | 1,934,482 | 190,311 |
| 2011 | 158,324 | 3,735,193 | 1,609,636 | 209,156 |
| Change | 39% | 23% | 20% | (9%) |

Remarks:

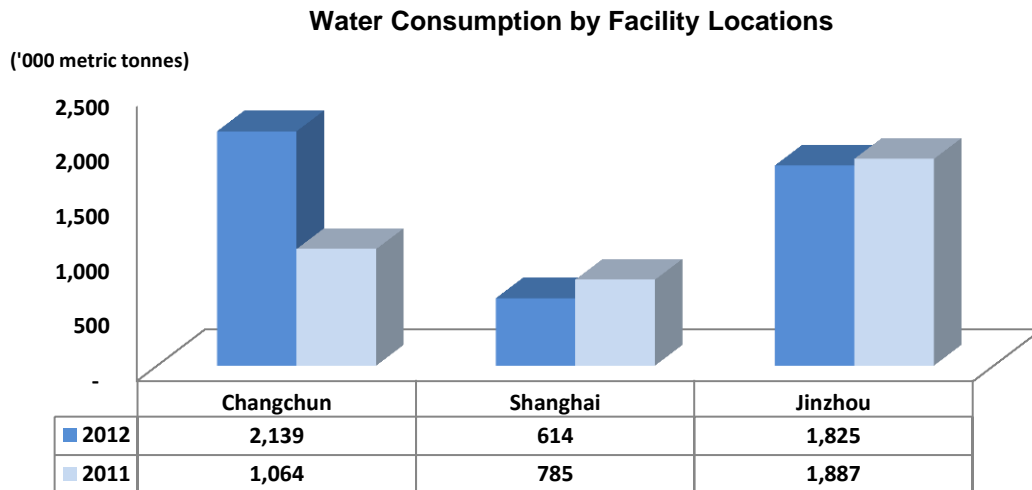
Total consumption of the above items increased in 2012 was mainly attributable to the inclusion of the full year consumption figures of the corn refinery in Changchun (2011: consumption figures for the period from 17 November 2011 to 31 December 2011).

2. ENVIRONMENTAL PROTECTION

Electricity Consumption by Facility Locations in 2012 and 2011

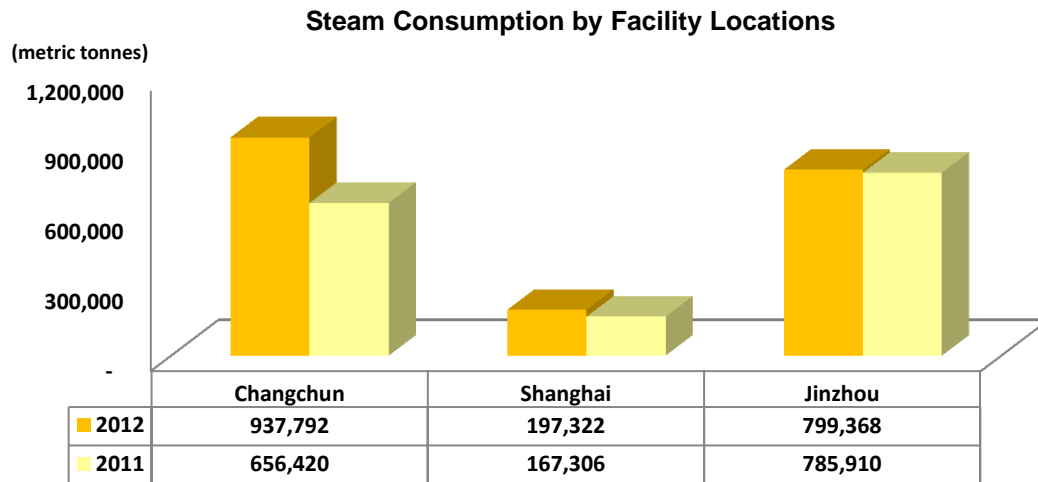


Water Consumption by Facility Locations in 2012 and 2011

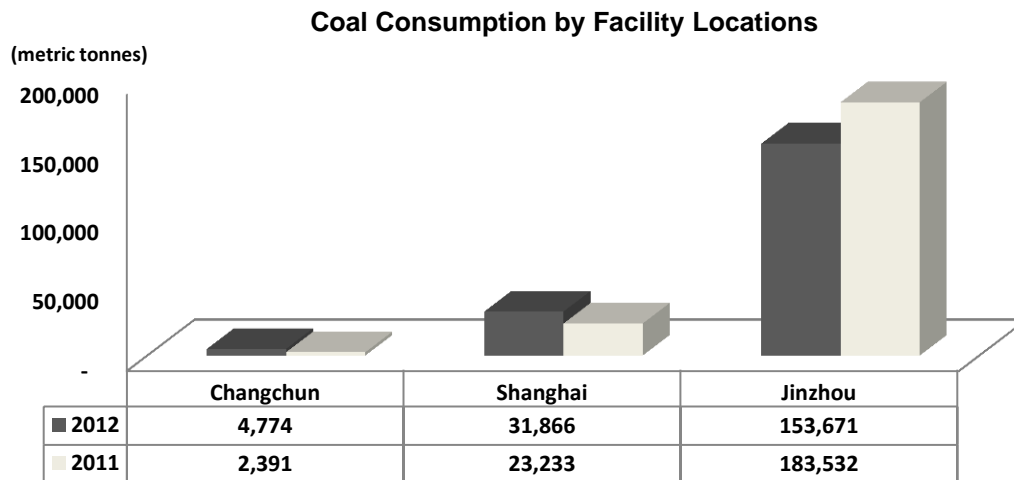


2. ENVIRONMENTAL PROTECTION

Steam Consumption by Facility Locations in 2012 and 2011



Coal Consumption by Facility Locations in 2012 and 2011



Remarks:

As the Group purchase utilities services from the GBT Group, there is no record of coal consumption in regard to the production of electricity and steam.

2. ENVIRONMENTAL PROTECTION

Consumption of Energy, Water, Steam and Coal by Upstream and Downstream Production

| | Electricity (’000 kwh) | Water (metric tonne) | Steam (metric tonne) | Coal (metric tonne) |
|-------------|---------------------------|-------------------------|-------------------------|------------------------|
| 2012 | | | | |
| Upstream | 171,498 | 2,905,351 | 1,146,556 | 158,445 |
| Downstream | 48,162 | 1,672,809 | 787,926 | 31,866 |
| 2011 | | | | |
| Upstream | 101,247 | 1,895,003 | 747,074 | 185,923 |
| Downstream | 57,078 | 1,840,190 | 862,562 | 23,233 |

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

| | Electricity (kwh) | Water (metric tonne) | Steam (metric tonne) | Coal (metric tonne) |
|--------|----------------------|-------------------------|-------------------------|------------------------|
| 2012 | 120.12 | 2.50 | 1.06 | 0.10 |
| 2011 | 86.54 | 2.04 | 0.88 | 0.11 |
| Change | 39% | 23% | 20% | (9%) |

Remarks:

Changes in product mix will affect the per unit consumption of the above items as different products would have different energy/ steam consumption patterns.

2. ENVIRONMENTAL PROTECTION

Unit Consumption of Per Metric Tonne Product Produced by Geographic Location

Unit Consumption of Per Metric Tonne Product Produced in 2012

| GSH Operation Locations | Electricity (kwh) | Water (metric tonne) | Steam (metric tonne) | Coal (metric tonne) |
|-------------------------|-------------------|----------------------|----------------------|---------------------|
| Changchun | 90.37 | 1.97 | 0.86 | - |
| Shanghai | 42.97 | 2.75 | 0.88 | 0.14 |
| Jinzhou | 215.78 | 3.52 | 1.54 | 0.30 |
| Total | 120.12 | 2.50 | 1.06 | 0.10 |

Unit Consumption of Per Metric Tonne Product Produced in 2011

| GSH Operation Locations | Electricity (kwh) | Water (metric tonne) | Steam (metric tonne) | Coal (metric tonne) |
|-------------------------|-------------------|----------------------|----------------------|---------------------|
| Changchun | 50.23 | 1.21 | 0.75 | - |
| Shanghai | 37.21 | 3.93 | 0.84 | 0.12 |
| Jinzhou | 142.37 | 2.52 | 1.05 | 0.24 |
| Total | 86.54 | 2.04 | 0.88 | 0.11 |

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

| | Electricity (kwh) | Water (metric tonne) | Steam (metric tonne) | Coal (metric tonne) |
|-------------|-------------------|----------------------|----------------------|---------------------|
| 2012 | | | | |
| Upstream | 195.09 | 3.30 | 1.30 | 0.18 |
| Downstream | 50.72 | 1.76 | 0.83 | 0.03 |
| 2011 | | | | |
| Upstream | 147.09 | 2.75 | 1.09 | 0.27 |
| Downstream | 50.01 | 1.61 | 0.76 | 0.02 |

Remarks:

2012: figures for the period from 1 January 2012 to 31 December 2012

2011: figures for the period from 1 January 2011 to 31 December 2011

2. ENVIRONMENTAL PROTECTION

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 recognized 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.

2.2.3 Consumption of Fuel

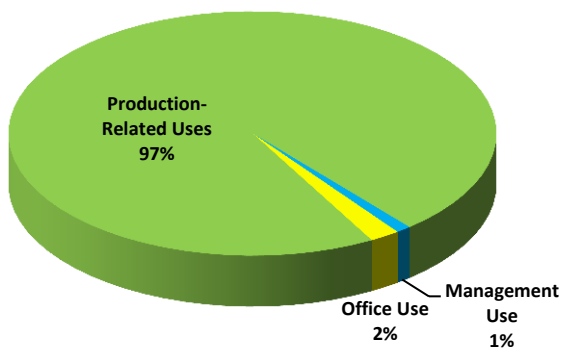
Consumption of Fuel by Type

| | Gasoline (L) | Diesel (L) | Total (L) |
|--------|-----------------|---------------|--------------|
| 2012 | 39,272 | 1,237,376 | 1,276,648 |
| 2011 | 47,391 | *1,178,870 | 1,226,261 |
| Change | (17%) | 5% | 4% |

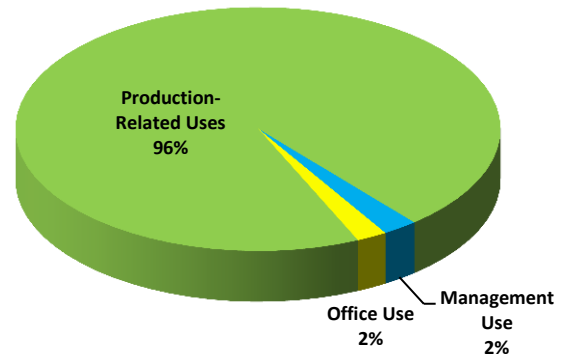
* Figures restated

Consumption of Fuel by Purpose

Consumption of Fuel in 2012



Consumption of Fuel in 2011



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. The Group continuously explores new packaging materials that are more environmental-friendly and cost saving. For example, the Group's Shanghai marketing team has launched larger size tonnage packing bags for corn starch to better fit in container or trucks to further increase transportation efficiency and thus reduce overall transportation cost.

Consumption of Packaging Materials of the Group in 2012 and 2011

| | Plastic Pails | Packaging Bags | Total Consumption | Consumption (per metric tonne product produced) |
|--------|---------------|----------------|-------------------|---|
| 2012 | 277,202 | 13,000,128 | 13,277,330 | 7.26 |
| 2011 | 545,842 | 13,319,557 | 13,865,399 | 7.58 |
| Change | (49%) | (2%) | (4%) | (4%) |

Remarks:

The reduction of consumption of packaging materials in 2012 was mainly attributable to the merger of the two subsidiaries in Shanghai which integrated the management of all packaging materials. Apart from this, customers' requests on changes in packaging specifications also accounted for the increase in packaging materials consumed.

Summary of the Consumption and Recycle Use of Plastic Pails of the Group in 2012 and 2011

| | Recyclable Reusable | Recyclable Obsolete | Non-Recyclable Sold | Total |
|------|---------------------|---------------------|---------------------|-----------|
| 2012 | 437,330 | 79,466 | 197,736 | 714,532 |
| 2011 | 478,336 | 334,857 | 210,985 | 1,024,178 |

Remarks:

To encourage our 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.

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. Notwithstanding this, 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, manipulated, 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. Every 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 in 2012 and 2011:

| GSH Operation Locations | 2012 | 2011 | Change |
|--------------------------------|----------------|----------------|---------------|
| Changchun | 264,000 | 241,750 | 9% |
| Shanghai | 73,290 | 91,160 | (20%) |
| Jinzhou | 344,500 | 310,000 | 11% |
| Dalian | 8,000 | 44,000 | (78%) |
| Hong Kong | 300,340 | 313,000 | (4%) |
| Total | 990,130 | 999,910 | (1%) |

In 2012, as the Group further strengthened its operation management, consumption of paper in Changchun and Jinzhou increased with the implementation of a new reporting system. Paper consumption in Shanghai and Dalian reduced as a result of the merger of the two subsidiaries in Shanghai and the suspension of business of a subsidiary in Dalian.

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

Producing quality and safe products has always been the mission of Global Sweeteners. 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.

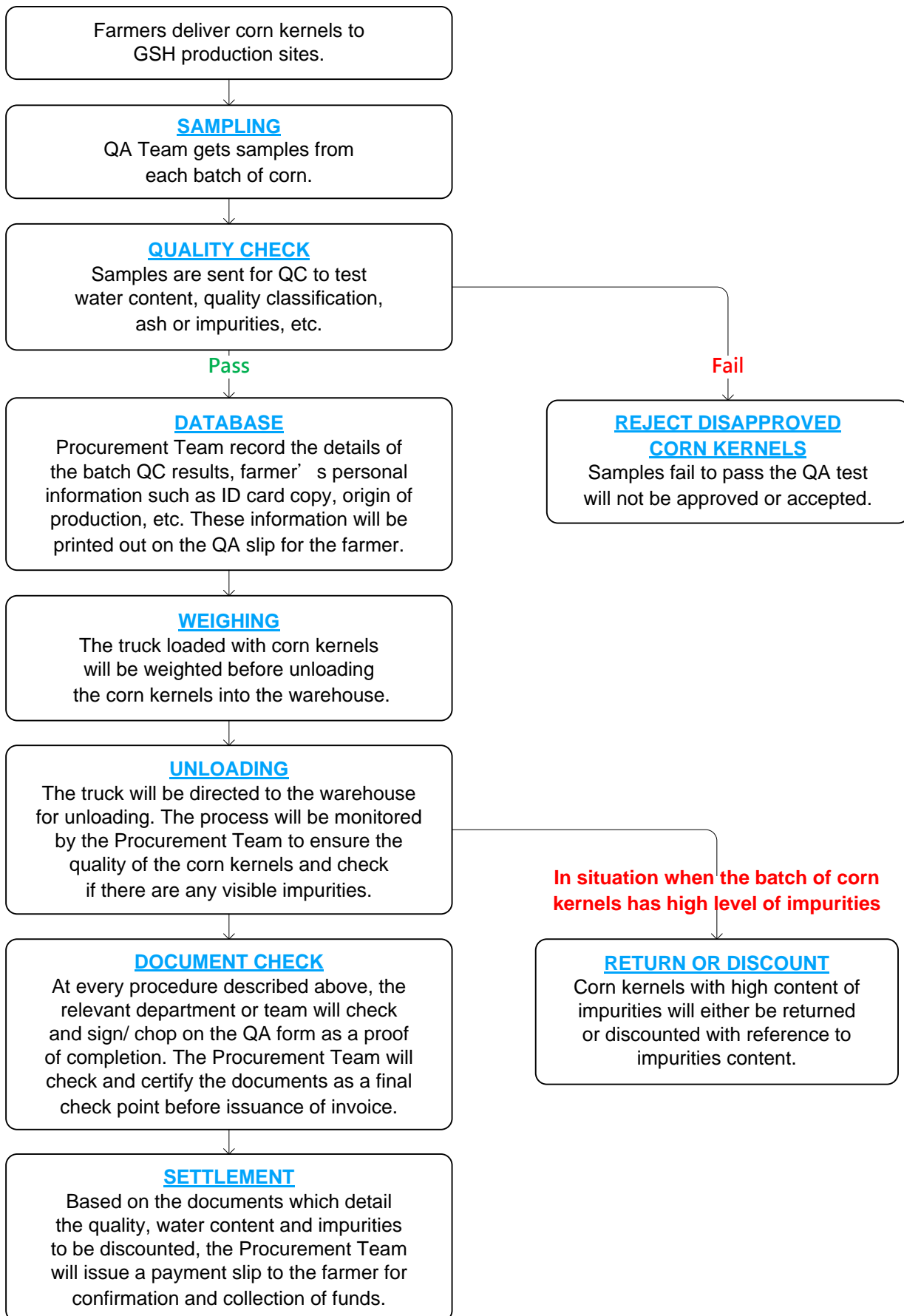
3.1.1 Engaging Suppliers

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



3. OPERATING PRACTICES

3.1.1.2 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 |
|----------------------------------|--|
| Qualifications | Examine supplier's business registration, production approval and other related documents to justify the supplier has the relevant qualifications, ability and capacity to produce. |
| Company Background | 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 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. |
| Product Quality Assurance | 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). |
| Pricing | Pricing is another major aspect that the panel would look into to gets the best quality with the best price. The principal objective is to ensure the Group operates at the lowest cost without sacrificing quality. |
| Delivery | Continuously check on the samples from supplier's delivery, product/ service quality as well as the timeliness of delivery. |
| Customers Service | 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. OPERATING PRACTICES

3.1.1.3 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, Quality Assurance Department (“QA Department”) and Finance 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.

3.1.1.4 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. OPERATING PRACTICES

3.1.2 Numbers of Suppliers (for procurements other than corn)

Summary of Numbers of Suppliers by Categories and Locations in 2012

| GSH Operation Locations | | | | | | | *Total by Locations |
|---------------------------------|------------|------------------|------------------------|-----------|-----------|-----------|------------------------|
| | Machinery | Raw Materials | Packaging Materials | Utilities | Others | Logistics | |
| Changchun | 135 | 13 | 4 | 5 | 2 | 2 | 161 |
| Shanghai | 76 | 17 | 6 | 5 | 3 | 1 | 108 |
| Jinzhou | 94 | 11 | 7 | 3 | 6 | 15 | 136 |
| Dalian | 0 | 0 | 0 | 2 | 0 | 3 | 5 |
| *Total by Categories | 279 | 33 | 16 | 13 | 11 | 21 | 373 |

Summary of Numbers of Suppliers by Categories and Locations in 2011

| GSH Operation Locations | | | | | | | *Total by Locations |
|---------------------------------|------------|------------------|------------------------|-----------|----------|-----------|------------------------|
| | Machinery | Raw Materials | Packaging Materials | Utilities | Others | Logistics | |
| Changchun | 131 | 17 | 5 | 3 | 1 | 2 | 159 |
| Shanghai | 76 | 34 | 8 | 5 | 3 | 6 | 132 |
| Jinzhou | 79 | 13 | 7 | 3 | 4 | 15 | 121 |
| Dalian | 4 | 7 | 12 | 2 | 0 | 3 | 28 |
| *Total by Categories | 267 | 59 | 30 | 11 | 8 | 26 | 401 |

* Since certain suppliers supply goods or services to various subsidiaries of the Group, the total numbers of suppliers by categories or by locations in the above table are not equivalent to the total number of suppliers of the Group as a whole.

As a result of the Group's stringent supplier management and the suspension of business of a subsidiary in Dalian, the total number of suppliers for 2012 has been reduced.

3. OPERATING PRACTICES

Summary of Numbers of Suppliers by Geographic Regions in 2012

| Geographic Regions | | | | | | | Total by Locations |
|----------------------------|------------|---------------|---------------------|-----------|-----------|-----------|--------------------|
| | Machinery | Raw Materials | Packaging Materials | Utilities | Others | Logistics | |
| Northeast China | 111 | 13 | 5 | 7 | 5 | 19 | 160 |
| Northern China | 24 | 4 | 0 | 1 | 1 | 1 | 31 |
| Eastern China | 129 | 13 | 10 | 5 | 5 | 1 | 163 |
| Others | 15 | 3 | 1 | 0 | 0 | 0 | 19 |
| Total by Categories | 279 | 33 | 16 | 13 | 11 | 21 | 373 |

Summary of Numbers of Suppliers by Geographic Regions in 2011

| Geographic Regions | | | | | | | Total by Locations |
|----------------------------|------------|---------------|---------------------|-----------|----------|-----------|--------------------|
| | Machinery | Raw Materials | Packaging Materials | Utilities | Others | Logistics | |
| Northeast China | 107 | 25 | 20 | 5 | 2 | 19 | 178 |
| Northern China | 24 | 9 | 0 | 1 | 1 | 1 | 36 |
| Eastern China | 122 | 22 | 10 | 5 | 5 | 6 | 170 |
| Others | 14 | 3 | 0 | 0 | 0 | 0 | 17 |
| Total by Categories | 267 | 59 | 30 | 11 | 8 | 26 | 401 |

3. OPERATING PRACTICES

3.2 PRODUCT SAFETY

As a responsible corporate, Global Sweeteners 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.

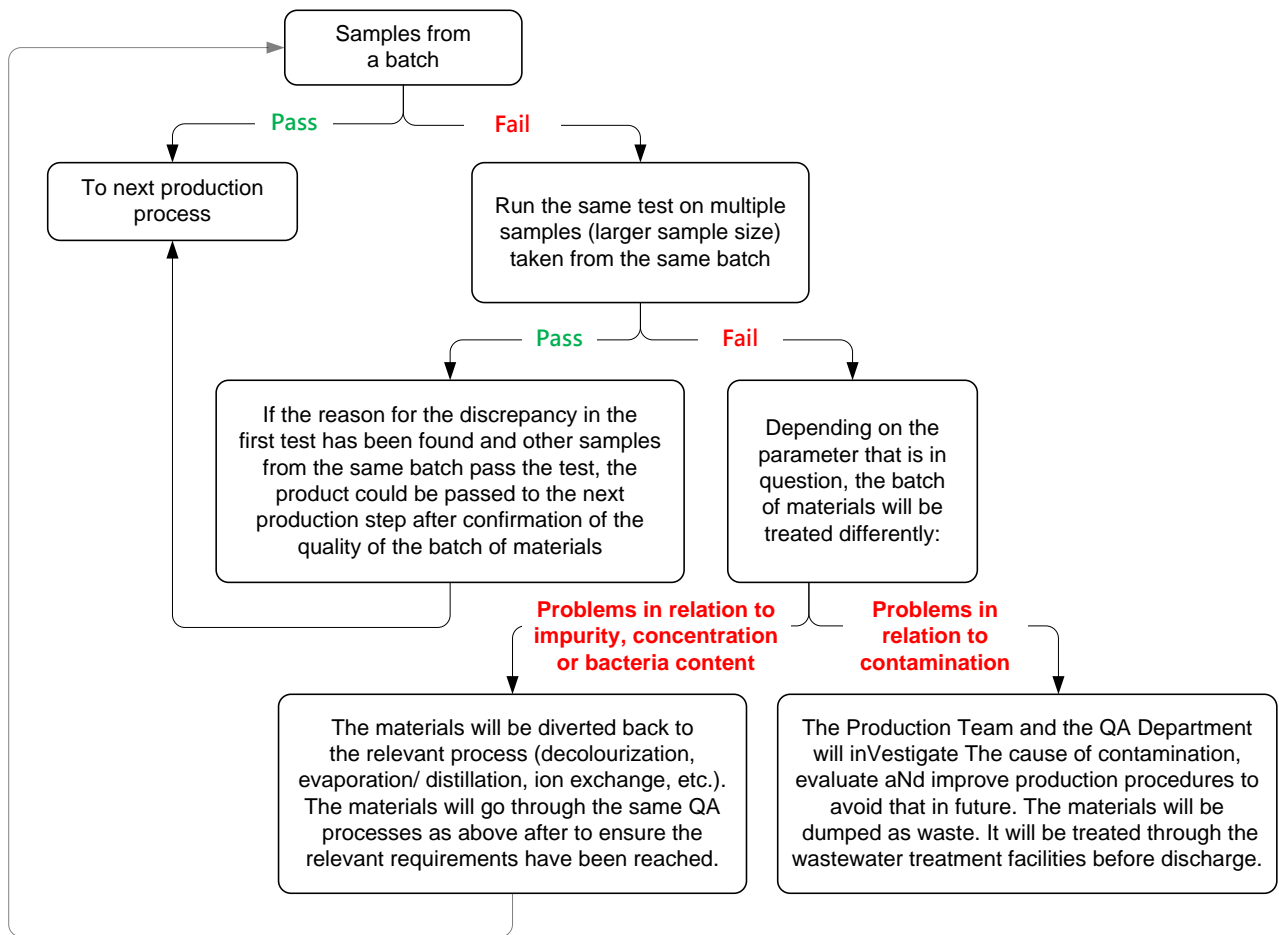
3.2.1 Standards and Procedures of Quality Assurance Processes

Global Sweeteners 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.
- 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 keeps 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 with 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 sterilized before loading products onto it.

3. OPERATING PRACTICES

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

- Glucose Syrup: GB/T20885-2007
- Edible Glucose: GB/T20880-2007
- Maltose: GB/T20883-2007
- Syrup for Brewing: QB/T2687-2005
- Isomaltooligosaccharide: GB/T20881-2007
- High Fructose Syrup: GB/T20882-2007
- Maltodextrin: GB/T20884-2007
- Food Additive - Sorbitol Solution: GB7658-2005

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.

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. OPERATING PRACTICES

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 QA Department would seek legal advice from the Legal Department 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 during the Years 2012 (2011: nil). However, there were cases of customer's complaints and product return cases reported during the Years 2012 primarily in relation to concentration and color discrepancies 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 2012

| Number of Cases | Problems in relation to | | | | | | | | | | | Total | |
|-----------------|-------------------------|-----------|-----------|----------|----------|----------|--------------------|----------|----------|----------|-----------|-----------|--|
| | Product Quality | | Packaging | | Quantity | | Invalid Complaints | | Others | | | | |
| | *C | **PR | *C | **PR | *C | **PR | *C | **PR | *C | **PR | *C | **PR | |
| Changchun | 24 | 10 | 9 | 4 | 2 | 0 | 1 | 0 | 2 | 0 | 38 | 14 | |
| Shanghai | 5 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 | 0 | |
| Jinzhou | 12 | 9 | 3 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 16 | 9 | |
| Total | 41 | 19 | 13 | 4 | 2 | 0 | 1 | 0 | 3 | 0 | 60 | 23 | |

Number of Cases of Customers' Complaints and Product Return in 2011

| Number of Cases | Problems in relation to | | | | | | | | | | | Total | |
|-----------------|-------------------------|-----------|-----------|----------|----------|----------|--------------------|----------|----------|----------|-----------|-----------|--|
| | Product Quality | | Packaging | | Quantity | | Invalid Complaints | | Others | | | | |
| | *C | **PR | *C | **PR | *C | **PR | *C | **PR | *C | **PR | *C | **PR | |
| Changchun | 8 | 2 | 8 | 2 | 2 | 1 | 2 | 0 | 0 | 0 | 20 | 5 | |
| Shanghai | 4 | 0 | 3 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 8 | 0 | |
| Jinzhou | 14 | 9 | 5 | 3 | 0 | 0 | 2 | 1 | 1 | 1 | 22 | 14 | |
| Total | 26 | 11 | 16 | 5 | 2 | 1 | 5 | 1 | 1 | 1 | 50 | 19 | |

* 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 2012 was 0.14% (2011: 0.14%) and 0.05% (2011: 0.05%) respectively.

3. OPERATING PRACTICES

Tonnage of Products Involved in Relation to Customers' Complaints and Product Return in 2012

| Tonnage of Products Involved (Metric Tonne) | Problems in relation to | | | | | | | | | | Total | |
|---|-------------------------|------------|------------|-----------|----------|----------|--------------------|----------|-----------|----------|--------------|------------|
| | Product Quality | | Packaging | | Quantity | | Invalid Complaints | | Others | | | |
| | *C | **PR | *C | **PR | *C | **PR | *C | **PR | *C | **PR | *C | **PR |
| Changchun | 539 | 216 | 149 | 94 | 1 | 0 | 61 | 0 | 42 | 0 | 792 | 310 |
| Shanghai | 38 | 0 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 43 | 0 |
| Jinzhou | 194 | 60 | 17 | 0 | 0 | 0 | 0 | 0 | 25 | 0 | 236 | 60 |
| Total | 771 | 276 | 171 | 94 | 1 | 0 | 61 | 0 | 67 | 0 | 1,071 | 370 |

Tonnage of Products Involved in Relation to Customers' Complaints and Product Return in 2011

| Tonnage of Products Involved (Metric Tonne) | Problems in relation to | | | | | | | | | | Total | |
|---|-------------------------|------------|------------|-----------|----------|----------|--------------------|-----------|-----------|-----------|--------------|------------|
| | Product Quality | | Packaging | | Quantity | | Invalid Complaints | | Others | | | |
| | *C | **PR | *C | **PR | *C | **PR | *C | **PR | *C | **PR | *C | **PR |
| Changchun | 511 | 76 | 210 | 46 | 1 | 1 | 0 | 0 | 0 | 0 | 722 | 123 |
| Shanghai | 90 | 0 | 5 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 98 | 0 |
| Jinzhou | 258 | 93 | 39 | 6 | 0 | 0 | 51 | 16 | 39 | 39 | 388 | 154 |
| Total | 859 | 169 | 254 | 52 | 1 | 1 | 54 | 16 | 39 | 39 | 1,207 | 277 |

* 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 2012 was 0.09% (2011: 0.12%) and 0.03% (2011: 0.03%) respectively.

The causes of most of the valid complaint cases were due to workers' negligence and/ or mishandling during transportation. The production team filed reports on each of the cases and made suggestions to avoid the same problem to happen. These reports will be summarised and keypoints will be incorporated in the training materials for workers in their regular training sessions to strengthen their awareness on quality control and work procedures. On repeated mishandling by workers, if proven, the workers involved would be penalised with a fine in accordance with the seriousness of the negligence.

3. OPERATING PRACTICES

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 2012, the Group has insured its sweeteners business with a product liability insurance with a maximum indemnity of RMB10 million (2011: nil). The insurance not only guards the Group against certain risks but also secure our customers' interests.

Since the Group has suspended its retail beef business, the product liability insurance in relation to this business has been terminated (2011: maximum indemnity of USD1 million).

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. OPERATING PRACTICES

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. A Corporate Governance Committee has been set up to keep 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.

Apart from this, GSH is in the process of translating these principles into the Code of Conduct of the Group which should include:

- 1) The Company's mission;
- 2) A statement from the CEO and/ or board of directors;
- 3) The Company's values and principles;
- 4) A statement of how the operations relate to the community, the environment and the society;
- 5) Ethical and conduct guidelines and guidance on practices;
- 6) Examples of ethical and unethical behaviour;
- 7) Specific rules of conduct; and
- 8) Commitment to and information on performance evaluation.

In parallel, the Group also refers to "A Corruption Prevention Guide for Listed Companies" (published by Hong Kong Independent Commission Against Corruption) as guidance and this material is available on the Company's intranet system and forms part of the training and testing undertaken by all staff. All employees are expected to comply with these guidelines and policies.

For the Group's operation in the PRC, each subsidiary is required to strictly comply with the laws and regulations against bribery and corruption in China which include the followings:

- 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》)
- Law of the People's Republic of China Against Money Laundering (《中華人民共和國反洗錢法》)

3. OPERATING PRACTICES

The Company's Corporate Governance Committee works with the internal control departments to continuously improve the staff code of conduct which covers topics such as offering, solicitation and acceptance of advantages, acceptance of entertainment, declaration of conflict of interests, handling of company information and property and channels for enquiries and complaints. The staff code of conduct also outlines the guidelines and procedures for reimbursement of work-related entertainment expenses, acceptance of gifts up to certain amounts, handling of confidential information, etc. The Company also has a whistleblowing policy and procedures to encourage and enable employees and/ or stakeholders to raise serious concerns in relation to corruption.

There is no cases in relation to bribery, blackmail, extortion or money laundering reported in any of the subsidiaries under the Group in 2012 (2011: 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. In 2012, the Group has invested HK\$107,091,000 (2011: HK\$45,039,000) in work-in-progress projects primarily for equipment upgrade and production workflow improvement.

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 add 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.

Our commitment to the community also involves our people. The Company organised various extracurricular and social activities for our employees regularly and encourage our employees to participate in community investment activities, cultivating their sense of belongings and initiative.