



**百信集团**  
PASHUN GROUP

**Pa Shun International Holdings Limited**  
**百信國際控股有限公司**

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 574

**2018**

**Environmental, Social & Governance Report**



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## INTRODUCTION

To comply Pa Shun International Holdings Limited 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”, together with its subsidiaries referred to as the “Group”) hereby submits its Annual Environmental, Social and Governance (“ESG”) Report (the “ESG Report”) for the year ended 31 December 2018. The reporting scope of the ESG Report covers the Company and its subsidiaries.

This ESG report aims to highlight the Group’s ESG performance during the year ended 31 December 2018.

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 the 2018 annual report of the Company separately published by the Company headed.

This ESG report should be read in conjunction with the Corporate Governance Report in the 2018 annual report of the Company separately published by the Company in April 2019 in order to have a full understanding of the Group’s relevant performances.





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## REPORTING STANDARDS

This report is prepared in accordance with the Environmental, Social and Governance (ESG) Reporting Guide set out in Appendix 27 to the Rules Governing the listing of securities on the stock exchange of Hong Kong Limited (“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 2018. The Group’s management approaches, strategies, priorities and targets of environmental and social aspects are disclosed in this report.

## SCOPE

The reporting of this report covers the overall performance of the business environment and society of Group’s pharmaceutical distribution, self-operated retail pharmacies and pharmaceutical manufacturing businesses in the PRC for the year ended 31 December 2018.

This report should be read in conjunction with the Notes to the consolidated financial statements in 2018’s annual report of the Company separately published by the Company in April 2019 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**

Against the backdrop of stable economic growth and pharmaceutical industry reform in China, the Group will continue to leverage its solid foundation in Southwest China and make good use of its existing resources and networks to capture the opportunities to expand to other business through various business development strategies. 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 a better return:

- Constructing of international logistics centers to improve the operational efficiency of the distribution business;
- Optimizing 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 stakeholders' opinions and expectations on the sustainable growth of the group, it carries out social responsibility practices and balances the interests of the Group and stakeholders, as to understand stakeholder's views in terms of their concerned areas and identify issues which are material to the Group.

## STAKEHOLDER GROUP, ENGAGEMENT AND MATERIALITY *(Continued)*

### Communication with stakeholders

In the business management process of the Group, stakeholders' participation is an important part in helping the Group to examine potential risks and business opportunities. Communicating with stakeholders and understanding their views makes the Group's business practices to be more in line with their needs and expectations, and enable proper handling of feedback from different stakeholders.

During the year ended 31 December 2018, the Group communicated with its stakeholders in various ways. The specific types of stakeholders and the communication methods are shown below.

### Stakeholder communication and participation

Key Stakeholders		Methods of Communication	
<b>Internal stakeholders</b>	The Board of directors ("Board"), Senior Management & Employees	Questionnaire survey Employee mailbox Staff evaluation appraisal	Employee training Employee activity such as forum, seminar
<b>External stakeholders</b>	Shareholders and investors	Questionnaire Periodic announcement of financial reports and data	Shareholders' meetings Communication of investor relations
	Customers and consumers	Customer service hotline Product tag Industry exhibitions Regular meetings	Social media communication Mail Customer survey Daily business operations
	Government and regulators	Regular communication Compliance reporting Periodic field inspection	Policy documents Respond to Consultation Meetings & seminars



**STAKEHOLDER GROUP, ENGAGEMENT AND MATERIALITY** *(Continued)*  
**Stakeholder communication and participation** *(Continued)*

Key Stakeholders		Methods of Communication	
	Suppliers and business partners	Questionnaire Regularly meetings Seminars Day to day business operation	Review and evaluation Site visit Social media communication
	Industry association	Regular exchange	Association's affairs
	Community	Construction of community culture Community service Sponsoring charity events	Helping vulnerable groups Volunteer activities Charity event

## STAKEHOLDER GROUP, ENGAGEMENT AND MATERIALITY *(Continued)*

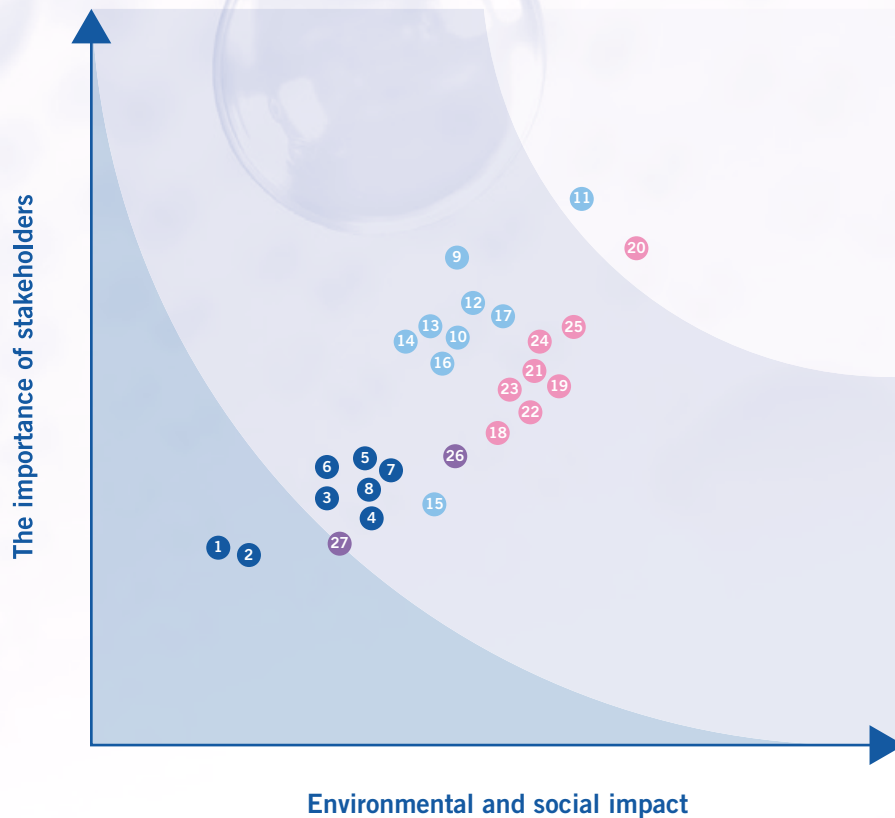
### Review of important issues

The Group performs a materiality review on related topics of environmental, social and governance areas. Based on stakeholder engagement activities, its conduct the industry standard assessment and internal evaluation and the list of environmental, social and governance topics is defined which is to keep pace with the development of industry-specific issues and groups.

The Group interacts with internal and external stakeholders by focusing groups and interviews. Internally, it worked with various business units' group officers and employees; externally, it engaged investors, suppliers and contractors, corporate customers, business partners, academics and community partners.

These in-depth dialogue helped the group to gather feedback from stakeholders on the Group's performance in environmental, social and governance areas, and suggest the future priorities. The Group scores the issues of environmental, social and governance based on their importance to stakeholders and the Group's business operations.

**Materiality Matrix of the Group in 2018**





Areas	Issues
	<b>Environment</b>
1	Gas emission management
2	Wastewater treatment
3	Waste management
4	Compliance with environmental laws and regulations
5	Energy conservation and emission reduction
6	Protection of water sources in communities
7	Improve the use efficiency of resources
8	Management operations impact on the environment and natural resources
	<b>General Employment and Labour</b>
9	Employment and labour standards & practices
10	Equal opportunities
11	Employee health and environment safety
12	Employee welfare and physical and mental health
13	Employee training
14	Human resource development
15	Prohibition of all forms of child worker
16	Prohibition of forced labour
17	Compliance with employment ordinance
	<b>Operating practice</b>
18	Risks of the supply chain
19	Supplier management
20	Management of product's quality, safety and responsibility
21	Compliance with the requirement of pharmaceutical products
22	Protect of intellectual property and confidential information
23	The best benefit of customers and business partners
24	Anti-corruption and transparent report platform
25	Compliance with operational requirement
	<b>Community investment</b>
26	Contribute to the community
27	Community investment and engagement

## 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. Senior management of the group 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 to staff of the Group whereas the guidelines will also be announced 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 promoting 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, 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 concerns, so that it can be used fully and effectively to achieve the Group's goal of coping with global climate change.

The purpose of efficient use of electricity, heat and transportation, the Group insists on, without affecting business development, reducing power and heat consumption as much as possible, implementing appropriate responses to Earth Hour and other environmental protection activities, and other air pollutant, replacing long or short-distance travels for meetings by online meetings.

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 its business nature, the Groups business operation activities that may not directly relate to emissions of greenhouse gases and other air pollutants into the atmosphere. Therefore, the Group posed no significant impact on gas emissions.

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

### **Energy conservation and emission reduction**

Environmental protection is the sustainable development direction of the Group. To enhance the efficiency of environmental protection, energy conservation and carbon reduction, effectively control pollutant emissions, energy reduction and carbon emissions reduction are the Group's main guidelines. The Group's major carbon emissions generated only through automotive logistics emissions and indirect emissions arising from energy consumption, also there is no direct emissions of greenhouse gases and harmful gases in the operation of the Group's business. The Group follows the detailed rules of the implementation of the environmental protection, energy conservation and emission reduction in accordance with relevant laws, regulations, emission standards and industrial policies such as the revised environmental protection law of the PRC, the law of the PRC on conserving energy, and the interim measures for the supervision and management of energy conservation and emission reduction by central enterprises.

### **Waste management**

The Group is committed to reduce its emissions and waste generation. Regarding to waste management, the Group reuses or recycles all materials in Chengdu, China as much as possible which is actively to achieve its purpose of environmental protection.

The Group's harmful medical waste generation and emissions, mainly from its Chengdu, China pharmaceutical production business; while the Group's 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 the Group's pharmaceutical distribution and self-operated retail store business in the PRC.

On the other hand, the Group has been promoting harmless waste reduction to employees and established a series incentives to attract employees to implement its goal, which includes but not limited to encourage employees to work & communicate through e-mail and electronic documents and setting 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 China. 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 air and greenhouse gas emissions, waste generation and discharge of waste.



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

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

As a corporate focuses on environmental protection, the Group pursues actively the culture for efficient use of natural resources, the Group mainly concerns the energy and natural resources policy on electricity, water, paper, gasoline and harmless waste. The Group teaches 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.

### ***Electricity***

In the area of electricity, the energy consumption is mainly for the Group's pharmaceutical production business in Cheng du, China, and the process of providing customer service and the general administration of the Group. The air conditioning and lighting system of the Group's production base are set at day or night modes to reduce the energy consumption during night time. To further reduce the electricity consumption in the process of general administration, the group reminds initiatively all employees to 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.

During the year, the consumption of electricity was 143,800 kwh.

### ***Water***

In terms of water consumption, we draw water from its public and private water facilities. Water is mainly consumed by the Group's China pharmaceutical production business in Chengdu, China, 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 minimizes the amount of water consumption in the course of business, the Group actively to remind all employees to minimize water usage. 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.

During the year, the consumption of water was 4,503 tons.

### ***Paper and other aspects of material***

In the consumption of paper and other aspects of material, which are mainly used by the Group's pharmaceutical production business, the process of providing customer service and general business administration. Renewable natural resources includes wooden parts and components, while non-renewable natural resources includes 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 initiating to recycle or reuse materials, products and packaging material helps to conserve natural resources.

During the year, the consumption of wrapping paper/paper box/boxes was 4.1 tons, and packing sealant was 28 kg.



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

### **Use and protection of resources** *(Continued)*

#### **Unleaded gasoline**

The Group consumes unleaded gasoline in the business of transportation 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.

During the year, the consumption of gasoline was 2,405 liters.

By implementing appropriate energy and material management plans in every business unit of our business operations, the Group can positively impact the environment and the economy while ensure business continuity. Currently, the Group is promoting in Chengdu, China's main business locations and production bases 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. The Group adopts third-party logistics service provider which has a business model consistent with its environmental standards. We reports usage of energy and material in annual reports and regular reports. The Group invests energy-efficient hardware in line with its environmental policy and we keep promoting employee's 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 its 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.

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

The Group strives 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 its business has an impact on the environment, in particular through lighting, heating and cooling in its 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 implementing good environmental practices and enhance its contribution to environmental sustainability and development. The Group regular review its business practices and checks the efficient use of energy, communicate with suppliers about its expectation on responsibility and sustainability in procurement and production, reduce the uses of disposable plastic shipping bags and encourage to use more environmental shipping bags, reduce to print paper and encourages good use of wrapping paper, adopt various energy saving measures such as the use of LED lights.

## **SOCIAL**

### **Employment and labour 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. Employee's safety conditions is deemed as a primary consideration by the Group. The Group has the duty to respect and protect its employees, and their rights, and the employment contracts should be in line with the relevant standard of labour 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 its employees. The Group assesses employees regularly in different positions by their performance, attitude, work ability, discipline and accountability. The Group give appropriate incentives and promotion to employees with good performance.

Apart from it, the Group's human resources department will evaluate the aforesaid policies regularly, to adjust the salaries level to reach the fair level in the industry and based on the results of the evaluation to safeguard the rights of employees, for any resignation or transfer, the group is following the law of labour department. Resignation requires 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 staff movement including appointment, promotion or termination of contract are in accordance with the laws of labour department.

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

During the year ended, the Group didn't have any non-compliance with the laws and regulations in respect of labour and employment, no major accidents were encountering during the Group's business operation and no material injury at workplace was recorded during the reporting year.

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

The Board emphasizes the importance employees health, safe and comfortable work environment across its operational areas in Hong Kong and the PRC. The Group emphasize on employees' safety. The Group has established safety procedures and check regularly to see if they are followed to protect the Group employees.





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

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

A safe and suitable working environment is essential to improving occupational health and work efficiency. The Group provide our employees with the appropriate furniture and equipment to ensure their occupational health. The Group also check regularly to fire protection systems and fire-fighting facilities and perform fire drills every year. In addition, the Group has appointed environment and safety officer executing regular checks to ensure the safety of employee's workplace. The Group established the following occupational health management:

#### **Occupational health management**

- Detect the occupational hazards at the workplace on a regular basis, erect signboards at the detection station.
- Notify the workers of the possible occupational hazards, consequences and protective measures in work.
- Publicize the occupational hazards, preventive and emergency measures among workers and related parties.
- Install alarming devices at the poisonous and hazardous workplace susceptible to acute occupational hazards, and formulate emergency plans.
- Specific persons shall be designated for the custody, regular inspection and maintenance of all the safety protection devices.
- On-site first-aid articles, equipment and protective articles shall be inspected and maintained on a regular basis to guarantee they are in normal conditions.

There were not any employees suffering from occupational diseases in the Group during the year 2018.

### **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 its business needs, the Group has created an environment that allows its employees to realize their best intrinsic potential and contribute skills and experience to the long-term development of the Group.

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

In the reporting year, 185 employees involved in training, the total number of hours for training is 8200 hours.

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

### **Human resource development and training** *(Continued)*

For new employees to adapt to the corporate culture, the Group provides rules and regulations on 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. The Group's 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.

### **Labour standards**

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

In the policies of recruitment, training and development adopted by the Group, it strictly prohibits 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, marital status, 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 the PRC. References 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), the Group did not hire any illegal labour or child labour.

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 complied with the laws and regulations relating to child labour and forced labour, including but not limited to the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Labour Law (China).

### **Equal opportunities**

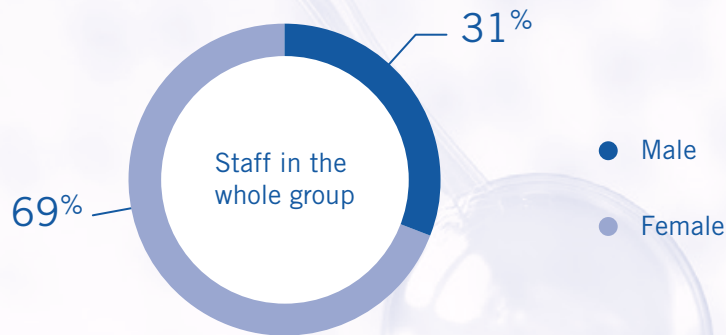
Total employees: Male = 62, Female = 141

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

The Group gives equal opportunity to its 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. The Group make its employees available to equal opportunities in different areas continuously.

**SOCIAL** *(Continued)***Equal opportunities** *(Continued)*

The Group explicitly stipulates that employees may rescind the labour contract at any time where the Group forces the work by means of violence, threat or illegal restriction of personal freedom, fails to pay the labour remuneration in full amount or provide good working conditions, or has other circumstances that violate the provisions of the Labour Contract Law of the PRC.

**Gender distribution****Supplier and supply chain management**

The Group is committed to maintaining a healthy working relationship and sustainable development with its suppliers. The Group communicate with its suppliers continuously to improve work efficiency and control cost. Supply chain management is stable and all products purchased by the Group in the current report year were the best goods.

The Group's products can achieve the highest standards of quality which is a work-done of strict and extensive procurement team. The Group also regularly conduct 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. The Group ensures that the product supply chain is most stable to guarantee to its customers the best products.

The Group has also engaged 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.



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

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

#### **Supplier management**

The Group is committed to the rules below 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 with each other
4. Encouraging suppliers and contractors to adopt responsible business policies and practices for mutual benefit
5. Improvement of logistics system and optimization of the systems of delivery and collection procedures

The Group recruited employees with full working experience in the industry. The Group employees and suppliers have improved their performance of work and co-operation through periodic assessment and reporting.

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



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

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

#### **Good Manufacturing Practices ("GMP")**

The Group adheres to the requirements that certain specification, including but not limited to materials, staff, facilities and equipment, production processes, packaging, quality control, transportation and other aspects, should reach the requirements of the related hygienic quality. The Group improves continuously the environmental sanitation of production base, and identify the problems generated in the production process and makes corresponding improvements. Refer to GMP requirements of the pharmaceutical, food and similar industries, the Group has to be well prepared in good production equipment, process, quality management and detection system in order to comply with the requirement of statutory regulations about quality of product.

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

GSP strictly controls quality accidents that may occur 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. It takes strict measures on all quality issues that may occurred to ensure the good quality of pharmaceutical products.

During the year end review, the Group executed Good Manufacturing Practices (GMP) and Good Supply Practices (GSP). The Group had 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 its suppliers. The Group regular checks the likelihood on unnecessary packaging and makes contributions to environment protection. The Group aims to ensure that packaging used in its products preserve its products throughout their lifetime and show all required legal written information to the customers.

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

### **Product responsibility and safety**

#### ***Product responsibility***

The Group provides products and services to wholesalers, hospitals, clinics, retail pharmacies and other legal medical institutions. It deeply believes 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 has complied with all relevant laws and regulations such as the Pharmaceutical Administration Law of the PRC. In addition, the Group has also developed a series of quality monitoring system. All medical products are labelled and inspected in the warehouse before shipment for product compliance, sampling inspection and other security checks.

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

#### ***Product safety***

Quality inspection personnel of the Group are qualified professional people, who 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, so as to ensure that all products have the relevant registration certificate.

Different categories of products are classified and stored in the established appropriate temperature and humidity-controlled storage space, stored separately by category, sold on the basis of batch, label and production date. The Group's warehouses are regular cleaned and disinfected. Everyone needs to register when entering or leaving our warehouse to ensure that the products in warehouse do not suffer unnecessary damage.

In the reporting year the Group did not recall or received no related complaints. 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 advertising, labeling and privacy matters, including but not limited to the Pharmaceutical Administration Law of the PRC, the Pharmaceutical Administration Law Implementation Regulations of the PRC, the Pharmaceutical Licensing Management Methods, the Good Supply Practices for Medicine Distribution Quality, the Administrative Measures for the Import of Drugs.



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

### **Protection of intellectual property and data confidential information**

The Group is committed to protecting for the intellectual property rights and the data confidentiality system, which plays key roles on the Group's sustainable development and competition within the same industries. The Group maintain and implement measures to protect intellectual property rights which it continues 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 personal data from customers, it is treated as confidential. According to the Group's Privacy Policy, it ensures that transaction data are protected appropriately. The Group stresses the importance of confidentiality and the legal consequences of breach of contract to employees. The Group provides internal training to staff and signs confidentiality agreements with employees.

### **Anti-corruption**

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

1. Dishonesty
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

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

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

The Group and all of its employees, officers and directors of the Group are committed to comply with relevant anti-corruption laws in Hong Kong and China. During the year under review, the Group complied with relevant laws and regulations relating to bribery, extortion, fraud and money laundering. 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 (or, if prior approval is not reasonably possible to be given the circumstances, as soon as possible following such payment).

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.

### **Transparent reporting platform**

The Group establishes and optimizes the supervision and restriction mechanism to fully crack down upon the corruption through the acceptance of complaint letters, visits and reports, internal audit, supervision and inspection. The Group also actively deals with the feedback from its employees, social citizens, legal person and other organizations received via the reporting hotline and email.

### **Eight regulations of incorruption**

The following is the promotion of the Group's anti-corruption in work process:

1. Simplify the document and bulletin, improve the quality of high-grade bulletins.
2. Standardize the activities of business trips, strictly control the number of people on business trip.
3. Strictly implement benefit standards on accommodation, travelling, meals and entertainment of business trip.
4. Control the number and expenditure of meetings, control the meeting scale and duration.
5. Take the lead in the implementation of the anti-corruption process.
6. Make rigid restraints with regulations on the anti-corruption process.
7. Strengthen the inspection on the anti-corruption process.
8. Standardize and improve the work in make public the information.

The Board is responsible for monitoring and assessing the effectiveness of the Group in preventing corruption, operating a clean, harmonious and well-established anti-corruption mechanism and arguing that the current policy is appropriate.

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

### **Community investment and engagement**

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

Through its community activities, the Group is committed to supporting and encouraging the management of its 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. With different types of resources, and donations the Group has supported various community activities and fulfil social responsibilities.

### ***Contribute to the community***

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

We understands 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.