



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

**Environmental, Social &
Governance Report**

2019

ABOUT THIS REPORT

We are pleased to publish our fourth Environmental, Social and Governance Report (the “Report”), which aims to summarize and analyze our policies, measures and performance on environmental, social and governance. In the process of preparing this Report, we have taken into consideration the concerned issues and expectations of stakeholders regarding our sustainable development, and based on the results of our communication with them, we have made due responses in each chapter of this Report. We look forward to having a continuous, open and transparent dialogue with all stakeholders through this Report to jointly cope with various challenges encountered in the development process.

ABOUT PA SHUN

Pa Shun International Holdings Limited (“Pa Shun International”, the “Company” or “We”) is a Hong Kong investment holding company mainly engaged in pharmaceutical business. We operate under three major segments, including pharmaceutical distribution, self-operated retail pharmacies and pharmaceutical manufacturing. The pharmaceutical distribution segment distributes pharmaceuticals to wholesalers, retail pharmacy stores, hospitals and other medical institutions. The self-operated retail pharmacies segment mainly sells pharmaceutical and healthcare products, cosmetic products and daily necessities in self-operated retail pharmacies. The pharmaceutical manufacturing segment sells pharmaceutical products manufactured by the Company.

For further information about the Group’s principal business, it is disclosed in the sub-section headed “Business Review” under the section “Management Discussion and Analysis” in the 2019 annual report, which was separately published by the Group in June 2020.

REPORTING SCOPE AND BOUNDARY

This Report covers our overall performance in the environmental, social and governance aspects from 1 January 2019 to 31 December 2019 (the “Reporting Period”). This Report covers our three major businesses: pharmaceutical distribution, self-operated retail pharmacies and pharmaceutical manufacturing, and includes our following operating entities:

- Chengdu Kexun Pharmaceutical Co., Ltd.
- Chengdu Pashun Pharmacy Chain Store Co., Ltd.
- Chengdu Toyot Pa Shun Pharmacy Co., Ltd.

REPORTING FRAMEWORK

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

SUSTAINABLE DEVELOPMENT GOVERNANCE

We implement various sustainable development strategies to make the best use of the valuable natural resources as well as reducing emissions, and develop our business while considering the environmental and social impact at the same time. Under the leadership of an experienced and dedicated management team, we will continue to implement the following sustainable development strategies to maintain high growth and return while undertaking social responsibility. The following are our four major sustainability priorities:



STAKEHOLDER ENGAGEMENT

Our stakeholders come from different sectors, which include shareholders and investors, market regulators, employees, customers, suppliers and business partners, peers and industry associations, and the public to name a few. We gather their opinions through various formal and informal communication methods to fully understand their opinions and expectations for sustainable development purpose, as well as helping us to fulfill our social responsibilities and balance the interests of all stakeholders. We identify the major issues of concern to stakeholders, and set the basis of this Report and the direction of our sustainable development policies according to their feedback, so that our sustainable development direction is closer to their needs and expectations.

STAKEHOLDER ENGAGEMENT *(Continued)*

During the Reporting Period, we communicated with stakeholders in different means. The communication methods and major issues of their concern are as follows:

| Category | Stakeholders | Communication methods | Issues of concern |
|----------|---------------------------------|---|--|
| Internal | Employees | <ul style="list-style-type: none"> • Conferences • Trainings and seminars • Cultural and sport activities • Intranet and emails • Performance appraisals | <ul style="list-style-type: none"> • Safeguard the rights and interests of employees • Occupational health and safety • Working environment • Career development opportunities • Self-actualization |
| Internal | Shareholders and investors | <ul style="list-style-type: none"> • Annual general meeting and other shareholder meetings • HKEXnews website, such as annual reports, interim reports and announcements • Meeting with investors and analysts • Company's website | <ul style="list-style-type: none"> • Return on investment • Information disclosure and transparency • Protection of shareholders' interests and equitable treatment • Business risk management |
| External | Customers | <ul style="list-style-type: none"> • Marketing and publicity information • Company's website • Annual reports, interim reports and announcements • Emails and customer service hotlines • Feedback forms • Regular meetings | <ul style="list-style-type: none"> • Safe and high-quality products and services • Stable relationships • Information transparency • Integrity • Business ethics |
| External | Suppliers and business partners | <ul style="list-style-type: none"> • Conferences, phone calls and interviews • Regular meetings • Reviews and assessments • Emails, circulars and manuals • Company's website | <ul style="list-style-type: none"> • Long-term partnerships • Honest cooperation • Fairness and openness • Information resources sharing • Risk reduction |
| External | Peer and industry associations | <ul style="list-style-type: none"> • Industry conferences • On-site visits | <ul style="list-style-type: none"> • Experience sharing • Cooperation • Fair competitions |
| External | Market regulators | <ul style="list-style-type: none"> • Information disclosure • Reports | <ul style="list-style-type: none"> • Compliance with laws and regulations • Environmental protection • Use of resources |
| External | Public | <ul style="list-style-type: none"> • Voluntary works • Charitable and social investments | <ul style="list-style-type: none"> • Community involvement • Social responsibilities • Employment promotion |

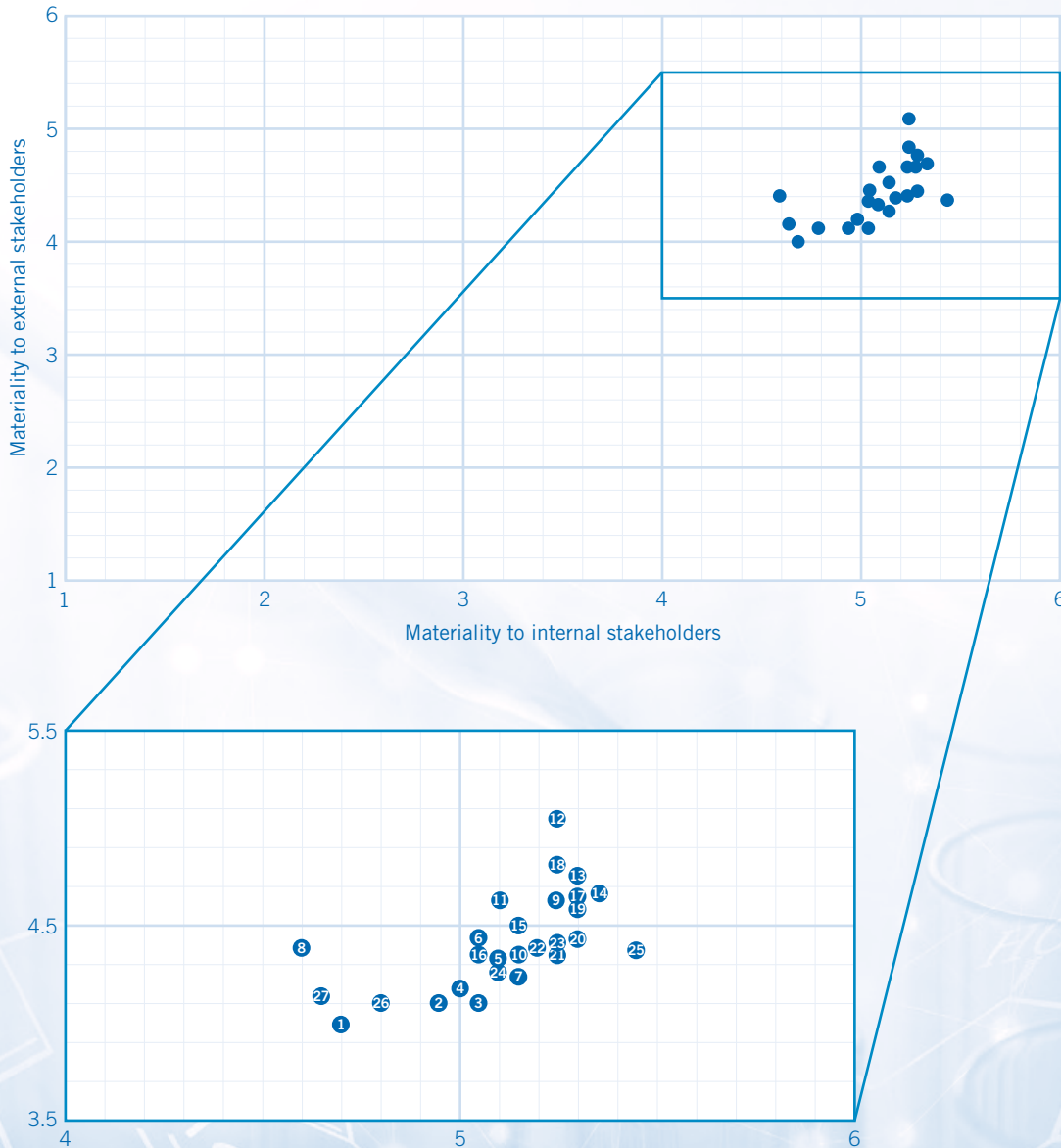
MATERIALITY ANALYSIS

We communicate with stakeholders on the relevant environmental, social and governance issues through various communication channels to establish a basis for the preparation of this Report, and enable the management to keep closer with the issues of concern of stakeholders, and adjust our sustainable development policies and measures in a timely manner.

Apart from collecting the opinions of various stakeholders in our daily operation, during the year, we also collected the opinions of internal and external stakeholders on environmental, social and governance issues through questionnaires. We received a total of 48 valid questionnaires and obtained the following analysis:

MATERIALITY ANALYSIS OF ISSUES

Materiality Analysis of Issues



| No. | Issues | No. | Issues |
|-----|---|-----|--|
| 1 | Air emission and greenhouse gas management | 15 | Prohibition of all forms of child worker |
| 2 | Wastewater treatment | 16 | Prohibition of forced labour |
| 3 | Waste management | 17 | Compliance with employment ordinance |
| 4 | Compliance with environmental laws and regulations | 18 | Environmental and social risks of the supply chain |
| 5 | Energy conservation | 19 | Supplier assessment execution |
| 6 | Protection of water sources in communities | 20 | Management of product's quality, safety and responsibility |
| 7 | Efficient use of raw material and other | 21 | Compliance with the requirements of pharmaceutical products |
| 8 | Management operations impact on the environment and natural resources | 22 | Protection of intellectual property and confidential information |
| 9 | Employment and labour standards & practices | 23 | Protect the interest of customers and business partners |
| 10 | Equal opportunities | 24 | Anti-corruption and transparent report platform |
| 11 | Employee health and working environment safety | 25 | Compliance with operational requirement |
| 12 | Employee welfare and physical and mental health | 26 | Considering impacts to the community |
| 13 | Employee training | 27 | Community investment and engagement |
| 14 | Ongoing human resources development | | |

ENVIRONMENTAL

Emissions

Air emissions

The air emissions generated from our business include small amount of dust generated from raw materials weighing, mixing and filling, as well as the air-conditioning systems during the pharmaceutical manufacturing process, other sources of air emission include commercial vehicles and minivans, and cooking fume exhaust from staff canteen. The dust generated from the production process is collected by fabric filtering device. The cooking fume from canteen is purified by fume purification device and is discharged on the rooftop. We have not been able to collect the statistics of dust that produced during the production process as well as cooking fume from canteen. The air emissions from vehicles during the Reporting Period were as follows:

Types of air emissions

| | 2019 | Unit |
|-----------------------------------|--------|----------|
| Nitrogen oxide (NO _x) | 204.05 | kilogram |
| Sulphur oxide (SO _x) | 0.53 | kilogram |
| Particulate matters (PM) | 19.20 | kilogram |

ENVIRONMENTAL *(Continued)***Emissions** *(Continued)***Greenhouse gas emissions**

Our greenhouse gas emissions are mainly indirect emissions from electricity consumption during the production and office operations. There are also a proportion of direct emissions from the use of vehicles. We adopt a series of energy-saving measures (under the section headed “Use of Resources”) and monitor energy consumption to reduce the production of these greenhouse gases and their impact on the environment.

Our greenhouse gas emissions during the Reporting Period were as follows:

| Greenhouse gas emissions | 2019 | Unit |
|-------------------------------------|-------------|---------------------|
| Scope 1 – Direct emissions | 92.14 | tCO ₂ e |
| Scope 2 – Energy indirect emissions | 96.31 | tCO ₂ e |
| Total emissions | 188.45 | tCO ₂ e |
| Intensity (per RMB million revenue) | 222.89 | kgCO ₂ e |

Solid waste

Except our substandard products that are classified as waste drugs, we do not generate hazardous waste¹ during the production process. We entrust qualified recyclers to handle hazardous waste for recycling and treatment purposes. The non-hazardous solid waste generated from our business mainly includes dust collected by dust removal equipment, waste PVC, aluminum foil and waste paper boxes from packaging process, as well as food waste from staff canteens, papers and household waste from offices and staff dormitories. Our waste drugs during this year were as follows:

| Types of hazardous waste | Production/Recovery volume | |
|---------------------------------|-----------------------------------|-------------|
| | 2019 | Unit |
| Waste drugs (HW03) | 0.91 | ton |
| Total emissions | 0.91 | ton |

We have been committed to reducing waste generation and emissions. We require our employees to reuse or recycle waste as much as possible, handle waste in a responsible manner, and actively reduce unnecessary waste emissions.

¹ Refer to hazardous waste as defined in the Directory of National Hazardous Wastes.

² Statistics of some of our solid wastes such as dust, waste PVC, aluminum foil and waste paper boxes from the packaging process, as well as food waste from staff canteens are not collected and therefore cannot be disclosed. We will strengthen data collection system in the future and make such disclosure when feasible.

³ Most of the papers we used during this year are for filing purposes.

ENVIRONMENTAL (Continued)**Emissions** (Continued)**Solid waste** (Continued)

The Group has been advocating waste reduction to employees and has established a series of incentive measures to induce employees to implement. These measures include, but not limited to, our efforts to encourage employees to work and communicate through emails and electronic documents, and set up different types of recycling bins to collect recyclable waste. The non-hazardous waste² we generated during the Reporting Period was as follows:

| Types of non-hazardous waste | Consumption/production | | Recycled volume | | Disposed volume | |
|--|------------------------|----------|-----------------|------|-----------------|------|
| | Volume 2019 | Unit | 2019 | Unit | 2019 | Unit |
| Papers ³ | 0.27 | ton | 0.01 | ton | - | ton |
| Other general waste | 21.00 | ton | 0.65 | ton | 20.35 | ton |
| Total | 21.27 | ton | | | | |
| Intensity (per RMB million revenue) | 25.16 | kilogram | | | | |

Sewage

Our sewage discharge includes a small amount of production waste water and household sewage. The production waste water mainly comes from equipment cleaning and quality inspection waste water. The household sewage comes from canteens and offices. The sewage is discharged into the septic tank after being neutralized, and then is discharged into the sewage pipe network of the park and then dispose of and discharge by the sewage treatment plant in the park after meeting the "Integrated Wastewater Discharge Standard" GB8978-1996 level III discharge standard. Since our discharge is mainly household sewage and there is no major industrial sewage discharge, there is no relevant discharge data available.

Use of Resources

We treasure the effective use of resources and are committed to reducing wastage in daily operations. We consume electricity during the production process, provision of customer services and administrative management. Our Chengdu production base and offices are equipped with air conditioning and lighting adjustment systems, which can be set in day or night modes to reduce energy consumption. In addition, to further reduce electricity consumption during administration, we remind all employees to turn off lights and air conditioners before leaving office or meeting rooms to prevent unnecessary electricity consumption. We also purchase energy efficient equipment as much as possible to reduce greenhouse gas emissions and reduce the effect of global climate change.

Our freight logistics and administrative management processes consume non-renewable fuels such as unleaded petrol and diesel. Although our air emissions and energy consumption generated from transportation means are not significant, however, we also remind all employees to avoid all unnecessary business travel and use public transportation to reduce pollution and energy consumption. During the Reporting Period, the Group had complied with the relevant laws and regulations on energy use, and our energy consumption during the Reporting Period was as follows:

ENVIRONMENTAL *(Continued)***Use of Resources** *(Continued)***Energy**

| Types of resources | 2019 | Unit |
|-------------------------------------|----------------|-------------|
| Purchased electricity | 183,191 | kWh |
| Non-renewable fuel | <u>326,930</u> | kWh |
| Total energy consumption | <u>510,121</u> | kWh |
| Intensity (per RMB million revenue) | <u>603.37</u> | kWh |

Water

Our water consumption mainly comes from the pharmaceutical production business in Chengdu and water consumption in general administration. Our water is provided by the municipality. We do not draw water directly from the ecosystem and do not operate business in water-scarce regions, and we did not encounter any difficulties in obtaining suitable water sources. We minimize unnecessary wastage of water resources in the course of business, including reminding all employees to minimize water usage and reuse wherever possible. The Group's efficient use of water will help to protect the quality of drinking water in the local communities where it operates and the local residents of those communities. Our water consumption during the Reporting Period was as follows:

| Types of resources | 2019 | Unit |
|-------------------------------------|--------------|----------------|
| Total water consumption | <u>5,062</u> | m ³ |
| Intensity (per RMB million revenue) | <u>5.99</u> | m ³ |

Office paper

In addition to recycling waste paper, we also encourage employees to make full use of both sides of paper, such as using the back of waste paper for internal document printing or as draft paper, setting appropriate font sizes, optimizing layout to minimize the number of pages, and setting to print multiple pages per sheet to minimize the usage of office paper. Furthermore, we also recommend our employees to use electronic media for communication to reduce paper usage. During the Reporting Period, our total office paper consumption was 0.27 tons and the recycling volume was 0.01 tons.

ENVIRONMENTAL *(Continued)***Use of Resources** *(Continued)***Packaging materials**

Our main product, Zhenghonghua embrocation (正紅花油), is packaged in glass bottles, and Ampicillin is packaged in aluminum foil and PVC. The packaging materials also include inner lids, outer lids, labels, instruction manual, small boxes, middle boxes, cartons, sealing glue, packing tapes, etc. The following was the packaging material consumption⁴ during the Reporting Period:

| Types of packaging materials | 2019 | Unit |
|---|-------------|-------------|
| Glass | 829.30 | ton |
| Metal | 644.14 | ton |
| Plastic | 851.34 | ton |
| Paper | 284.00 | ton |
| | <hr/> | |
| Total amount of packaging materials | 2,608.78 | ton |
| | <hr/> | |
| Intensity (per thousand products ⁵) | 20.07 | kilogram |

Environmental and Natural Resources

We have all along been striving to implement various green measures to reduce the significant negative impact of our business on the environment and natural resources. We hope to achieve our sustainable development vision through the efficient use of resources, reduction of carbon emissions, energy conservation and emission reduction, waste management and pollution prevention.

We regularly review the potential environmental impact of various business segments, including lighting, heating and cooling in offices, shops and warehouses, fuel consumption of distribution fleets, generation of certain hazardous wastes (say, bulb waste) and non-hazardous waste, and chemical products. We also conduct regular check regarding the efficient use of energy in our Group's business process, and communicate with suppliers about our expectation of their social responsibility and sustainable development. We also actively implement environmental protection measures such as reduce the use of disposable plastic bags, cut down the use of printing paper and wrapping paper, and adopt various energy saving measures such as the use of LED lights.

⁴ The consumption of packaging materials is estimated based on the output of the products and the weight of each packaging material. The total consumption weight may deviate from actual weight.

⁵ Our production plant produced approximately 14,152,000 pieces (bottles/boxes) of products during the Reporting Period.

SOCIAL

Employment and Labour Practices

Remuneration and benefits

We attach great importance to the benefits, health and development of staffs, and constantly review the differences of our staff benefits and the market. We implement double day-off to balance the living and work of staffs. In addition to annual leave, sick leave, marriage leave, maternity leave, compensatory leave, bereavement leave and other vacation benefits, we also provide social security insurance, medical insurance, annual physical examination, holiday benefits, catering subsidies and other benefits. We have established a staff positioning evaluation and reward policy, as well as a comprehensive staff promotion policy, to provide staffs with competitive remuneration and good opportunities of promotion. We set up corresponding evaluation conditions for staffs in different positions, carry out comprehensive job evaluations in terms of work performance, attitude and ability, and conduct periodic evaluations for all staffs in cooperation with discipline, accountability survey or supervisor evaluations to provide them with corresponding incentives and promotion opportunities.

We strictly abide by the labour laws and related regulations in the PRC and Hong Kong, including (among others) the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), the Production Safety Law of the PRC (《中華人民共和國安全生產法》), the Occupational Disease Prevention Law of the PRC (《中華人民共和國職業病防治法》) and the Social Security Law of the PRC (《中華人民共和國社會保障法》). During the Reporting Period, we were not involved in any major non-compliance issues related to remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other packages and benefits.

Talents recruitment

Our employment principle is “execution, concentration and accountability”. Recruiting talents is the best way to support our sustainable development. We select outstanding talents through internal screening and various recruitment channels, and attract new young people to join through internship program. Our recruitment process is equitable, open and transparent, and the recruitment is evaluated based on objective conditions such as candidates’ academic qualifications, working experience, skills, communication skills and personal qualities to prevent gender, race, age or any form of discrimination. We formulate various policies and systems, including but not limited to encouraging staffs to give their opinions, promoting transparency in personnel policies and establishing a complaint mechanism to establish an equal opportunity working environment. As of 31 December 2019, our total number of staffs was 165⁶. The following is the employee structure:

| | |
|---------------------------|-------------|
| By gender | 2019 |
| Male | 61 |
| Female | 104 |
| By employment type | 2019 |
| Full-time | 165 |
| Part-time/Contract | – |

⁶ The total number of staffs only included those of Pa Shun Pharmaceutical, Kexun Pharmaceutical and Toyot Pa Shun

SOCIAL *(Continued)*
Employment and Labour Practices *(Continued)*
Talents recruitment *(Continued)*

By employee category **2019**

| | |
|--------------------|----|
| Manager or above | 18 |
| Clerical staff | 96 |
| Non-clerical staff | 51 |

By age group **2019**

| | |
|----------|----|
| Under 20 | – |
| 21-30 | 19 |
| 31-40 | 60 |
| 41-50 | 65 |
| 51-60 | 17 |
| Over 60 | 4 |

By work location **2019**

| | |
|-----|-----|
| PRC | 165 |
|-----|-----|

Retaining talents

The unavailability for development and promotion are the main reasons for the loss of most talents. We provide staffs with promotion opportunities, commend long-term service staffs and arrange proper training so that they can attain self-improvement, and then obtain good performance and upstream opportunities to develop together with the Company. This is how we retain talents. Our total number of staff turnover during the Reporting Period was 37⁷, and the turnover rate is as follows:

By gender **2019**

| | | |
|--------|------|---|
| Male | 31.2 | % |
| Female | 17.3 | % |

⁷ The total number of staff turnover only included those of Pa Shun Pharmaceutical, Kexun Pharmaceutical and Toyot Pa Shun

SOCIAL (Continued)
Employment and Labour Practices (Continued)
Retaining talents (Continued)

| By age group | 2019 | |
|--------------|-------|---|
| Under 20 | – | % |
| 21-30 | 42.1 | % |
| 31-40 | 26.7 | % |
| 41-50 | 10.77 | % |
| 51-60 | 35.3 | % |
| Over 60 | – | % |

| By work location | 2019 | |
|------------------|------|---|
| PRC | 22.4 | % |

Note: The turnover rate of each group is calculated by dividing the turnover number of the group during the Reporting Period by the number of the employee in the group as at 31 December 2019.

Equal opportunity and diversity

We are committed to creating a diverse and inclusive working environment to prevent staffs from being discriminated against or harassed. We formulate employment policies in strict accordance with the Labour Law of the PRC (《中華人民共和國勞動法》) and the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), and provide equal opportunities in recruitment, training, promotion, re-designation, remuneration, benefits and termination of contracts etc. Staffs are entitled to equal employment opportunities regardless of their age, gender, physical conditions, marital status, family position, race, skin colour, nationality, religion, political connection or sexual orientation.

Health and safety

We put first priority to staff health and safety and try our best to provide them with a safe working environment. Each company appoints a person in charge of staffs' occupational health and safety, who is responsible for identifying staffs' occupational health and safety risks, and checking whether there are potential safety hazards in the office, such as checking whether the installation of electrical equipment meets the safety requirements, whether socket plugs are seriously overloaded, whether wires are aging and corroded, whether anti-static measures are adopted in flammable workplace and whether regular maintenance of electrical equipment are conducted.

Our staffs do not need to perform hazardous tasks such as disposal of hazardous materials/hazardous waste, high-altitude work and heavy machinery operation. During the production process, we require that occupational hazard protection facilities (such as ventilation facilities) must be opened, and air suction and supply devices and mechanical ventilation facilities shall be repaired and maintained regularly to ensure the normal operation of occupational hazard protection facilities and have the effect of dust prevention and ventilation. We often supervise and inspect, urge workers to wear personal protective gear properly, and arrange regular health checks for staffs. For new recruits, we will conduct code of conduct and orientation training, which includes explanations of occupational health and safety risks and protective measures. We also conduct group safety training annually to promote the awareness of safety work.

We strictly abide by the laws and regulations related to occupational health and safety, including (among others) the National Occupational Hygiene Standard Management Measures (《國家職業衛生標準管理辦法》), the Occupational Hazard Declaration Management Measures at Workplaces (《作業場所職業危害申報管理辦法》), the Occupational Health Inspection Management Regulations (《職業性健康檢查管理規定》), the Provisions on the Scope of Occupational Diseases and Measures for the Treatment of Occupational Disease Patients (《職業病範圍和職業病患者處理辦法的規定》) and the Occupational Disease Prevention and Control Law of the PRC (《中華人民共和國職業病防治法》). During the Reporting Period, we did not have any non-compliance incidents of laws and regulations related to occupational safety, nor did we have any fatal accidents or work accidents.

SOCIAL (Continued)

Employment and Labour Practices (Continued)

Development and training

Training is the most effective way to improve the overall quality of employees and enhance the competitiveness of the Company. We provide employees with comprehensive and diversified on-the-job training, including orientation training, pre-job training, company annual training, team building activities, etc. Not only do those trainings protect the needs of our operation and development, they also improve staff work efficiency and enable them to receive positive development, and enhance team stability and increase the sense of belonging of staffs. We will also follow up the training results and work performance of staffs to continuously understand their training needs. During the Reporting Period, 91% of our staffs had received training with average training hours of 5.93 hours. The details are as follows:

| | 2019 | |
|-----------------------------|--------------------------------|------------------------|
| | Percentage of employee trained | Average training hours |
| By gender | | |
| Male | 80% | 30.82 hours |
| Female | 97% | 33.01 hours |
| | | |
| | 2019 | |
| | Percentage of employee trained | Average training hours |
| By employee category | | |
| Manager or above | 100% | 32.11 hours |
| Clerical staff | 96% | 31.08 hours |
| Non-clerical staff | 78% | 33.50 hours |

Prohibition of child labour and forced labour

We will never tolerate any child labour and forced labour and strictly abide by the national laws on the prevention of child labour and forced labour to avoid the misuse of child labour or forced labour. We also require suppliers not to use child labour or forced labour. Once any relevant behavior is discovered within the Company or suppliers, we will investigate it seriously. During the Reporting Period, we were not aware of any non-compliance related to child labour or forced labour.

Supply Chain Management

We work closely with various suppliers to jointly maintain the sustainable development of the environment and the society. The supply chain management is a very important part of the environment, social and governance. We need to maintain a stringent standard to ensure that the suppliers we work with are sharing the same sustainable development vision with us. For example, in order to select the best products, we choose to purchase from suppliers who have their own farms, so as to ensure quality. When selecting suppliers, we will conduct background checking on potential suppliers and take into consideration their business scale, reputation, output and quality and financial strengths to ensure stable product quality, and to ensure customers can enjoy healthy and safe products.

We also support the development of the cities where our businesses are located. When selecting suppliers, we will choose suppliers in those cities where our businesses are located. During the Reporting Period, we had a total of 352 qualified suppliers, of which 321 were suppliers in the cities where our projects are located, and the remaining 31 were suppliers in other cities in the PRC.

SOCIAL *(Continued)*

Product Responsibility

We hold the Good Manufacturing Practice (GMP) and Good Supply Practice (GSP) certificates, and always adhere to the requirements of these practices. The GMP practice has stringent requirements on pharmaceutical equipment, production processes, quality management and testing systems, while the GSP practice requires us to establish control procedures that strictly control all possible quality incidents during the pharmaceutical commodities circulation process to guarantee the quality of pharmaceutical commodities fundamentally. Therefore, we are extremely rigorous in all aspects including, but not limited to, raw materials, staff, facilities and equipment, production process, packaging, quality control and transportation, and have developed a series of quality control systems to ensure that all pharmaceuticals before shipment have received safety inspections including label review, product compliance, and sampling inspections, so as to ensure that the relevant hygiene and quality requirements have been achieved. In addition, we continue to improve the environmental sanitation of our production bases, with an aim to identify and improve problems in time, while our stores must also hold a necessary business registration certificate, and pass the basic assessment standards such as safety and hygiene.

Our quality inspection personnel are professional and rigorous, and often receive various on-the-job training. All our pharmaceuticals have passed quality inspections, including supplier, product name, specification, prescription, quantity, production date, production batch number, expiry date, country of origin, and various evaluations and inspections such as product certificates and production plant testing reports, so as to ensure that we possess the relevant registered pharmaceutical certificates for all our products. We also provide regular physical examinations and corresponding health advice for our employees to ensure that they are in good health conditions.

All our products are stored appropriately in storage warehouses which are equipped with temperature and humidity control systems pursuant to different categories. Different categories of pharmaceuticals are stored separately, and are arranged to be sold based on production date according to batch number and label. Warehouses are also cleaned and disinfected regularly. Staff who are entering and leaving pharmaceutical warehouses also need to register for entry and exit to ensure products in the warehouses are not exposed to any unnecessary damage.

During the Reporting Period, we have complied with the requirements of Good Manufacturing Practice (GMP) and Good Supply Practice (GSP), as well as the Laws on the Administration of Drugs of the PRC (中華人民共和國藥品管理法), Implementation Ordinance of the Law of the PRC on the Administration of Drugs (中華人民共和國藥品管理法實施條例), the Rules of Good Manufacturing Practice for Drugs (藥品生產品質管制規範), Measures for Production Supervision and Management of Drugs (藥品生產監督管理辦法), Measures for Administration of Drug Recall (藥品召回管理辦法), the Pharmacopoeia of the PRC (中國藥典), the Law on the Administration of Pharmaceuticals (藥品管理法), Good Supply Practice (GSP) (藥品經營品質管制規範(GSP)), Regulation on the Administration of Distribution of Pharmaceutical Products (藥品流通監督管理辦法), the Administrative Measures for the Authorization of Pharmaceutical Business (藥品經營授權管理辦法) and other laws and regulations, and there was no case of recall due to safety and health reasons in the total number of products sold or shipped.

SOCIAL *(Continued)*

Intellectual Property and Customer's Privacy

We attach importance to the protection of intellectual property rights, and have established a system to protect intellectual property rights and data confidentiality, and strive to maintain and implement relevant measures to protect intellectual property rights. During the course of our business, we may come into contact with the personal data of customers. We have established a privacy policy for consumer packaging and mailing to ensure that the rights and interests of customers are strictly protected. We will treat all collected customer's personal information as confidential information and keep the information confidential in accordance with our internal privacy policy to prevent unauthorized access. We also often emphasize on the importance of confidentiality and the legal consequences of violations to our employees, conclude confidentiality agreements with employees, and enhance employees' awareness of protecting intellectual property rights and customer privacy through internal training.

Anti-corruption

We value and promote the value of ethics and integrity, and will never tolerate any form of bribery, blackmail, fraud and money laundering. We have established a comprehensive monitoring and whistle-blowing mechanism, including telephone hotline reporting numbers and email, etc. We follow up complaints in relation to ethics and integrity seriously and investigate suspicious cases thoroughly. Together with the internal audit function, we form a platform for monitoring misconduct, and implement anti-corruption and misconduct work comprehensively. During the Reporting Period, we strictly abide by the Anti-Money Laundering Law of the PRC (中華人民共和國反洗錢法) and other laws and regulations on anti-corruption, bribery, extortion, fraud and money laundering in Hong Kong and PRC, and have not identified any reports or cases of violations of laws and regulations.

We prevent corruption cases strictly from top to bottom, and require leaders at all levels to take the lead in urging the implementation of anti-corruption and upholding integrity, implement the anti-corruption and upholding integrity policy in an institutionalized manner, and always maintain maximum inspection efforts. We have set up standards for accommodation, transportation, catering and interaction of employees and accompanying persons. The scale, time, quantity and funding of conference activities are also reasonably controlled to prevent the improper use of the relevant reimbursement system. Unless approved by the board of directors in advance, we prohibit employees from using facilitation fees under non-special circumstances. The contracts with agents, third-party representatives and joint venture partners also include provisions to prevent corruption to reduce the risk of potential illegal payments.

Community

We pay back to the society through continuous participation in various community activities, and let employees participate in local community organizations and activities through encouraging employees to participate in and coordinate the solution of community and sub-district labour needs, and actively promote community environment, cultural and sports activities, and achieve mutually beneficial solutions, with an aim to contribute to social harmony and sustainable development.

CONTENT INDEX FOR ESG REPORTING GUIDE

| Subject Areas, Aspects, General Disclosures and KPIs | | Chapter/Statement |
|--|--|---|
| A. Environmental | | |
| Aspect A1 : Emissions | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Emissions |
| KPI A1.1 | The types of emissions and respective emissions data. | Emissions – Air emissions |
| KPI A1.2 | Greenhouse gas emissions in total and, where appropriate, intensity. | Emissions – Greenhouse gas emissions |
| KPI A1.3 | Total hazardous waste produced and, where appropriate, intensity. | Emissions – Solid waste |
| KPI A1.4 | Total non-hazardous waste produced and, where appropriate, intensity. | Emissions – Solid waste |
| KPI A1.5 | Description of measures to mitigate emissions and results achieved. | Emissions – Air emissions Emissions – Greenhouse gas emissions Emissions – Solid waste Use of Resources – Office paper |
| KPI A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | Emissions – Solid waste |

CONTENT INDEX FOR ESG REPORTING GUIDE *(Continued)*

| Subject Areas, Aspects, General Disclosures and KPIs | | Chapter/Statement |
|--|--|---------------------------------------|
| A. Environmental <i>(Continued)</i> | | |
| Aspect A2 : Use of Resources | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources can be used in production, in storage, transportation, in buildings, electronic equipment, etc. | Use of Resources |
| KPI A2.1 | Direct and/or indirect energy consumption by type in total and intensity. | Use of Resources – Energy |
| KPI A2.2 | Water consumption in total and intensity. | Use of Resources – Water |
| KPI A2.3 | Description of energy use efficiency initiatives and results achieved. | Use of Resources – Energy |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | Use of Resources – Water |
| KPI A2.5 | Total packaging material used for finished products and, if applicable, with reference to per unit produced. | Use of Resource – Packaging Materials |
| Aspect A3 : Environment and Natural Resources | | |
| General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | Environment and Natural Resources |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | Environment and Natural Resources |

CONTENT INDEX FOR ESG REPORTING GUIDE *(Continued)*

| Subject Areas, Aspects, General Disclosures and KPIs | | Chapter/Statement |
|--|--|---------------------------------|
| B. Social | | |
| Employment and Labour Practices | | |
| Aspect B1 : Employment | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Employment and Labour Practices |
| KPI B1.1 | Total workforce by gender, employment type, age group and geographical region. | Talents Recruitment |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | Retaining Talents |
| Aspect B2 : Health and Safety | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Health and Safety |
| KPI B2.1 | Number and rate of work-related fatalities. | Health and Safety |
| KPI B2.2 | Lost days due to work injury. | Health and Safety |
| KPI B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | Health and Safety |

CONTENT INDEX FOR ESG REPORTING GUIDE *(Continued)*

| Subject Areas, Aspects, General Disclosures and KPIs | | Chapter/Statement |
|--|---|---|
| B. Social (Continued) | | |
| Employment and Labour Practices <i>(Continued)</i> | | |
| Aspect B3 : Development and Training | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Development and Training |
| KPI B3.1 | The percentage of employees trained by gender and employee category. | Development and Training |
| KPI B3.2 | The average training hours completed per employee by gender and employee category. | Development and Training |
| Aspect B4 : Labour Standards | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | Prohibition of Child Labour and Forced Labour |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour. | Prohibition of Child Labour and Forced Labour |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered. | Information was not disclosed for the year |
| Operating Practices | | |
| Aspect B5 : Supply Chain Management | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | Supply Chain Management |
| KPI B5.1 | Number of suppliers by geographical region. | Supply Chain Management |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | Information was not disclosed for the year |

CONTENT INDEX FOR ESG REPORTING GUIDE *(Continued)*

| Subject Areas, Aspects, General Disclosures and KPIs | | Chapter/Statement |
|---|---|--|
| B. Social (Continued) | | |
| Operating Practices <i>(Continued)</i> | | |
| Aspect B6 : Product Responsibility | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress. | Product Responsibility |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Product Responsibility |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | Information was not disclosed for the year |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Intellectual Property and Customer's Privacy |
| KPI B6.4 | Description of quality assurance process and recall procedures. | Product Responsibility |
| KPI B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | Intellectual Property and Customer's Privacy |
| Aspect B7 : Anti-corruption | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | Anti-corruption |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases. | Anti-corruption |
| KPI B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | Anti-corruption |

CONTENT INDEX FOR ESG REPORTING GUIDE *(Continued)*

| Subject Areas, Aspects, General Disclosures and KPIs | | Chapter/Statement |
|--|--|--|
| B. Social (Continued) | | |
| Community | | |
| Aspect B8 : Community Investment | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Community |
| KPI B8.1 | Focus areas of contribution. | Information was not disclosed for the year |
| KPI B8.2 | Resources contributed to the focus area. | Information was not disclosed for the year |