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ABOUT THIS REPORT

INTRODUCTION

Global Sweeteners Holdings Limited (“**GSH**” or the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in the manufacture and sale of corn refined products and corn sweeteners. We are aware that sustainable economic development and improvement of the livelihood of the population are the key trends in society. In order to ensure the sustainability and the harmonious relationship between the Group’s business and the environment, the Group recognises the importance of integrating Environmental, Social and Governance (“**ESG**”) aspects to enhance the Group’s daily operation and corporate governance perspective.

THE GOVERNANCE STRUCTURE

To demonstrate our commitment to sustainability, we have integrated corporate governance structure in preparing the Environmental, Social and Governance report (the “**ESG Report**”) of the Company. We have established a corporate governance framework to ensure that ESG governance aligns with our strategic growth. The governance structure of our Group consists of three components, namely the board (the “**Board**”) of directors (the “**Directors**”) of the Company, the ESG working group and the internal audit department.

The Board is responsible for the Group’s ESG strategy and reporting, and ensure the Group’s ESG targets and principles are embedded in the Group’s overall direction and strategies. To better manage and evaluate the ESG performance of the Group, the ESG working group has been established under the instruction of the Board to ensure the Group’s operation and business are running in accordance with the Group’s ESG strategies and move towards building a sustainable business. The ESG working group comprises the financial controller and the senior management of the corporate development department. The internal audit department is responsible for the risk management and internal control processes to be aligned with the Group’s ESG strategies.

The ESG working group is responsible for identifying business related ESG issues, determining the Group’s ESG objectives, tracking ESG performance and reporting the major issues to the Board. Our ESG working group arranges meetings with the Board annually to assess the effectiveness of the current policies and procedures, and establishes methods to improve ESG performance. During the meeting, the ESG working group will report the Group’s effectiveness in achieving the goals, set targets of the year and discuss with the Board on issues that need to be resolved or improved in order to attain better ESG performance.

Good corporate governance requires constant review and identification of potential risks involved in the business operations. To help the Board and the ESG working group to identify these risks and issues, the internal audit department also takes part in the ESG management in the aspects of risk management and internal audit to identify potential risks in the Group’s daily operation such as supply chain management and suggest solutions to the Board and management.

REPORTING SCOPE

This ESG Report covers all principal business activities of the Group which has financial and operational significance which includes the Group’s operation sites in Changchun, Shanghai and Jinzhou (operations of Changchun and Jinzhou have been suspended temporarily to minimise the cashflow pressure) in the People’s Republic of China (the “**PRC**” or “**China**”), as well as its headquarters in Hong Kong (since the headquarters in Hong Kong mainly serves as administration and financial reporting purposes which does not engage in the production processes, figures in relation to environmental emissions and operating practices were thus not available). This ESG Report covers data for the year ended 31 December 2020 (the “**Year**”) with comparative figures for the corresponding period in 2019, unless otherwise stated. The ESG data are prepared and presented using consistent methodologies. There is no change in the methods in which the data were collected and compiled that will affect the meaningful comparison between this ESG Report and the ESG Report for year 2019.

ABOUT THIS REPORT



REPORTING STANDARD

The content of this ESG Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide set out in the Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Information relating to the Group’s corporate governance practices has been set out in the Corporate Governance Report on p.18 to p.37 of the annual report of the Company for the Year.

MATERIALITY ASSESSMENT

The Directors, management and the staff of the Group’s respective operations have participated in the preparation of the ESG Report and assisted in reviewing and considering the Group’s corporate values and mission, operations, competitive strategy, risk management framework and compliance with laws and regulations. Meanwhile, the Group has identified stakeholders and conducted a survey with them for assessing the importance of matters related to our business and stakeholders. Based on the assessed significant ESG issues, a data collection questionnaire was prepared to collect information from relevant subsidiaries and business units of the Group. Interviews were also conducted with different employees to look into the details of various operations.

STAKEHOLDER ENGAGEMENT

The Group values input and feedback of its stakeholders as they are closely connected to the Group’s development. Internal and external stakeholders have been involved in regular engagement activities to share views regarding the Group’s operations and performances, which are as shown below.

Stakeholders	Communication Channels
Shareholders and Investors	<ul style="list-style-type: none">• General Meeting and Other Investor Meetings• Annual Reports and Interim Reports• Announcements and Circulars• Investor Relations Enquiry• The Company’s Website
Employees	<ul style="list-style-type: none">• Employee Feedbacks• Training Programmes and Team Building Activities• Regular Performance Review
Customers and Suppliers	<ul style="list-style-type: none">• Meetings and Direct Engagements• Industry Conferences and Events• The Company’s Website
Public	<ul style="list-style-type: none">• The ESG Report• Community Activities and Social Events• The Company’s Website



MESSAGE FROM CHAIRMAN

In the past year, the COVID-19 pandemic not only posed an unprecedented impact on our daily lives, it also made the survivals of many companies extremely challenging. To control the spread of COVID-19, restrictions on the flow of people and goods have been imposed in various countries, which have driven up the cost of transportation and raw material prices. On the other hand, the sluggish economy has led to shrunken consumer market. Sales and product prices have fallen sharply. The prolonged lockdown and social distancing restrictions have also dealt a heavy blow to the service and retail industries. Many companies reduced or even suspended production to control costs. The GSH Group also suspended most of the production lines last year to reduce cashflow pressure. Although China recorded economic growth of 2.3% annually last year driven by the growth in the fourth quarter, the consumer market remains weak and it is expected that 2021 will continue to be full of challenges.

For companies, creating maximum economic benefits for shareholders is the ultimate goal, but this goal also needs to balance the interests of stakeholders to ensure the sustainability of corporate development to achieve a win-win situation. This pandemic has reminded us how companies are closely related to the environment where they operate. Apart from a stable society, favourable government policies and support from other stakeholders, the healthy development of corporations also requires a balanced ecosystem. This is particularly important for GSH which uses agricultural products as raw materials. In recent years, China has achieved encouraging outcomes in combating climate change. The 2020 emission reduction targets China set in the Copenhagen Accord, which included the reduction in its carbon emission intensity per unit of GDP by 40%-45% as compared to that of 2005, and the increment in the proportion of non-petrochemical energy to 15%, etc., have been achieved as early as the end of 2019. China has further strengthened its climate target and strive to peak its emissions before 2030 with the aim to achieve carbon neutrality before 2060.

China's commitments to reduce carbon emission also set the direction for our future plans. Notwithstanding that most of the production lines of the Group were suspended for most of the time of last year, our R&D team continued its effort in developing new technologies and applications that make our products 'greener' in every possible aspect. As consumers are increasingly aware of their environmental footprints, we strive to look for opportunities to develop green and healthy products that better suit market needs. It is always our target to achieve sustainable business without sacrificing the Mother Earth.

Apart from the environmental aspect, we also believe in good corporate governance and how it contributes to long term value creation and success of an enterprise in the long-run. We understand that continuous effort shall be diligently dedicated to perfect our risk management and internal control systems from time to time.

Our employees are important assets of the Company. We have always dedicated our care to our people. Trainings and seminars were given to the management and the relevant staff to ensure our employees are equipped with the necessary toolkit and knowledge to perform their duties. We also strive to promote a working environment that is free from discrimination and corruption that would bring people together in unity and harmony. We embed our corporate culture of "Ethics forms the foundation of prosperity and harmony" into our Code of Conduct. We also pay attention to the physical and mental health of our employees as well as their career development to ensure our people continue to grow and be motivated.

Going forward, we would continue our efforts in building sustainable strategies for the Group and strive to deliver the utmost value to all our stakeholders as a whole.

Zhang Zihua
Acting Chairman

April 2021



1. WORKPLACE QUALITY

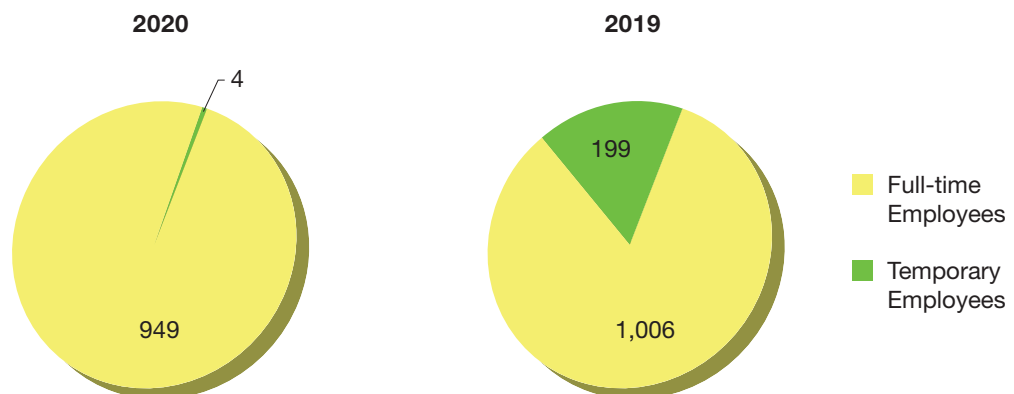
Our employees are essential to the success of the Group. GSH values every contribution from its people which paves the way to success and emphasises the importance of a healthy and friendly working environment which laid a good foundation for its people to commit to the Group. GSH is keen to establish 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

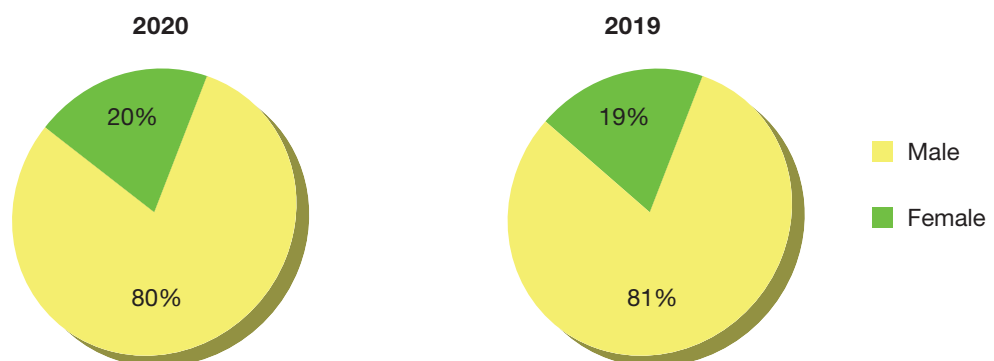
1.1.1 Employment Structure

Below charts show an overview of GSH's employment structure:

Employees by Employment Type¹⁾



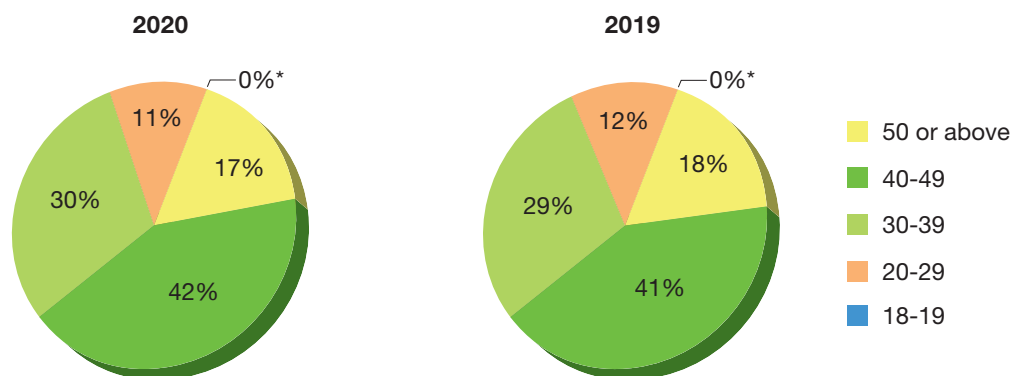
Employees by Gender



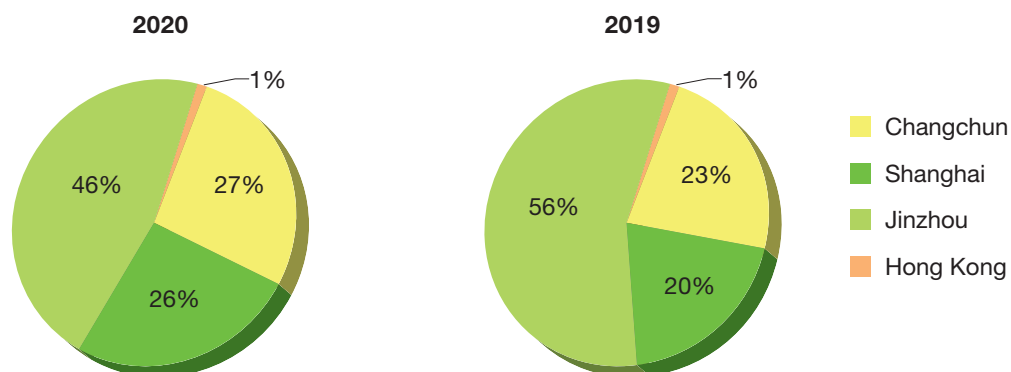


1. WORKPLACE QUALITY

Employees by Age



Employees by Geographical Location



Remarks:

2020: figures as of 31 December 2020

2019: figures as of 31 December 2019

* figures accounted for less than 0.5%

1) Reduction in the number of temporary employees in 2020 was due to the suspension of most of the production sites of the Group.

1.1.2 Turnover Rate

The Group's turnover rate for the Year was approximately 24% (2019: 14%), out of which male employees accounted for 79% (2019: 69%) and female employees accounted for 21% (2019: 31%). Among the total number of turnover staff, approximately 70% of them (2019: 38%) were temporary employees. The increase in turnover rate was a result of the suspension of operations in most of the production sites of the Group during the Year.

1. WORKPLACE QUALITY



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

Turnover Rate by Geographical Region and Employment Type

		Changchun	Shanghai	Jinzhou	Hong Kong	Total
2020	Full-time Employees	9	40	33	1	83
	Temporary Employees	19	0	176	0	195
	Total No. of Turnover Staff	28	40	209	1	278
	Turnover Rate ¹⁾	10%	15%	34%	14%	24%
2019	Full-time Employees	13	47	54	1	115
	Temporary Employees	0	0	70	0	70
	Total No. of Turnover Staff	13	47	124	1	185
	Turnover Rate ¹⁾	5%	16%	16%	14%	14%

Turnover Rate by Age and Employment Type

		50 or above	40-49	30-39	20-29	18-19	Total
2020	Full-time Employees	18	17	29	19	0	83
	Temporary Employees	95	69	25	6	0	195
	Total No. of Turnover Staff	113	86	54	25	0	278
	% to Total Turnover Staff	41%	31%	19%	9%	0%	100%
2019	Full-time Employees	14	20	43	37	1	115
	Temporary Employees	38	26	6	0	0	70
	Total No. of Turnover Staff	52	46	49	37	1	185
	% to Total Turnover Staff	28%	25%	26%	20%	1%	100%

Remark:

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



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 public 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, public holidays and paid annual leave, etc. 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 job 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 the Mandatory Provident Fund Schemes).

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》)
- Labour Contract Law of the People’s Republic of China (《中華人民共和國勞動合同法》)
- Social Insurance Law of the People’s Republic of China (《中華人民共和國社會保險法》)
- Regulation on Work-Related Injury Insurances (《工傷保險條例》)
- 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 Group also provides welfare housing for eligible employees in the PRC. Applicants for welfare housing will be assessed by their service term and overall performance.

During traditional Chinese festivals, it is the Group’s practice to give away gifts such as foodstuff and necessity to employees. The Group would also provide assistance to employees whose families are in difficulties from time to time.

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1.2 OCCUPATIONAL 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 include those internal control procedures such as setting up a work safety inspection team (the “**Inspection Team**”) to inspect the workflow procedures in 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 was no work-related fatal event (2018 and 2019: nil) during the Year.

During the Year, there were two (2019: one) work-related accidents happened in the Group’s Shanghai production site. One of the accidents in the Shanghai production site happened as a worker encountered traffic accident after work; while the other one happened as the worker twisted the ankle when carrying out job duties. The accidents resulted in minor body injuries. Immediately after the second accident happened, the management in the Shanghai production site formed an investigation team to inspect the site to ensure the floor is clear without obstacles for preventing such incident from happening again in future. For the year ended 31 December 2020, lost days due to injuries were 197 days (2019: 253 days). Apart from what have been disclosed above, there was no other major work-related accident or disaster during the Year (2019: nil).

Details of the work-related accidents are as follows:

Operation Locations	Causes of work-related accidents in 2020											
	Manipulating Equipment		Slippery Surfaces		Discharging Goods		Careless Mistakes		Others		Total	
	C ⁽¹⁾	LD ⁽²⁾	C ⁽¹⁾	LD ⁽²⁾	C ⁽¹⁾	LD ⁽²⁾	C ⁽¹⁾	LD ⁽²⁾	C ⁽¹⁾	LD ⁽²⁾	C ⁽¹⁾	LD ⁽²⁾
Changchun	0	0	0	0	0	0	0	0	0	0	0	0
Shanghai	1	40	0	0	0	0	0	0	1	157	2	197
Jinzhou	0	0	0	0	0	0	0	0	0	0	0	0
Hong Kong	0	0	0	0	0	0	0	0	0	0	0	0
Total	1	40	0	0	0	0	0	0	1	157	2	197



1. WORKPLACE QUALITY

Operation Locations	Causes of work-related accidents in 2019													
	Manipulating Equipment		Slippery Surfaces		Discharging Goods		Careless Mistakes		Others		Total			
	C ¹⁾	LD ²⁾	C ¹⁾	LD ²⁾	C ¹⁾	LD ²⁾	C ¹⁾	LD ²⁾	C ¹⁾	LD ²⁾	C ¹⁾	LD ²⁾		
Changchun	1	5	0	0	0	0	0	0	0	0	0	0	1	5
Shanghai	0	0	1	120	0	0	0	0	0	0	0	0	1	120
Jinzhou	0	0	1	32	0	0	3	96	0	0	4	128		
Hong Kong	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	1	5	2	152	0	0	3	96	0	0	6	253		

Remarks:

- 1) C: Number of work-related accidents cases
 2) LD: Number of lost days

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 laws and 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》)
- Regulation on Work-Related Injury Insurance (《工傷保險條例》)
- Measures for the Ascertainment of Work-Related Injuries (《工傷認定辦法》)
- Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》)
- Regulations on the Safety Management of Hazardous 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 manuals (the “**Manuals**”) for employees, which incorporate all the occupational health and safety procedures. The Manuals are designed to comply with the regulations/laws above. The Group also set up the Inspection Team 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 Manuals from time to time and offers internal training to staff. The Manuals also include aftermath procedures in case of emergency or accidents.

1. WORKPLACE QUALITY



1.3 OCCUPATIONAL 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, regardless of their gender and background, by both in-house and 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 and 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 the 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 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 by the Group 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 the production staff in the production site during the Year.

The details of training of ordinary staff in the PRC for the Year with comparative figures are as follows:

Average Hours of Training Received by Ordinary Staff in the PRC

	Male	Female	Average
2020	15.5 hours	15.7 hours	15.5 hours
2019	12.5 hours	12.3 hours	12.5 hours

Percentage of Ordinary Staff in the PRC that Received Training

	Male	Female	Average
2020	98%	96%	98%
2019	95%	94%	95%



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Managerial grade or above:

For managerial grade or above, they are provided with both in-house and external training programmes sponsored by the Group, such as 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, video training and reading sessions. Certain subsidiaries under the Group offer training sessions for managerial grade or above employees on food safety, cost control and career planning.

The details of training of staff at managerial grade or above in the PRC for the Year with comparative figures are as follows:

Average Hours of Training Received by Managerial Grade or Above Staff in the PRC

	Male	Female	Average
2020	14.5 hours	13.5 hours	14.0 hours
2019	12.4 hours	12.0 hours	12.2 hours

Percentage of Managerial Grade or Above Staff in the PRC that Received Training

	Male	Female	Average
2020	100%	100%	100%
2019	95%	94%	95%

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 the Listing Rules are also provided via seminars and reading sessions on a continuous basis. Continuing education allowance scheme has been provided by the Company to all employees in the Hong Kong office since 2016 to stimulate employees to accelerate professional development.

The details of training of ordinary staff in Hong Kong with comparative figures for the Year are as follows:

Average Hours of Training Received by Ordinary Staff in Hong Kong

	Male	Female	Average
2020	N/A	43.0 hours	43.0 hours
2019	N/A	53.0 hours	53.0 hours

1. WORKPLACE QUALITY



Percentage of Ordinary Staff in Hong Kong that Received Training

	Male	Female	Average
2020	N/A	83%	83%
2019	N/A	100%	100%

Managerial grade or above:

Trainings for senior management mainly cover the following aspects: corporate governance, business management and administration, professional knowledge and the Listing Rules. Such trainings are in the form of lectures organised by the Company. Apart from this, the company secretary of the Company will update the Company's management from time to time regarding the latest changes in the Listing Rules and guidelines from The Stock Exchange of Hong Kong Limited to ensure their work are in compliance with the Listing Rules.

The details of training of staff at managerial grade or above in Hong Kong with comparative figures for the Year are as follows:

Average Hours of Training Received by Managerial Grade or Above Staff in Hong Kong

	Male	Female	Average
2020	10.0 hours	N/A	10.0 hours
2019	10.8 hours	N/A	10.8 hours

Percentage of Managerial Grade or Above Staff in Hong Kong that Received Training

	Male	Female	Average
2020	100%	N/A	100%
2019	100%	N/A	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. The human resources department of each subsidiary will handle all staff-related matters including recruitment, remuneration, training and other welfares to make sure the Group complies with the relevant labour regulations.

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

- Labour Law of the People's Republic of China (《中華人民共和國勞動法》)
- Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》)
- Law of the People's Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》)
- Provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》)



1. WORKPLACE QUALITY

- Provisions on Special Protection for Juvenile Workers (《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))

1.4.1 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. The human resources department would assess the application and approve or disapprove based on the results of assessment. Recruitment channels of the Group include recruitment agencies, recruitment websites, campus recruitment and internal referral. Respective candidates should pass written tests and interviews and verification of academic qualifications and identity. 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 immediately 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 and damage which has been caused to the victim(s). However, if it is found that such crime was caused by fraudulence, the Group would take any necessary legal action against the fraudster.

The Group has not been involved in any case of non-compliance on child or forced labour during the Year (2019: nil).

2. ENVIRONMENTAL PROTECTION



Ecosystem integrity is extremely important to our natural habitat. An imbalanced ecosystem will disrupt global climate and food supply. It is thus important for us to behave and contribute in a way to minimise our footprints that lead to climate change. To mitigate the effect from the climate change, as a responsible corporate, we are trying to share the responsibilities to reduce emissions and minimise our footprint on the environment to slow down the process. Since the major raw material of the Group is corn kernels, a crop which is susceptible to climate change, the harvest of corn will directly affect the business of the Group. For instance, the typhoons near the northeast part of the PRC in September 2020 have caused reduction of corn harvest by about 10%, resulting in a 22% surge in corn price and drove up our production cost. Apart from that, extreme climate resulting from climate change will disrupt transportation network and change consumption patterns of consumers overall. As such, 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.

During the Year, the Group has done the following to achieve this:

- 1) continued to devote research and development (“R&D”) effort to production efficiency and lower greenhouse gas emission;
- 2) reduced waste disposal and imposed stringent wastewater treatment standards against the discharge of pollutants;
- 3) promoted use of recycled materials and renewable and biodegradable resources;
- 4) promoted sustainable use of energy, water, crops and other raw materials;
- 5) promoted energy conservation; and
- 6) complied with the relevant environmental regulations in all production facilities.

2.1 EMISSION

The Group has supervising team (the “**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 Team(s) 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 Environmental Protection Bureau, each subsidiary would also submit emissions and discharge samples for random check.



2. ENVIRONMENTAL PROTECTION

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 2020

Operation Locations	Air Emissions			
	Sulfur Dioxide (metric tonne)	Nitrogen Oxide (metric tonne)	Wastewater (metric tonne)	Cinders (metric tonne)
Changchun	34	20	13,400	6,633
Shanghai	0	13	382,811	0 ¹⁾
Jinzhou	20	38	227,186	1,051
Total	54	71	623,397	7,684

Summary of the Types of Emission and Emission Data in 2019

Operation Locations	Air Emissions			
	Sulfur Dioxide (metric tonne)	Nitrogen Oxide (metric tonne)	Wastewater (metric tonne)	Cinders (metric tonne)
Changchun	0	0	232,819	25,494
Shanghai	0	13	443,416	0 ¹⁾
Jinzhou	217	227	975,381	7,432
Total	217	240	1,651,616	32,926

Remark:

- 1) No cinders record was available in the Shanghai production site as it used biomass pellet fuel for production instead.

2. ENVIRONMENTAL PROTECTION



2.1.2 Direct and Energy Indirect Greenhouse Gas Emissions

Summary of the Greenhouse Gas Emissions

Operation Locations	2020 Indicators		2019 Indicators	
	Scope 1 ¹⁾ (tCO ₂ e)	Scope 2 ²⁾ (tCO ₂ e)	Scope 1 ¹⁾ (tCO ₂ e)	Scope 2 ²⁾ (tCO ₂ e)
Changchun	797	0	0	0
Shanghai ³⁾	0	0	0	0
Jinzhou	32,011	3,557	220,751	0
Total	32,808	3,557	220,751	0

Remarks:

- 1) Scope 1 covers the direct emissions of greenhouse gas (i.e. carbon dioxide) from sources owned and controlled by the Company.
- 2) Scope 2 covers the indirect emissions of greenhouse gas (i.e. carbon dioxide) resulting from the generation of purchased electricity by the Company.
- 3) No record of the greenhouse gas emissions in the Shanghai production site was available during the Year.

As emission level varies with product mix, it may be different from year to year. During 2020, due to the decrease in the production volume as a result of the suspension of subsidiaries, the overall emission levels in most of the Group's production sites have been reduced substantially, particularly in Changchun and Jinzhou.

The emission standards in the PRC have no written standard on the quantity emitted. However, the Environmental Protection Bureau in the PRC has written guidelines on the emission concentration and quality. These guidelines are written on the "Emission Permit" issued by the local Environmental Protection Bureau to the subsidiaries of the Group, or as updated from time to time. As the total emission level is subject to our production volume and most of our production has been suspended since end of 2019, it is unrealistic to set emission target for 2021. Depending on the progress of resumption of the operation of the Group's subsidiaries, it will then be appropriate for the Group to disclose our emission target when the Group resumes normal operation. On the other hand, the Group strives to adopt higher quality coal in production sites where there is an internal power plant with the aim to reduce overall emission level.

The Group's production processes would emit certain pollutants such as sulfur dioxide and nitrogen oxide. In case of the emission level goes beyond emission standards, the Supervising Team(s) will alert the relevant division in the production department and the production plant immediately to fix the problem. In addition, real time monitoring devices are placed at all discharge outlets of the Group's facilities and connected with the local Environmental Protection Bureau's network to keep track of emission data. Such data is also subject to real time monitor by the Environmental Protection Information Centre of the City as well as the Provincial Environmental Protection Information Centre.



2. ENVIRONMENTAL PROTECTION

All production sites of the Group in the PRC (except the one in Xinglongshan which uses the wastewater treatment services provided by the subsidiary of 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 Team(s) 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. Similar with the emission of greenhouse gases, monitoring devices are placed at all discharge outlets of the Group's wastewater treatment facilities and connected with the local Environmental Protection Bureau's network to keep track of emission data such as COD value. Such data is also subject to real time monitor by the Environmental 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.

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 Year (2019: nil).

2.1.3 Hazardous and Non-Hazardous Waste Produced

Summary of Hazardous Waste Produced

There was no hazardous waste involved in the production process of the Group. As such, no data was available for the Year.

Summary of Non-Hazardous Waste Produced in 2020¹⁾

Operation Locations	Cardboard (metric tonne)	Plastics (metric tonne)	Scrap metal (metric tonne)	Food waste (metric tonne)
Changchun	5	0	0	1
Shanghai	17	11	24	2
Jinzhou	0	2	0	1
Total	22	13	24	4

Remark:

- 1) No record of non-hazardous waste of the Group was available for 2019.

Certain non-hazardous wastes could be recycled or reused. As most of the Group's production sites have been suspended, it is not appropriate to set reduction target for 2021. Nevertheless, we will continue to focus on the reduction and recycle use of wastes through internal training sessions to staff to raise environmental awareness. At the same time, the Group will utilise its R&D capabilities on the application of new technologies in waste recycling and treatment of solid waste prior to disposal when the operation resumes.

Apart from that, the Group is currently considering incorporating staff's performance in relation to environmental awareness such as disposal of wastes and energy conservation for each operation sites in their annual appraisal to enhance staff's initiatives to reduce waste disposal.

2. ENVIRONMENTAL PROTECTION



2.1.4 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. 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 Conserving Energy (《中華人民共和國節約能源法》)
- 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 (《中華人民共和國水污染防治法》)
- Law of the People's Republic of China on the Prevention and Control of Environmental Pollution 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 (2019 Version) (《固定污染源排污許可分類管理名錄(2019年版)》)
- The Administrative Measure for Pollutant Discharge Licensing (for Trial Implementation) (《排污許可管理辦法(試行)》)
- Reform Program of the Ecological Environmental Damage Compensation System (《生態環境損害賠償制度改革方案》)
- 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 (《火電廠大氣污染物排放標準》)
- 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. ENVIRONMENTAL PROTECTION

2.1.5 Recycle Use of Wastewater

With respect to water conservation, part of the wastewater of the Group 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.

2.2 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. As the local utility providers are controlled by the local government, source of water is relatively stable and reliable, the Group has not encountered any problem in sourcing water in all of its production sites. Owing to the suspension of the Group's production facilities, target set for water efficiency will be available until our operation resumes to normal level. As for electricity, most of the Group's production sites have a power plant in place. During 2020, nearly 19% (2019: 35%) of the electricity needs for the Group's production are supplied by the power plant internally. The reduction in the proportion was a result of the suspension of operation in certain production sites in which the power plants were running at low utilisation rate. 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 (^{'000} metric tonne)	Electricity (^{'000} kwh)	Steam (^{'000} metric tonne)	Coal (^{'000} metric tonne)
2020 ¹⁾	715	20,873	207	21
2019	1,975	100,744	822	132
Change	(64%)	(79%)	(75%)	(84%)

Remark:

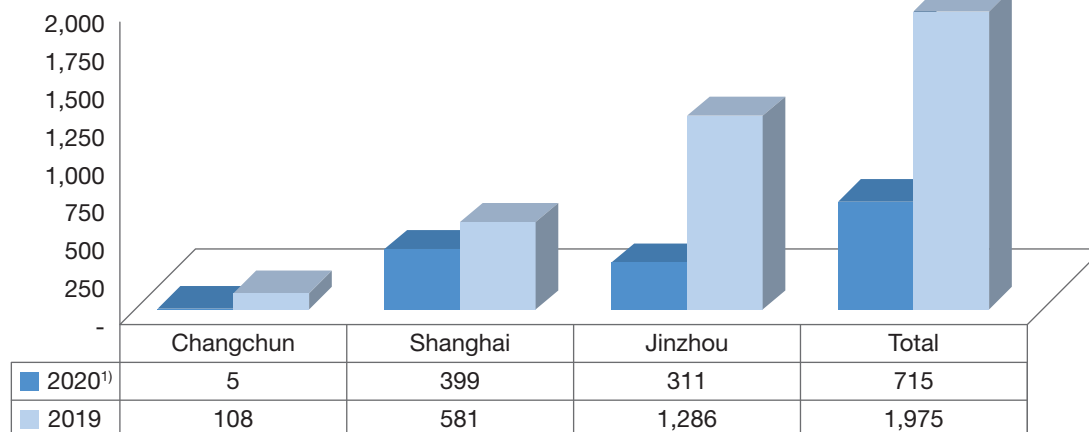
- Overall consumption of water, electricity, steam and coal of the Group's production facilities in 2020 decreased compared to that of 2019, which was mainly attributable to suspension of production in most of the Group's production sites in 2020.

2. ENVIRONMENTAL PROTECTION



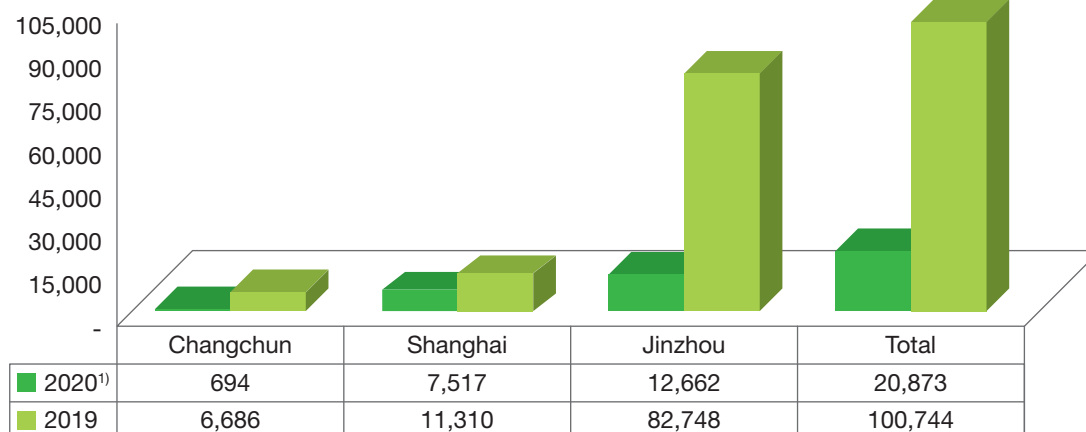
Water Consumption by Facility Locations

('000 metric tonne)



Electricity Consumption by Facility Locations

('000 kwh)

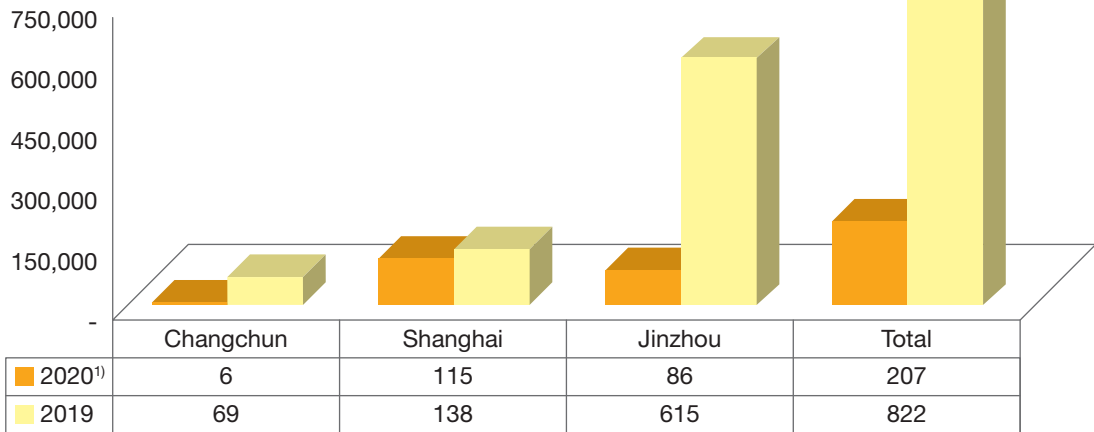




2. ENVIRONMENTAL PROTECTION

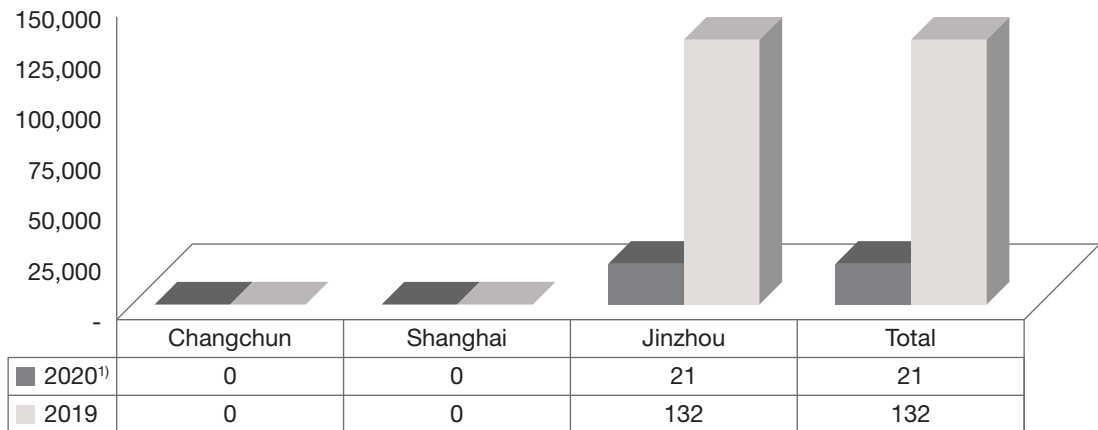
Steam Consumption by Facility Locations

('000 metric tonne)



Coal Consumption by Facility Locations

('000 metric tonne)



Remark:

- Overall consumption of water, electricity, steam and coal of the Group's production facilities in 2020 decreased compared to that of 2019, which was mainly attributable to suspension of production in most of the Group's production sites in 2020.

2. ENVIRONMENTAL PROTECTION



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

	Water (‘000 metric tonne)	Electricity (‘000 kwh)	Steam (‘000 metric tonne)	Coal (‘000 metric tonne)
2020¹⁾				
Upstream	311	12,662	86	21
Downstream	404	8,211	121	0
Total	715	20,873	207	21
2019				
Upstream	1,286	83	615	132
Downstream	689	17	207	0
Total	1,975	100	822	132

Remark:

- 1) Overall consumption of water, electricity, steam and coal of the Group’s production facilities in 2020 decreased compared to that of 2019, which was mainly attributable to suspension of production in most of the Group’s production sites in 2020.

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

	Water (metric tonne)	Electricity (kwh)	Steam (metric tonne)	Coal (metric tonne)
2020 ¹⁾	3.60	105.03	1.04	0.10
2019	2.61	133.30	1.09	0.17
Change²⁾	38%	(21%)	(5%)	(41%)

Remarks:

- 1) Since the operation of most of the production sites of the Group have been suspended during 2020, the unit consumption figures were calculated based on the production data provided by the Shanghai production site where only downstream operation is available, resulting in discrepancies in the unit consumption figures between the two years.
- 2) As different products have different resources consumption patterns, unit consumption varies due to changes in product mix.



2. ENVIRONMENTAL PROTECTION

Unit Consumption of Per Metric Tonne Product Produced by Geographic Location

Unit Consumption of Per Metric Tonne Product Produced in 2020

Operation Locations	Water (metric tonne)	Electricity (kwh)	Steam (metric tonne)	Coal (metric tonne)
Changchun	1.75	212.14	1.92	N/A
Shanghai	2.87	54.14	0.83	N/A
Jinzhou	5.49	223.61	1.52	0.36
Average¹⁾	3.60	105.03	1.04	0.10

Unit Consumption of Per Metric Tonne Product Produced in 2019

Operation Locations	Water (metric tonne)	Electricity (kwh)	Steam (metric tonne)	Coal (metric tonne)
Changchun	1.37	85.22	0.88	N/A
Shanghai	3.32	64.59	0.79	N/A
Jinzhou	2.56	164.78	1.22	0.17
Average¹⁾	2.61	133.30	1.09	0.17

Remark:

- 1) As different products have different resources consumption patterns, unit consumption varies due to changes in product mix.

2. ENVIRONMENTAL PROTECTION



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

	Water (metric tonne)	Electricity (kwh)	Steam (metric tonne)	Coal (metric tonne)
2020				
Upstream ¹⁾	5.49	223.61	1.52	0.36
Downstream ²⁾	2.85	57.78	0.85	0.00
2019				
Upstream	2.56	164.78	1.22	0.17
Downstream ²⁾	2.59	73.19	0.84	0.00

Remarks:

- 1) The upstream operation in the Jinzhou production site only operated at low facility utilisation for the first quarter of 2020 and has been suspended since then. As such, the unit consumption figures per metric tonne of upstream products increased significantly.
- 2) As different products have different resources consumption patterns, unit consumption varies due to changes in product mix.

2.2.2 Conservation of Resources

GSH has strong awareness of resource conservation. Continuous R&D work on raising the efficiency use of water, electricity and steam is our major focus. 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 water, electricity, 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 condition and ensure production safety.



2. ENVIRONMENTAL PROTECTION

2.2.3 Consumption of Fuel

Consumption of Fuel by Type

	Gasoline (Litre)	Diesel (Litre)	Total (Litre)
2020 ¹⁾	8,382	671,111	679,493
2019	16,336	1,004,866	1,021,202
Change	(49%)	(33%)	(33%)

Remark:

- 1) The decrease in consumption of fuel in 2020 was mainly attributable to the suspension of operation in most of the Group's production sites.

Consumption of Fuel by Purpose



Remark:

- 1) 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 (including flexitanks), 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)
2020 ¹⁾	30,117	1,860	31,977	0.16
2019	37,446	1,724,864	1,762,310	2.33
Change	(20%)	(100%)	(98%)	(93%)

Remark:

- Consumption of packaging materials dropped significantly during 2020 as a result of reduced output due to suspension except for plastic pails which are reusable and will be washed, sanitised and recycled after every use.

Recycle Use of Packaging Materials of the Group

	Recyclable Reusable (Unit)	Recyclable Obsolete (Unit)	Non-Recyclable Sold (Unit)	Total (Unit)
2020	247,751	8,373	23,104	279,228
2019	339,838	11,746	1,749,964	2,101,548
Change	(27%)	(29%)	(99%)	(87%)

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 definitely have effects on the natural environment. It is the Group's mission to continuously striving for improvement and minimise our environmental footprints. As described in the previous sections, emission of greenhouse gases and wastewater of the Group 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.



2. ENVIRONMENTAL PROTECTION

Nevertheless, the Group has continuously studied and researched for ways to further minimise our footprints on the environment. Given the fact that most of our production facilities have been suspended since end of 2019, we were not able to set efficiency target until the Group's operation resumes to normal level. However, the Group strives to further reduce total energy consumption by undertaking the following measures:

Approaches	Measures
Production	<ul style="list-style-type: none"> Streamline the production processes and reduce any unnecessary use of materials Shift to new production processes to reduce consumption Launch green ("green" in the sense of minimising energy consumption during production process or posing less harm to the environment) products to market
Green Initiatives	<ul style="list-style-type: none"> Adjust air conditioning temperature to 25 degree Celsius at office Switch off lighting and air-conditioning when unattended Encourage staff to take public transport to and from workplaces
Employee Awareness	<ul style="list-style-type: none"> Engage employees by initiating the recycle practices at production sites and offices Convey environmental messages via company email

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, analysed 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 employee of the Group is an advocate of resource conservation. Recycle use of paper is a common practice within the Group.

Below is a summary of paper consumption of the Group:

Operation Locations	2020	2019	Change
Changchun	100,000	660,000	(85%)
Shanghai	112,424	127,451	(12%)
Jinzhou	45,070	59,480	(24%)
Hong Kong ¹⁾	229,824	285,826	(20%)
Total	487,318	1,132,757	(57%)

Remark:

- The paper consumption of the Group's Hong Kong office includes the paper consumption with respect to the preparation for the publication of circulars, annual reports and interim reports, as well as the daily paper consumption in office.

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 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.

In line with the Group's corporate and ESG strategies, the Group takes into consideration the ESG performance of our suppliers when assessing and shortlisting the Group's suppliers. The Group makes sure we work with suppliers that share the same value and work diligently towards a common goal of building sustainable businesses. While we are constantly striving to strengthen and perfect our ESG strategy, we also extend our awareness along our supplier chain to ensure the raw materials/products we use in our production process aligned with our value. In appraising our suppliers, we will try our best to identify any social and environmental risks or issues that concern us. It is important for us to work with socially responsible suppliers. We make sure the Group does not work with suppliers that are involved in child labour or putting their workers in poor working conditions, etc. through our appraisal processes. We also assess the environment aspect of the suppliers in terms of emission control and environmental protection, energy conservation, corporate value and strategies in making greener products through production process enhancement and new production applications.

As corn is a major raw material of the Group's production which we mainly sourced from local farmers and traders, we are constantly aware of use of harmful substances (such as chemical insecticides) that may pass along the supply chain that may eventually pass onto our customers/end users. As such, stringent quality control process in our corn procurement is important (for details please refer to 3.1.1.1 Corn Procurement Procedures below).

3.1.1 Engaging Suppliers

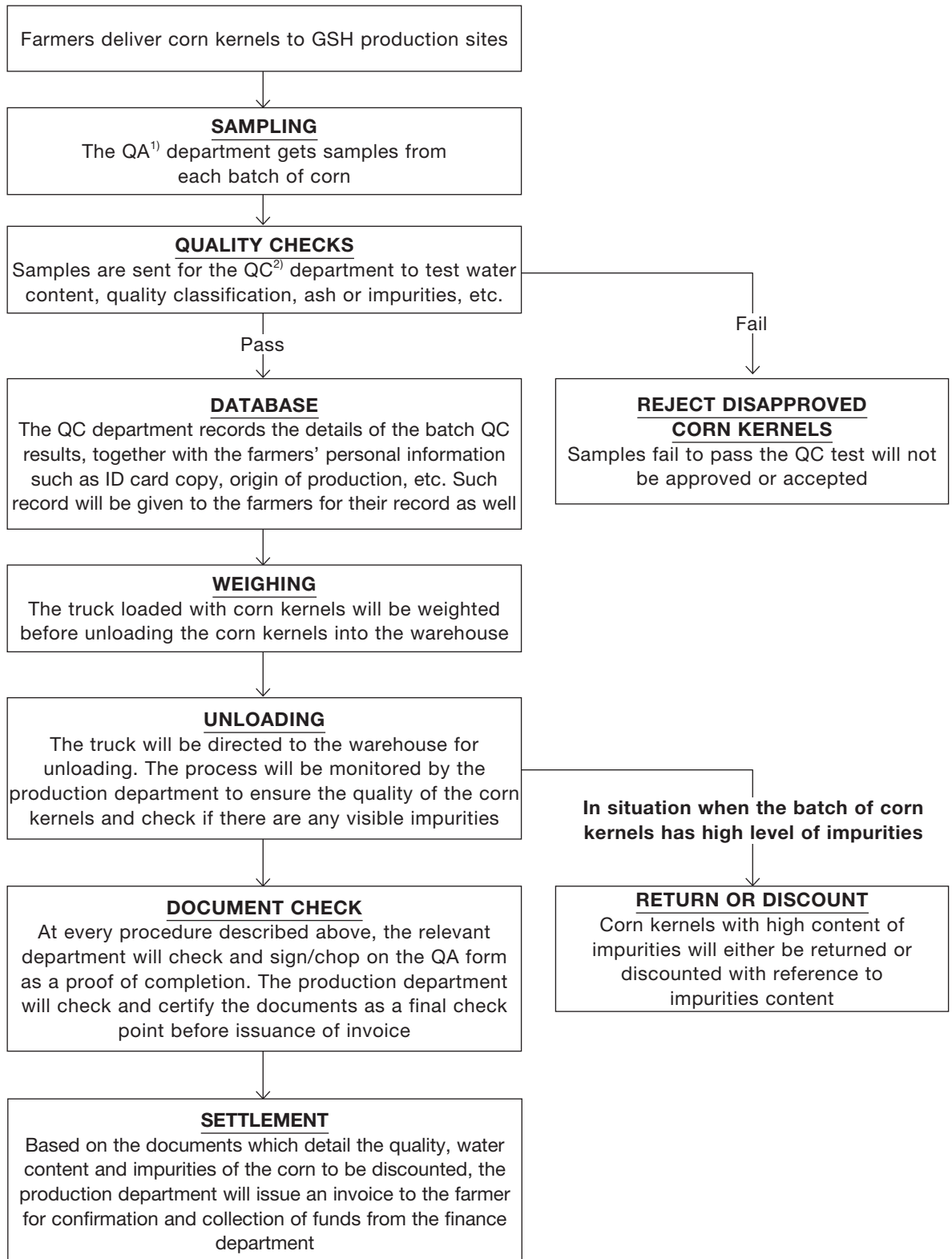
For the engagement of suppliers, the Group implements a stringent supplier certification process. Every supplier is required to go through a list of assessment procedures before getting qualified as the Group's supplier.

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 and traders. 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



3.1.1.2 Maintenance of Suppliers Database (for procurements other than corn)

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

Aspects	Details
Company Qualifications	Examine supplier's business registration, production approval, examination report of the product and other related documents to justify the suppliers have the relevant qualifications, ability and capacity to produce.
Company Background	Assess suppliers in terms of their operations, credit worthiness, management systems, environmental awareness and lawfulness. Suppliers who have good operations and credit worthiness and have the least impact on the environment are preferable. Food safety is another major consideration during the assessment process. Suppliers 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 before delivery. 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 get 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.
Environmental Impacts	Evaluate the suppliers' impact on the water, land and atmospheric environment of the community. Extra credits will be given to suppliers adopting greener production processes and producing greener products such as biodegradable materials, etc.

The assessment reports of the suppliers will be filed properly and those suppliers which passed the assessments by the procurement department 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 of GSH 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 department for approval. The procurement department will then assess if the proposed items and quantities are justified. After the plan is approved, the procurement department will provide a list of suppliers for the corresponding items (at least 3 suppliers for each item) from its database. The procurement department will review and assess the suppliers with reference to the reports and the suppliers' quotation. Site visits to the supplier's production site will also be carried out to determine whether the new supplier meets the Group's requirements. It 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, delayed payment or 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 Operation Locations in 2020

Operation Locations							Total by Locations ¹⁾
	Machinery	Raw Materials	Packaging Materials	Utilities	Logistics	Others	
Changchun	34	14	6	1	8	8	71
Shanghai	0	19	7	3	6	5	40
Jinzhou	9	2	2	4	3	14	34
Total by Categories¹⁾	43	35	15	8	17	27	145

Summary of Numbers of Suppliers by Categories and Operation Locations in 2019

Operation Locations							Total by Locations ¹⁾
	Machinery	Raw Materials	Packaging Materials	Utilities	Logistics	Others	
Changchun	38	15	7	1	8	5	74
Shanghai	6	22	8	3	6	3	48
Jinzhou	7	8	3	4	7	0	29
Total by Categories¹⁾	51	45	18	8	21	8	151

Remark:

- The numbers of suppliers in the above table were the sums of the numbers of suppliers provided by each subsidiary. Since certain suppliers supply goods or services to various subsidiaries of the Group, the total number of suppliers in the above tables did 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 2020

Geographic Regions	Machinery	Raw Materials	Packaging Materials	Utilities	Logistics	Others	Total by Locations¹⁾
Northeast China	19	13	6	5	9	21	73
Northern China	6	7	0	0	0	0	13
Eastern China	13	13	9	3	8	6	52
Others	5	0	0	0	0	0	5
Total by Categories¹⁾	43	33	15	8	17	27	143

Geographic Distribution of Suppliers in 2019

Geographic Regions	Machinery	Raw Materials	Packaging Materials	Utilities	Logistics	Others	Total by Locations¹⁾
Northeast China	15	21	6	5	15	4	66
Northern China	6	6	1	0	0	0	13
Eastern China	24	16	11	3	6	3	63
Others	4	2	0	0	0	0	6
Total by Categories¹⁾	49	45	18	8	21	7	148

Remark:

- 1) The numbers of suppliers in the above tables were the sums of the numbers of suppliers provided by each subsidiary. Since certain suppliers supply goods or services to various subsidiaries of the Group, the total number of suppliers in the above tables could be different from the ones on p.32 and did not represent the total number of suppliers of the Group as a whole for the relevant year.



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3.2 PRODUCT SAFETY

As a socially responsible corporate, GSH puts a lot of efforts to ensure product safety, especially a lot of our products go to the food and beverage 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 relevant 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

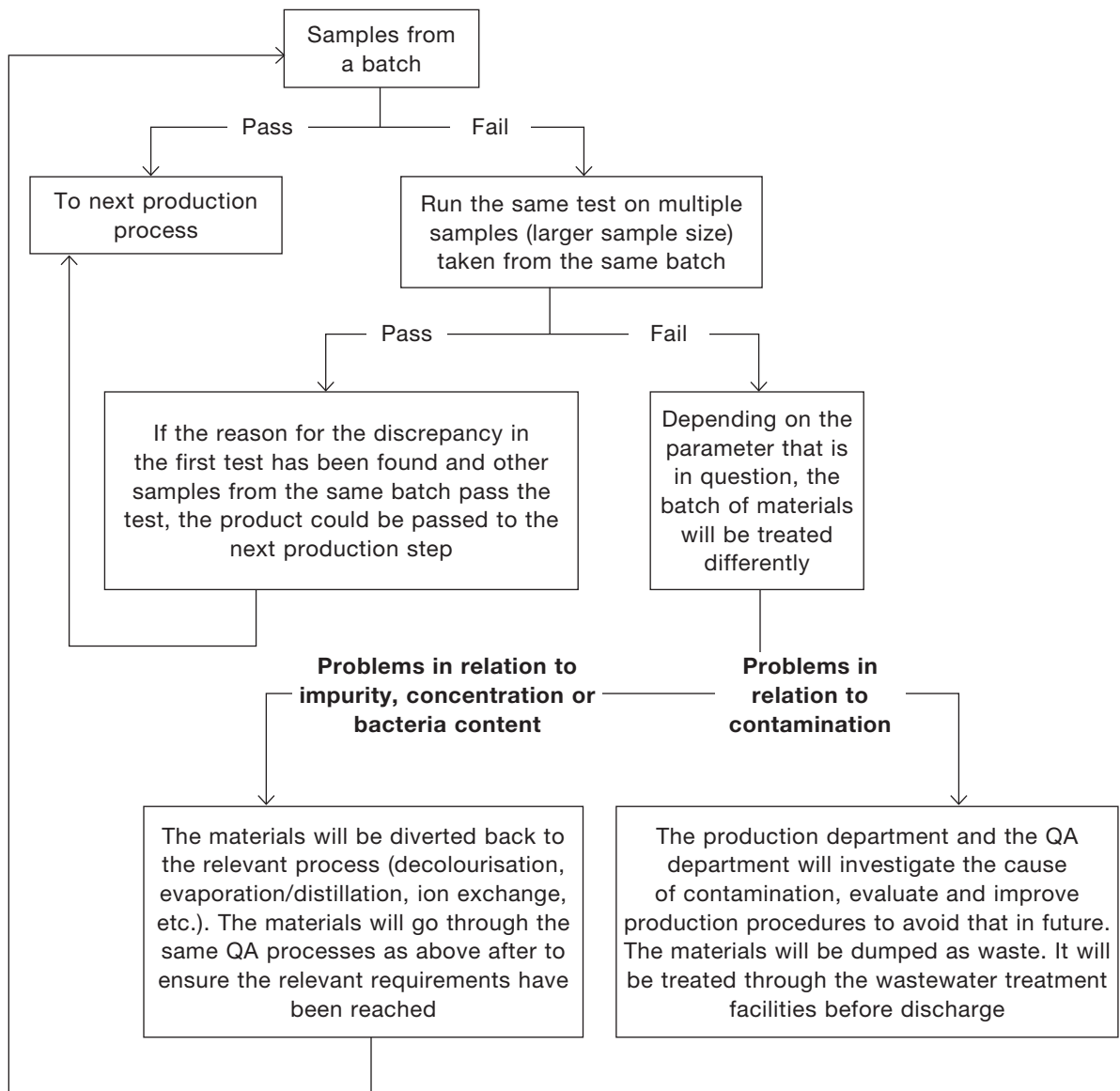
GSH has written guidelines and standards for the quality assurance processes which include the details of the examination of raw materials, packaging materials and finished products, etc. The details of the examination cover the examined subject, methods and scope which the Group has formulated with 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.
- **Intermediate and finished products:** The production department and the QA department are responsible for the inspection and examination of intermediate and finished products. The production department 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 departments 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.



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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:





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On top of the above arrangements, each subsidiary of the Group will submit samples to qualified third-party laboratory or inspection bodies for examination and inspection on regular basis as required by the 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, the 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
- Maltose: GB/T 20883-2017
- Syrup for Brewing: QB/T 2687-2005
- Isomaltooligosaccharide: GB/T 20881-2017
- High Fructose Syrup: GB/T 20882-2007
- Maltodextrin: GB/T 20884-2007
- Edible Corn Starch: GB/T 8885-2017
- Corn Gluten Meal for Feedstuffs: Q/JZYC 001-2017¹⁾
- Corn Syrup Solid: Q/CDCJT 08-2018¹⁾
- Maize Oil: GB/T 19111-2017

Remark:

- 1) Industry standard adopted by the Group, which has a higher requirement as compared with the national standards.

3.2.2 Standards and Procedures for Recall of Products

All of the Group's products must undergo the relevant examinations or tests to prevent products that have or potentially have any quality or food safety problems 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 and 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. The procedures for product recall are as follows:

1. When the sales department 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 the 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.

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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 department.
3. The sales department will follow up with customers and request to quarantine the product involved. The sales department will also record the involved volume and the reasons for requesting recall, and then inform the logistics department to arrange the recall of the products. The logistic department will record the details (including product name, volume, order number and invoice number, etc.) of the products recalled and segregate them properly.
4. The 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 or 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. The administration department will keep a full report of the case for record.
7. The 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 Year (2019: nil). However, there were cases of customer’s complaints and product return cases reported during the Year which were primarily in relation to concentration, color and packaging problems. Details of the cases are outlined in section 3.2.3 below.



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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 2020

Operation Locations	Problems in relation to											
	Product Quality		Packaging		Quantity		Invalid Complaints		Others		Total by Locations	
	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾
Changchun	0	0	0	0	0	0	0	0	0	0	0	0
Shanghai	7	0	0	0	1	0	0	0	0	0	8	0
Jinzhou	2	0	2	0	1	0	0	0	0	0	5	0
Total by Categories	9	0	2	0	2	0	0	0	0	0	13	0

Number of Cases of Customers' Complaints and Product Return in 2019

Operation Locations	Problems in relation to											
	Product Quality		Packaging		Quantity		Invalid Complaints		Others		Total by Locations	
	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾
Changchun	2	0	0	0	0	0	0	0	0	0	2	0
Shanghai	3	0	2	1	0	0	0	0	1	0	6	1
Jinzhou	8	0	1	0	0	0	0	0	0	0	9	0
Total by Categories	13	0	3	1	0	0	0	0	1	0	17	1

Remarks:

- 1) C: Number of complaint cases
- 2) PR: Number of product return cases

Percentage of customers' complaint cases and product return cases (based on the number of sales orders involved over the total number of sales orders processed) for GSH during the Year were 0.08% (2019: 0.06%) and 0.01% (2019: 0.01%) respectively.

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Amount of Products (Metric Tonne) Involved in Relation to Customers' Complaints and Product Return in 2020

Operation Locations	Problems in relation to											
	Product Quality		Packaging		Quantity		Invalid Complaints		Others		Total by Locations	
	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾
Changchun	0	0	0	0	0	0	0	0	0	0	0	0
Shanghai	76	0	0	0	1	0	0	0	0	0	77	0
Jinzhou	32	0	1	0	1	0	0	0	0	0	34	0
Total by Categories	108	0	1	0	2	0	0	0	0	0	111	0

Amount of Products (Metric Tonne) Involved in Relation to Customers' Complaints and Product Return in 2019

Operation Locations	Problems in relation to											
	Product Quality		Packaging		Quantity		Invalid Complaints		Others		Total by Locations	
	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾	C ¹⁾	PR ²⁾
Changchun	1	0	0	0	0	0	0	0	0	0	1	0
Shanghai	8	0	139	0	0	0	0	0	10	10	157	10
Jinzhou	473	0	0	0	0	0	0	0	0	0	473	0
Total by Categories	482	0	139	0	0	0	0	0	10	10	631	10

Remarks:

- 1) C: Amount of products involved in complaint cases
- 2) PR: Amount of products involved in product return cases

Percentage of the concerned volume involved in customers' complaint cases and the concerned volume involved in product return cases over the total sales volume for GSH during the Year were 0.05% (2019: 0.09%) and 0.00% (2019: 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》)
- Standardisation 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》)



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- 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.

During the Year, the Group has not engaged in any product liability insurance contract (2019: nil).

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 national 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.

3.2.7 Intellectual Property Right

The Group has been in compliance with the intellectual property rights under the relevant legislation where the Group operated. The Group will closely monitor the updates on the laws and regulations in relation to intellectual property rights to ensure the strict compliance with the relevant laws.

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 Listing Rules 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 set out in Appendix 10 to the Listing Rules. A corporate governance committee (the "CG Committee") has been set up to ensure the effectiveness of corporate governance and system of internal non-financial controls of the Group. The CG 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.

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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 behaviors, 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.

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 Group also has a whistleblowing policy and procedures to encourage and enable the 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.

During the Year, the Group’s Directors and staff were given training on anti-bribery and anti-corruption to raise their awareness on the subject matter.

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》)
- Tendering and Bidding Law of the People’s Republic of China (《中華人民共和國招標投標法》)
- 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 was no case in relation to bribery, blackmail, extortion or money laundering reported in any of the subsidiaries under the Group during the Year (2019: 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. The Group also took the opportunity of the relocation of production facilities to the Xinglongshan site to upgrade the Group's production facilities and streamline production processes. After the relocation, production efficiency at the new site has been improved and thus further 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.

During the Year, the Group achieved good results in various evaluations and assessments organised by various national or provincial institutions.

Operation Locations	Awards	Awarding Institution(s)
Shanghai	Shanghai Safety Demonstration Unit (上海市平安示範單位)	CPC Shanghai Political and Judiciary Committee (中共上海市委政法委員會)
	Four-star Party Branch of Maqiao Town (馬橋鎮四星黨支部)	CPC Committee of Maqiao Town, Minhang District (中共閔行區馬橋鎮委員會)
Jinzhou	Meritorious Enterprise (功勳企業)	Jinzhou Municipal Government (錦州市人民政府)

Our commitment to the community also involves the care given to 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 the Year, due to the COVID-19 pandemic, the Shanghai production site has made donation to help with combating the pandemic. As organisation of normal sports events was also limited due to the pandemic, the Group has instead spent over 20 hours organising some small-scale sports events and ball games during the Year to cultivate the sense of belongings and initiative of our people.