



**百信集團**

PASHUN GROUP

**Pa Shun International Holdings Limited**

**百信國際控股有限公司**

(於開曼群島註冊成立的有限公司)

股份代號：574

**Environmental, Social &  
Governance Report**

**2017**



## INTRODUCTION

To comply with the requirements set out in the Environmental, Social and Governance Report Guide issued by the Stock Exchange of Hong Kong Limited in December 2015, Pa Shun International Holdings Limited (the “Company” or “Pa Shun Group”, together with its subsidiaries referred to as the “Group”) hereby submits its Annual Environmental, Social and Governance (“ESG”) Report (the “ESG Report”) for the period starting from 1 January 2017 to 31 December 2017. The reporting scope of the ESG Report covers the Company and its subsidiaries.

This Environmental, Social and Governance (“ESG”) Report of the Group aims to highlight its ESG performance during the Year 2017.

The Group is mainly engaged in pharmaceutical distribution, self-operated retail pharmacies and pharmaceutical manufacturing businesses in the People’s Republic of China (“China” or the “PRC”). Further information about the Group’s principal business is disclosed in the sub-section headed “Business Review” in the section “Management Discussion and Analysis” in 2017 annual report separately published by the Group in April 2018.

This report should be read in conjunction with the Corporate Governance Report on pages 16 to 25 of 2017 annual report separately published by the Group in April 2018 in order to have a full understanding on the Group’s relevant performances.



## CONTENTS

	Page
<b>Reporting standards</b>	<b>3</b>
<b>Scope</b>	<b>3</b>
<b>Policy and focus</b>	<b>3</b>
<b>Business sustainability</b>	<b>4</b>
<b>Stakeholder group, engagement and materiality</b>	<b>4</b>
<b>Environment</b>	<b>7</b>
– Environmental and natural resources	7
– Gas emission	7
– Waste management	8
– Use and protection of resources	9
– Environmental impact and natural resources	11
<b>Social</b>	<b>11</b>
– Employment and labor practices	11
– Employee health and environment safety	12
– Human resource development and training	14
– Labor standards	15
– Equal opportunities	15
– Supplier and supply chain management	16
– Product responsibility and safety	17
– Protect of intellectual property and confidential information	18
– Anti-corruption	19
– Community investment and engagement	20
<b>Summary 1: Compliance to ESG Reporting Guide of the Stock Exchange</b>	<b>21</b>
<b>Summary 2: Compliance to Relevant Laws in PRC</b>	<b>23</b>

## REPORTING STANDARDS

This report is prepared in accordance with the Environmental, Social and Governance (ESG) Reporting Guide set out in Appendix 27 to the Listing Rules (“HKEX ESG Reporting Guide”). The Company has complied with the “comply or explain” provisions set out in the HKEX ESG Reporting Guide for the year ended 31 December 2017. The Group’s management approaches, strategies, priorities and targets of environmental and social aspects are disclosed in this report.

## SCOPE

The reporting of this Environmental, Social and Governance Report covers the overall performance of the business environment and society of Pa Shun International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) in the People’s Republic of China (“China” or the “PRC”) from 1 January to 31 December 2017.

This report should be read in conjunction with the Notes to the consolidated financial statements on pages 161 to 162 of 2017 annual report separately published by the Group in April 2018 in order to have a full understanding of the Group.

## POLICY AND FOCUS

As a responsible corporation, the Group is committed to maintain the highest environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations relating to its business including production, health and safety, workplace conditions, employment and the environment that have a significant impact on the Group. The Group understands a better future relies on all stakeholders’ participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

## **BUSINESS SUSTAINABILITY**

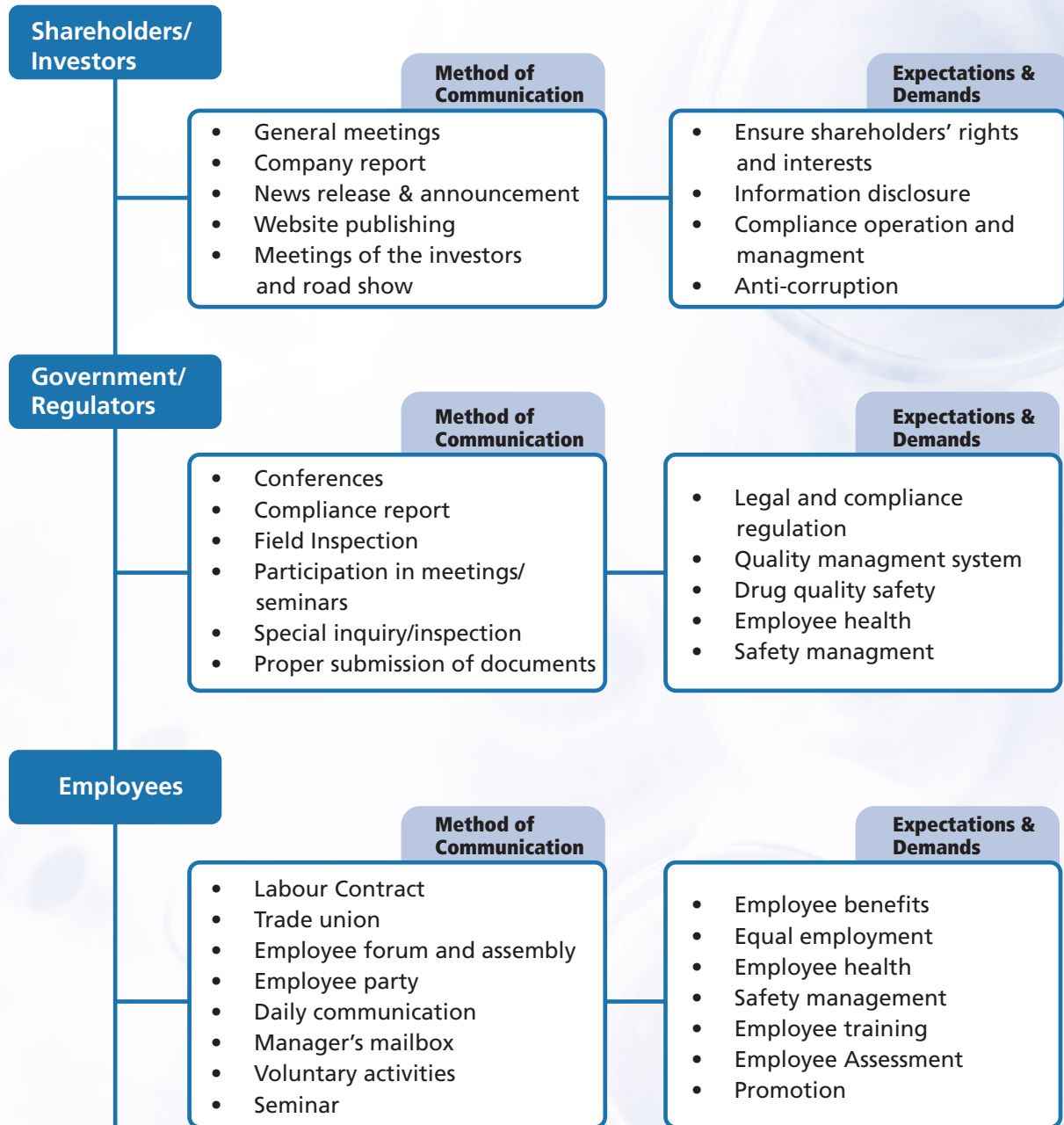
China's pharmaceutical industry is full of development opportunities. Meanwhile, reform of the industry continues to deepen as multiple medical reform policies including the Two-Invoice System and the new version of National Medical Insurance Catalogue have been successively adopted, leading to a changing market environment. In a business environment where opportunities and challenges coexist, the Group will continue to leverage its solid foundation in Southwest China and make good use of its existing resources and networks to opportunistically expand into other innovative areas. Under the leadership of an experienced and dedicated management team, the Group will continue to implement the following business development strategies to sustain growth and achieve better returns:

- Speeding up the construction of international logistics centers to improve the operational efficiency of the distribution business;
- Optimising the product structure to cover traditional Chinese medicine, health food and other health sectors;
- Extending presence to the upstream industry chain and participate in the purchase of traditional Chinese medicine; and
- Continuing to search for potential mergers and acquisition targets to improve the profitability of the Group.

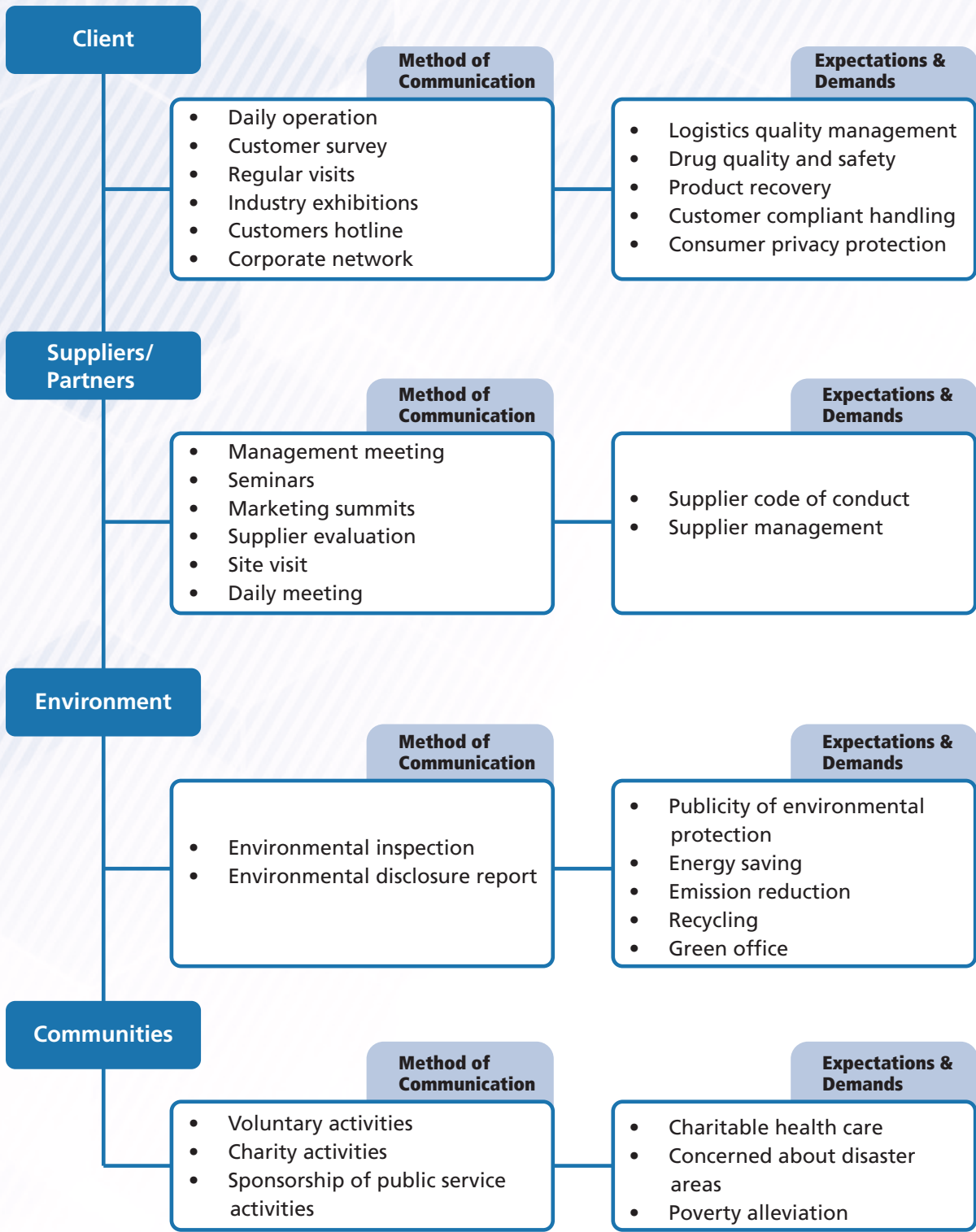
## **STAKEHOLDER GROUP, ENGAGEMENT AND MATERIALITY**

The Company has a wide range of stakeholders, including shareholders/investors, government/regulators, employees, customers, suppliers/partners, the environment, communities/the public. Through a variety of formal and informal communication methods for collecting opinions and fully understanding of shareholders' expectations, it carries out social responsibility practices and balances the interests of the Group and shareholders.

The importance of the participation of stakeholders







## ENVIRONMENT

### Environment and natural resources

The Group is committed to the development of its business and environmental conservation in order to maximize its benefits while minimizing the impact on the natural environment. Group senior management attaches great importance to deal with environmental impacts of business activities, all business decisions are made by them to ensure compliance with the legal and regulatory requirements in the PRC. In addition, the current senior management published every business decision whereas the guidelines will also be published to lead staff performing tasks and to encourage staff proposing their advice, thereby to enhance corporate transparency and common implementation of appropriate environmental conservation.

The Group is also committed to promote environmental awareness programs to encourage different stakeholders in the community to work together to create a better environment. The following contents are described the environmental conservation measures which are implemented by the Group in terms of gas emissions, waste management, use and protection of resources, environmental impacts and natural resources.

### Gas emission

In terms of gas emissions, the Group proactively examined the issue of gas emissions during the course of conducting business activities and found that the main sources out of gas emissions were electricity and heat consumption as well as transportation activities in the pharmaceutical business, pharmaceutical distribution, self-operated retail pharmacies and the provision of services to customers and our integrated management processes

In China and Hong Kong, major air pollutants include nitrogen oxides, sulfur oxides and respirable suspended particulates, as well as greenhouse gas emissions. Gas emissions from power, heat and transportation are all elements that the Group values, so that it can be used fully and effectively to achieve the Group's goal of coping with global climate change.

Undertaking referred to above, for the purpose of efficient use of electricity, heat and transportation, the Group insists, without affecting business development, reduce power and heat consumption as much as possible, implement appropriate responses to Earth Hour and other environmental protection activities, and long or short-distance travel for meeting was replaced by an online meeting.

The Board is responsible for the detection and evaluation of the efficiency of the Group to reduce its direct and indirect emissions of greenhouse gases and other air pollutants, and considers the current policy is a relevance and appropriate. However, due to our business nature so, the Group business operation activities that may not directly relate to emissions of greenhouse gases into the atmosphere and other air pollutants. Therefore, we posed no significant impact on gas emissions.



## **ENVIRONMENT** *(Continued)*

### **Waste management**

The Group is committed to reduce its emissions and waste generation. On waste treatment, we select to reuse or recycle all materials as possible which is actively to achieve our purpose of environmental protection.

The Group's harmful medical waste generation and emissions, mainly from its Chengdu, China pharmaceutical production business; harmless exhaust emissions and harmless waste generation are out of paper, packaging material, plastic material and sewage generated in the process of providing customer service and general administration, which are mainly from China's pharmaceutical distribution and self-operated retail store business.

On the other hand, the Group has been promoting harmless waste reduction to employees and established a series of incentives to attract employees to implement our goal, which include but not limited to, the Group encourages employees to work & communicate through e-mail and electronic documents and has also set up harmless waste recycling bins to collect recyclable harmless waste.

In addition, the Group has developed a series of policies and guidelines to meet the statutory discharge requirements of local governments in Hong Kong and China. For example, the Group's pharmaceutical factory in Chengdu has already successfully obtained a "pollutant emission permit".

According to the company's guidelines, all of the Group's hazardous wastes from the factory of Chengdu, China, are properly disposed of and transported to licensed waste disposal companies for professional disposal treatment to ensure that they do not flow into the natural environment.

The Group tries to reduce the amount of solid waste and unused material or non-recyclable material, which are properly disposed of and delivered to licensed waste disposal companies for professional disposal treatment.

During the reporting period, the Group did not have any non-compliance with environmental laws and regulations relating to waste generation and discharge of waste, including but not limited to Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong), Waste Disposal (Clinical Waste) (General) Regulation (Cap. 354 of the Laws of Hong Kong), Environmental Protection Law (PRC), Prevention and Control of Water Pollution Law (PRC), Prevention and control of Environmental Pollution by Solid Waste (PRC).

## **ENVIRONMENT** *(Continued)*

### **Use and protection of resources**

As a corporate focus on environmental protection, the Group pursue actively the culture for efficient use of natural resources, we mainly concern the energy and natural resources policy on electricity, water, paper, gasoline and harmless waste. We hope to teach employees upholding the Group's excellent tradition to make a contribution to the environment, the Group continues to seek effective and sustainable practices in its business operations in order to make better use of resources.

In the area of electricity, the energy is consumed mainly for the pharmaceutical production business of Chengdu, China, and the process of providing customer service and the general administration of the Group. To further reduce the electricity consumption in the process of general administration, the group remind initiatively all employees turn off the lights and air conditioning after work or before leaving meeting room. The Group's efficient use of energy will help reduce greenhouse gases emissions and slow down global climate change.

In terms of water consumption, we draw water from the Group's public and private water facilities. Water is mainly consumed by Chengdu, China pharmaceutical production business, and the process of providing customer service and general administration.

The Group does not draw water directly from the ecosystem and does not operate its business in water-scarce areas. The Group minimize the amount of water in the course of business, we are initiative to remind all employees to save water. The Group's efficient use of water will help to protect the quality of drinking water in the local communities and the local residents of those communities.

In the consumption of paper and other aspects of material, which are used by the Group's Cheung du, China pharmaceutical production business, the process of providing customer service and general business administration. Renewable natural resources in the form of wooden parts and components, as well as non-renewable natural resources in the form of metal, glass or plastic parts and components such as equipment, tools, stocks which are purchased from external suppliers.

The Group took the initiative to post notices in different office space reminding employees to recycle paper, and to save paper by using electronic documents at the same time. The Group's highly efficient use of natural resources and the choice to recycle or reuse materials, products and packaging material helps to conserve natural resources.

**ENVIRONMENT** *(Continued)***Use and protection of resources** *(Continued)****In terms of gasoline consumption****Unleaded gasoline*

The Group consumes unleaded gasoline in the transportation business of goods and general administration. The Group's air pollutants emitted by unleaded gasoline consumption for transportation are not significant, and the Group reminds all employees to avoid all unnecessary travel to reduce consumption of gasoline.

In 2017, the Group reported the following types of resource consumption was listed below:

Electricity	110,000 kw
Gasoline	1,500 liters
Water	500 cubic meters
Wrapping paper/paper box/boxes	3.6 tons
Packing sealant	20 kg

By implementing appropriate energy and material management plans in every business unit of our business operations, we can positively impact our environment and our economy while we ensure our business continuity. Currently, we are in Chengdu, China's main business locations and production bases to promote more efficient use of energy and materials and achieve the goals of the plans mentioned above.

Short-term and medium-term objectives of the Group is to implement monitoring system on good usage of energy and material. We adopt third-party logistics service provider which has a business model consistent with our environmental standards. We report usage of energy and material in annual reports and regular reports. We invest energy-efficient hardware in line with our environmental policy. We promote employee awareness and commitment.

In addition, the Group's long-term objectives are to minimize cost of energy and material, to define best practice benchmarks for the Group's energy consumption and material use, to measure our performance and benchmark levels, to prioritize consider investment of energy-efficiency and where possible from the points of sustainable use of energy resources and materials, to negotiate better energy costs with utility company as far as possible.

The Board is responsible for monitoring and evaluating the Group's practices in consuming natural resource in efficiency and in recycling materials we consider that the current policy is appropriate.



## **ENVIRONMENT** *(Continued)*

### **Environmental impacts and natural resources**

The Group strive to implement various green measures to reduce the amount of impact on the environment, including responsible use of resources, reduction of the carbon emissions, energy conservation, waste management and pollution prevention.

The Group recognizes that our business has an impact on the environment, in particular through lighting, heating and cooling in our offices, shops and warehouses, fuel consumption of distribution fleets, generation of certain hazardous wastes (say, bulb waste) and non-hazardous waste, the product of chemicals.

Therefore, the Group is committed to implement good environmental practices and enhance its contribution to environmental sustainability and development. We regular review our business practices and check the efficient use of energy, communicate with suppliers about our expectation of responsible and sustainable in procurement and production, reduce to use disposable plastic shipping bags and encourage to use more environmental shipping bags, reduce to print paper and good use of wrapping paper, adopt to use various energy saving measures such as the use of LED lights.

## **SOCIAL**

### **Employment and labor practices**

In general, the head office and principal place of business of the Group is in Hong Kong as well as the pharmaceutical production, distribution and self-operated retail store business in Chengdu, China. Our employees are entitled to social insurance, health insurance, annual leave, sick leave, marriage leave, compassionate leave, compensation leave, body check and medical leave. Employees' safety conditions is deemed as a primary consideration by the Group. The Group has the duty to respect and protect its employees, their rights and employment contracts which should be in line with the relevant standard of labor and employment laws and regulations.

To enhance employees' sense of belonging and loyalty to the Group, we established and implemented the evaluation and reward system for our employees. We regularly assess employees in different positions by their performance, attitude, work ability, discipline and accountability. We give appropriate incentives and promotion to employees with good performance.

## **SOCIAL** *(Continued)*

### **Employment and labor practices** *(Continued)*

Apart from it, our human resources department will evaluate the aforesaid policies regularly, and based on the results of the evaluation to adjust the salaries level to reach the fair level in the industry. To safeguard the freedom of employees, for any resignation or transfer, the group is following the law of labor department, require for one month written notice and notice by their supervisor. The management will hold a meeting with applicant to achieve mutual agreement then pass the results to the human resources department reviewing result and making final decision. All of the agreement including appointment, promotion or termination of contract are in accordance with the laws of labor department.

The Board is responsible for monitoring and evaluation of the Group's effectiveness in protecting employees' employment rights, benefits and welfare, strictly prohibiting unfair or unreasonable dismissal. We consider the existing policies are appropriate.

During the year, the Group didn't have any non-compliance with the laws and regulations in respect of labor and employment, including but not limited to Employment Ordinance (Cap. 57 of the Laws of Hong Kong), Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong), Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong), Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong), Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong), Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong), Family Status Discrimination Ordinance (Cap. 527 of the Laws of Hong Kong), Race Discrimination Ordinance (Cap. 602 of the Laws of Hong Kong), Labor Law (PRC) and Labor Contract Law (PRC).

### **Employee health and environment safety**

The Board emphasis the issues of employee health, safety and comfortable work environment across all our operational areas in Hong Kong and the PRC. We emphasize on employees' safety. We have established safety procedures and check regularly to see if they are followed to protect our employees.

A safe and suitable working environment is essential to improve occupational health and work efficiency. We provide our employees with the appropriate furniture and equipment to ensure their occupational health. We also check regularly our fire protection systems and fire-fighting facilities and perform fire drills every year. In addition, we have appointed environment and safety officer executing regular checks to ensure the safety of employees' workplace.

The Board is responsible for monitoring and evaluation of the Group's effectiveness in ensuring its employees' health and safety, and considers the existing policy appropriate. During the year under review, the Group did not have any non-compliance with the laws and regulations in respect of employees' health and safety according to Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) and Work Health and Safety Production Law (PRC).

## **SOCIAL** *(Continued)*

### **Employee health and environment safety** *(Continued)*

#### **Headquarter and principal place of business in Hong Kong**

In the Group's headquarter and principal place of business in Hong Kong, we follow the fire laws of Hong Kong and work closely with the Hong Kong Fire Department to strengthen the fire safety awareness of employees. We conduct regular safety inspections and improvement works to maintain our buildings providing a safe working environment for employees. Against the severity of summer weather in Hong Kong, we strictly implement preventive measures to protect employees such as regular checks of outdoor work places to provide appropriate rest places for employees and enactment of rest time for employees. We provide appropriate precautions for employees according to the infectious disease dissemination message issued by the Hong Kong Government.

#### **Principal place of business and factory in Chengdu, China**

The Group's principal place of business and factory in Chengdu, China for pharmaceutical manufacturing, we provide employees with better resting places in the summer according to the Labor Law of the People's Republic of China and Chengdu High Temperature Allowance Standard.

We provide regular training for employees in the factory to strengthen the Group's safety corporate culture and improve safety awareness for employees. We provide more safety management regulations and guidelines for company management personnel who responsible for internet security, road safety, fire safety, occupational safety, health risk management. They perform related safety training such as annual training and seminars which also include safe storage methods for hazardous chemicals, fire rescue and first aid methods.

To prevent all of the risk to the health and safety of employees, the Group review annually with established policies and reminded employees to be vigilant at the workplace, timely report to their superiors and to convey all the relevant work place health and safety issues. All workplaces of the Group are in compliance with all applicable laws, regulations and standards relating to safety which lead the company to the higher level of health and safety.

The Group followed the laws of Hong Kong and China with knowledge about health and safety laws and regulations such as the Basic Law, Occupational Disease Prevention Law of People's Republic of China and Industrial Injury Insurance Regulations to set and establish security protocols maintaining a high level of occupational safety and health operations. The employees need to observe the established security agreement during the operation.



## **SOCIAL** *(Continued)*

### **Human resource development and training**

The Group believes that employees are the most valuable assets of the company and that employees are most important to the sustainable development of the business. Before recruiting the best talented employees that meet our business needs, we have created an environment within the Group that allows our employees to realize their best intrinsic potential and contribute skills and experience to the long-term development of the Group.

The Group considers training to enhance the overall quality of employees which is the best driving force to promote the company's positive image. We provide a comprehensive approach for the development of employees to achieve the company's expansion needs. We recruit talented employees which can also provide the driving force for the overall development of the Group.

In the reporting year, 205 employees involved in training, the total number of hours for training is 8165.

For new employees to adapt to the corporate culture, we make the greatest help to provide rules and regulations of corporate culture for all new employees and provide a specific job to job skills training for them before they start to work. In addition, the Group also provides employees in various departments with various training courses. Our course content covers procurement management, risk management, warehousing management, product knowledge, customer service, sales and administrative management, emergency response, and follow-up of complaints. The Group encourages employees to strive for personal goals, to balance their physical and mental development, and to grow up with the Group.

The board review and assess the effectiveness of the Group's employee training and development. The best efforts are made to retain the key talented employees of the Group. We train more internal staff to be the key position of the company. The success of the Group depends largely on the close cooperation between management and sales staff. The Group understands that retaining key talented employees is a key factor in maintaining competitiveness. Continuously improving employees' welfare and their working environment would be measures to maintain talented employees.

The Board is responsible for monitoring and evaluation of the Group's effectiveness in relation to its employees' training and development, and considers the current policy appropriate.

## **SOCIAL** *(Continued)*

### **Labor standards**

#### ***Say no to discrimination and illegal workers***

In the policies of recruitment, training and development adopted by the Group, we strictly prohibit all forms of child labour and forced labour. It does not suffer any form of discrimination and deprivation of opportunity because of gender, race, background, religion, colour, sexual orientation, age, and marital status, and family status, reasons for leaving, disability or pregnancy. During the recruitment process, the Group will conduct a comprehensive background review of potential employees and verify the details of the candidate. The Group does not force employees to overtime work.

We comply with labour laws in Hong Kong and People's Republic of China. Reference is made to Chapter VII of labour law of China for women workers and minor workers with special protection and prohibiting the use of child labour provisions (State Council Decree No. 364), we do not hire any illegal labour or child labour in the year of review.

The Board is responsible for monitoring and assessing the effectiveness of the Group's efforts to eliminate the use of child labour and compulsory labour and considers the current policy appropriate. During the year under review, the Group has not in compliance with the laws and regulations relating to child labour and compulsory labour, including but not limited to the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Labour Law (China).

### **Equal opportunities**

Total employees: Male = 170, Female = 128

The Group believe, that most of our consumers and customers will agree to pay a reasonable price for a responsible and better goods and services. We review annually the updated standard, rules and regulations for the development trend of the industry. We analyze the requirements of training on our entire business and arrange internal and external training courses and seminars to our employees emphasizing safety and health, encouraging work-life balance, reminding stress management and providing training and information services of health. We review and improve employees' welfare and benefits through training programs, vocational training and mentoring opportunities.

We give equal opportunity to our employees according to policies and systems established and defined by management including but not limit to supporting employees' voice, promoting transparency in human policies, investigation of responsibility, and attaching importance to complaint mechanism and so on. We make our employees available to equal opportunities in different areas continuously.

## **SOCIAL** *(Continued)*

### **Supplier and supply chain management**

The Group is committed to maintain a healthy working relationship and sustainable development with its suppliers. We communicate each other continuously to improve work efficiency and control cost. Supply chain management is stable and all products we purchased in the current report year are the best goods. We sale of crop which is out of own farm.

Our products can be achieved the highest standards of quality which is a work-done of strict and extensive procurement team. We also conduct regularly a comprehensive and detail assessment of the existing and potential suppliers, evaluating various categories including but not limited to size of business, reputation, yield and quality and financial health. We make sure that the product supply chain is most stable to guarantee our customers the best products.

The Group has also appointed an independent and professional research institute to submit professional and detail reports to the management about background investigations on each existing and potential suppliers to ensure that the list of qualified suppliers are reliable.

### ***Supplier management***

The Group is committed to below listed rules to ensure a good relationship between suppliers:

- 1: Specification in the quality, value and safety of product and service
- 2: Statement in advance that products and services must comply with all applicable legislations.
- 3: Business contracts clearly set out the agreed terms, conditions and the basis of the relationship each other
- 4: Encouraging suppliers and contractors to adopt responsible business policies and practices for mutual benefit
- 5: Improvement of logistics system and optimization the systems of delivery and collection procedures The Group recruited employees with full working experience in the industry. Our employees and suppliers are improved their performance of work and co-operation through periodic assessment and reporting.

In addition, the Group also owns the Good Manufacturing Practices (“GMP”) certificates for pharmaceutical manufacturing and Good Supply Practices (“GSP”) certificates for pharmaceutical distribution and retail pharmacy operations.

### ***Good Manufacturing Practices (“GMP”)***

The Group adheres to the requirements of the specification, including but not limited to materials, staff, facilities and equipment, production processes, packaging, quality control, transportation and other aspects, have reached the requirements of the related hygienic quality. We improve continuously the environmental sanitation of production base, and identify the problems generated in the production process and make corresponding improvements. Refer to GMP requirements of the pharmaceutical, food and similar industries, the Group have to well prepare in good production equipment, process, quality management and detection system in order to comply with the requirement of statutory regulations about quality of product.



## **SOCIAL** *(Continued)*

### **Supplier and supply chain management** *(Continued)*

#### **Good Supply Practices ("GSP")**

GSP strict controls quality accidents that may be occurred during the production process of medical products. A set of management program preventing quality accidents has been suggested. The Group adheres to the requirements of the specification of GSP. We take strict measures on all quality issues that may be occurred to ensure the good quality of pharmaceutical products.

In this year, the Group executes Good Manufacturing Practices (GMP) and Good Supply Practices (GSP). We have no major breach of the law and has no significant impact on the Group's business activities and operations.

#### **Product Packaging**

Packaging waste generated by the Group provides excellent transparency in information disclosure. All the information are shared with our internal teams of research and development and our suppliers. We regular check any likelihood on unnecessary packaging and make contributions to environment protection. We aim to ensure that packaging used in our products preserve our products throughout their lifetime and show all required legal written information to our customers.

The Board is responsible for monitoring and evaluation of the Group's effectiveness in preventing negative environmental and social impacts from arising in the Group's supply chain, and considers the existing policy appropriate.

### **Product responsibility and safety**

#### **Product responsibility**

The Group provides products and services to wholesalers, hospitals, clinics, retail pharmacies and other legal medical institutions. We deeply believe that maintaining product quality is an important factor in maintaining a healthy and sustainable development.

The Group provides continuous market supervision for all pharmaceuticals. The procedures for inspection and acceptance are comply with all relevant laws and regulations such as the Pharmaceutical Administration Law of the PRC. In addition, We have also developed a series of quality monitoring system. All medical products are labelled and inspected in the warehouse before shipment including product compliance, sampling inspection and other security checks.

Our quality inspection personnel are eligible persons with pharmaceutical, biotechnology, chemical, medical and pharmaceutical related academic backgrounds. We also simultaneously provide job training to employees to ensure that they can access to medicines latest information. In addition, we also provide regular health checks for employees and provide the appropriate recommendations to them ensuring each staff has a healthy physical condition as well.

## **SOCIAL** *(Continued)*

### **Product responsibility and safety** *(Continued)*

#### **Product safety**

Quality inspection personnel of the Group are qualified professional people, they provide quality detection of medicines, and carry out assessment about suppliers, product name, specifications, prescription, quantity, production date, production batch number, expiration date, country of origin, certificate of product and test report from production factory, to ensure that all products have the relevant registration certificate.

Different category of products are classified and stored in the established appropriate temperature and humidity-controlled storage space, stored separately by category of products, sold on basis of batch, label and production date. Our warehouses are regularly cleaned and disinfected. Everyone needs to register when entering or leaving our warehouse to ensure that the products in warehouse avoid unnecessary damage.

In the reporting year the Group had no need to sell and ship product recall and received no complaints related.

The Board is responsible for monitoring and evaluation of the Group's effectiveness in ensuring consumers' health and safety, as well as in protecting consumers' right to be informed, and considers the existing policy appropriate. During the year under review, the Group did not have any non-compliance with the laws and regulations in respect of customers' health and safety, as well as in respect of product marketing and labeling, including but not limited to Consumer Goods Safety Ordinance (Cap. 456 of the Laws of Hong Kong), Undesirable Medical Advertisements Ordinance (Cap. 231 of the Laws of Hong Kong), Trade Descriptions Ordinance (Cap 362 of the Laws of Hong Kong), Good Supply Practice Rules for Pharmaceuticals (PRC) and Good Manufacturing Practices (2010 Revision, PRC).

#### **Protect of intellectual property and confidential information**

The Group is committed to protect for intellectual property rights and confidentiality system, which plays key role on the Group's sustainable development and competition with same industries. We maintain and implement measures to protect intellectual property rights which we keep in continue to respect.

The Group strictly controls and monitors on customer information privacy to ensure that customers are subject to strict protection of rights and interests. For collection of personal data from customers, it is treated as confidential. According to our Privacy Policy, we ensure that transaction data are protected appropriately. We stressed the importance of confidentiality and the legal consequences of breach of contract to employees. We provide internal training to staff and sign confidentiality agreements with employees. The Group are also strictly in compliance with relevant laws including not limited to The People's Republic of China consumer rights protection law, Trade Descriptions Chapter 362 (Hong Kong), and other relevant laws and Regulation.

## **SOCIAL** *(Continued)*

### **Anti-corruption**

The Group, through the board annual review and improve the pre-defined policies of anti-corruption, clearly specified guidelines for all misconduct and illegal behavior, which including but not limited to the following behavior.

1. Dishonest
2. Fraud
3. Corruption
4. Illegal conduct (including bribery, theft, kickbacks, drug trafficking/drug abuse, use of violence or threats and criminal damage to property)
5. Discrimination
6. Sexual harassment
7. Violation of laws or rules
8. Unethical behavior and transactions
9. Other serious misconduct (including serious mismanagement, serious and significant waste or repeated violations of administrative procedures)
10. Serious fault
11. Failure to comply with the established policies of the Group
12. All financial or non-financial losses or any other related actions that may result in the Group

All employees, officers and directors of the Group are in compliance with relevant anti-corruption laws in Hong Kong and China. According to the reporting mechanism, the Group encourages employees to directly report actions deemed inappropriate towards our manager or above. During the reporting year, no employees of the Group received any reports or complaints.

In addition, the Group prohibits the payment of facilitation payments except under very exceptional special occasions and only with prior approval by the Board of Directors (or, if prior approval is not reasonably possible given the circumstances, as soon as possible following such payment).



## **SOCIAL** *(Continued)*

### **Anti-corruption** *(Continued)*

The Group prohibits corruptive offers, promises and payments made through partners, intermediary agents, joint ventures, or third parties. Contracts with agents or third-party representatives and joint venture partners should, to the extent possible, include provisions to mitigate against the risk of potential illicit payments.

The Board is responsible for monitoring and evaluation of the Group's effectiveness in preventing corruption, and considers the existing policy appropriate.

During the year under review, the Group did not have any non-compliance with laws and regulations in respect of anti-corruption, including but not limited to Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong) and Criminal Law in PRC.

### **Community investment and engagement**

The Group understands that investment and participation in community brings shareholders' benefits and takes social responsibility and contribute to community. We encourage and stimulate employees integrating into the local community and participating charitable activities. In recent years, the Group encourages employees to participate in activities of volunteer and charity run increasing their awareness and interest of local community.

Through its community activities, the Group is committed to support and encourage the management of our principal locations and production bases in Chengdu, China. In order to build a better local community, the Group regularly reviews established policies and plans to further understand the needs of surrounding communities. And the type of resources, and donations also support various community activities and fulfil social responsibilities.

We, together with our staff is committed to provide full support through the distribution of benefits to charities, non-profit organizations and other volunteer activities, dialogue with local community to establish our develop plans and our business, which is closely related to our employees involved in local community's organizations and activities, to achieve mutual benefit and two win program. We establish long-term partnerships agreement with charitable organizations. The board reviews the policies for donation and sponsorship each year.

We understand that the community hopes that the Group can predict and avoid any negative impact on the local community during the production process. The board leads the regular review of improvements that can be made in the production process and implements them. The timely and effective implementation on the process of identification and cooperation by stakeholders will help the Group to understand the impact of its business activities on the local community.

## **SUMMARY 1**

### **Compliance to ESG Reporting Guide of the Stock Exchange** (Appendix 27 of Listing Rules)

#### ***Environmental Area (A)***

- A1 Emissions
- A2 Use of Natural Resources
- A3 Impact on Environment

#### ***Social Area (B)***

- B1 Employment
- B2 Health and Safety
- B3 Development and Training
- B4 Labor Standards
- B5 Supply Chain Management
- B6 Product Liability and Responsibility
- B7 Anti-corruption
- B8 Community

**SUMMARY 1** *(Continued)***Compliance to ESG Reporting Guide of the Stock Exchange***(Appendix 27 of Listing Rules) (Continued)****Environmental and Social Standards***

During the year under review, the Group has complied with all relevant laws and regulations in relation to its business including production, health and safety, workplace conditions, employment and the environment that have a significant impact on the Group. The Group is subject to but not limited to the following major Hong Kong laws and regulations.

- Waste Disposal Ordinance (Cap. 354 of the Laws of Hong Kong),
- Waste Disposal (Clinical Waste) (General) Regulation (Cap. 354 of the Laws of Hong Kong),
- Employment Ordinance (Cap. 57 of the Laws of Hong Kong),
- Minimum Wage Ordinance (Cap. 608 of the Laws of Hong Kong),
- Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong),
- Employees' Compensation Ordinance (Cap. 282 of the Laws of Hong Kong),
- Sex Discrimination Ordinance (Cap. 480 of the Laws of Hong Kong),
- Disability Discrimination Ordinance (Cap. 487 of the Laws of Hong Kong),
- Family Status Discrimination Ordinance (Cap. 527 of the Laws of Hong Kong),
- Race Discrimination Ordinance (Cap. 602 of the Laws of Hong Kong),
- Occupational Safety And Health Ordinance (Cap. 509 of the Laws of Hong Kong),
- Consumer Goods Safety Ordinance (Cap. 456 of the Laws of Hong Kong),
- Undesirable Medical Advertisements Ordinance (Cap. 231 of the Laws of Hong Kong),
- Trade Descriptions Ordinance (Cap 362 of the Laws of Hong Kong),
- Prevention of Bribery Ordinance (Cap. 201 of the Laws of Hong Kong).



## SUMMARY 2

### Compliance to Relevant Laws in PRC

As a responsible corporation, the Group is committed to maintain the highest environmental and social standards to ensure sustainable development of its business.

The Group is subject to but not limited to the following major PRC laws and regulations:

#### *i) Business operation*

- Administrative Measures for the Registration of Pharmaceuticals 《藥品註冊管理辦法》
- Administrative Measures for Pharmaceutical Supply Permit 《藥品經營許可證管理辦法》
- Good Supply Practice Rules for Pharmaceuticals 《藥品經營質量管理規範》
- Measures for the Certification of Good Supply Practice of Pharmaceutical Operations 《藥品經營質量管理規範認證管理辦法》
- Good Manufacturing Practices (2010 Revision) 《藥品生產質量管理規範(2010年修訂)》

#### *ii) Environmental and social standards*

- the Environmental Protection Law of the PRC 《中華人民共和國環境保護法》
- the Labor Law of the PRC 《中華人民共和國勞動法》
- the Law of the PRC on the Prevention and Control of Water Pollution 《中華人民共和國水污染防治法》
- the Law of the PRC 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》
- the Law of the PRC on Safe Production 《中華人民共和國安全生產法》
- the PRC Labor Contract Law 《中華人民共和國勞動合同法》

The Group is required to obtain certain permits, approvals and certificates from various PRC governmental authorities for its business operations, such as Good Manufacturing Practices (“GMP”) certificates for pharmaceutical manufacturing and Good Supply Practices (“GSP”) certificates for pharmaceutical distribution and retail pharmacy operations.

## **SUMMARY 2** *(Continued)*

### **Compliance to Relevant Laws in PRC** *(Continued)*

The Good Manufacturing Practices (2010 Revision), 《藥品生產質量管理規範》 which was promulgated by the Ministry of Health of the PRC on 17 January 2011 and effective on 1 March 2011, is a set of detailed basic guidelines on the manufacture and quality control of pharmaceutical products, with the purpose of ensuring that pharmaceutical products are consistently and appropriately manufactured to their intended use as well as statutory registration requirements for the pharmaceutical products, by minimizing the risks of contamination, cross contamination, mix-ups and/or errors during the manufacture process.

According to the Administrative Measures of Good Supply Practices (《藥品經營質量管理規範》), which was promulgated by the China Food and Drug Administration on 25 June 2015 and was amended on 13 July 2016 and became effective on the same day, drug distributors should take quality control measure in the processes of procurement, storage, sale and transportation to ensure drug quality and establish drug trace system, intensifying the requirements regarding the management of pharmaceutical trade in terms of both software and hardware of the enterprises in this industry.

As of the date of this report, the Group had obtained all material requisite permits, approvals and certificates for its business operations, and intends to apply for the renewal of these certificates when required by applicable laws, rules and regulations. However, the conditions for such renewal may change from time to time. There is no assurance that the Group will be able to successfully renew all of these permits, approvals and certificates, including GMP and GSP. In addition, the more stringent requirements may also affect the Group's plan to identify potential acquisition target.

Moreover, non-compliance with, changes in, or amendments to, the applicable PRC regulatory licensing requirements may have a material adverse effect on the Group's business operations in future.

## **SUMMARY 2** *(Continued)*

### **Compliance to Relevant Laws in PRC** *(Continued)*

The Good Manufacturing Practices (2010 Revision), 《藥品生產質量管理規範》 which was promulgated by the Ministry of Health of the PRC on 17 January 2011 and effective on 1 March 2011, is a set of detailed basic guidelines on the manufacture and quality control of pharmaceutical products, with the purpose of ensuring that pharmaceutical products are consistently and appropriately manufactured to their intended use as well as statutory registration requirements for the pharmaceutical products, by minimizing the risks of contamination, cross contamination, mix-ups and/or errors during the manufacture process.

According to the Administrative Measures of Good Supply Practices (《藥品經營質量管理規範》), which was promulgated by the China Food and Drug Administration on 25 June 2015 and was amended on 13 July 2016 and became effective on the same day, drug distributors should take quality control measure in the processes of procurement, storage, sale and transportation to ensure drug quality and establish drug trace system, intensifying the requirements regarding the management of pharmaceutical trade in terms of both software and hardware of the enterprises in this industry.

As of the date of this report, the Group had obtained all material requisite permits, approvals and certificates for its business operations, and intends to apply for the renewal of these certificates when required by applicable laws, rules and regulations. However, the conditions for such renewal may change from time to time. There is no assurance that the Group will be able to successfully renew all of these permits, approvals and certificates, including GMP and GSP. In addition, the more stringent requirements may also affect the Group's plan to identify potential acquisition target.

Moreover, non-compliance with, changes in, or amendments to, the applicable PRC regulatory licensing requirements may have a material adverse effect on the Group's business operations in future.