



BAYTA CARE
北斗嘉药业股份有限公司

北斗嘉藥業股份有限公司
Baytacare Pharmaceutical Co., Ltd.*

(A joint stock limited company incorporated in the People's Republic of China)
(Stock Code : 8197)

2018

***Environmental, Social and
Governance Report***

**For identification purpose only

Listed in 2002, the business of Baytacare Pharmaceutical Co., Ltd.* (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) is classified into four main segments: A. Chinese Herbs Business; B. Medicines Business; C. Medicines Sourcing/Trading Business; and D. Big Data Business.

In addition to striving for the interest of the Group’s shareholders, the Group also holds the environment, society, different stakeholders and its employees, in high regard. The Board considers that a sound environment, a harmonious society and good governance are of utmost importance to the sustainable development of both the Group’s business and the community in which we operate in. Therefore, the Group is committed not only to enhancing its financial performance but also to implementing various policies and measures to increase its efforts in environmental protection, fulfill its social responsibilities and enhance its governance.

The Group is pleased to present the Environmental, Social and Governance Report 2018 (the “**ESG Report**”) to provide an overview of our Group’s management of significant issues affecting the operation, including environmental, social and governance issues.

PREPARATION BASIS AND SCOPE

This ESG Report is prepared in accordance with Appendix 20 to the Rules of Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) – Environmental, Social and Governance (“**ESG**”) Reporting Guide, which covers the period from 1 January 2018 to 31 December 2018 and has complied with “comply or explain” provision in the GEM Listing Rules. This report covers the Company and its principal subsidiaries, being primarily engaged in provision of cyber infrastructure solutions services and research and development, and provision of cyber security solutions services. The Group will continue to optimise and improve the business operation according to the latest disclosure requirements. The directors of the Company confirmed that the Company complied with all applicable provisions as stated in the Appendix 20 to the GEM Listing Rules and effective ESG risk management and internal control systems are in place. Policies, statements and information set forth in this report cover the Company’s headquarter and the subsidiaries under its effective control.

A. ENVIRONMENTAL PROTECTION

The Company insists on the 4R principle (i.e. “reduce”, “reuse”, “recycle” and “replace”). The Group is committed to protecting the environment and contributing to the society by promoting this principle. The Group always keeps track of the development of relevant international and local environmental protection legislation and ensures its environmental policy is implemented not only to comply with relevant laws & regulations and international standards, but also to ensure it is at the same pace as its worldwide counterparts.

Emissions

During the year, the Group is principally engaged in Chinese herbal medicine cultivation, medicines sourcing/trading business and big data business, which do not involve any direct production of exhaust gases and gaseous, discharge of wastewater and generation of hazardous waste by the Group. The Group’s largest environmental impact comes from office energy consumption, indirect emissions from trade transport and employees business trips.

In order to minimize hazardous emissions, the Group encourages its employees to:

1. Take public transport instead of driving during travels, whenever possible, to reduce vehicle exhaust emissions;
2. Use telephone or video conferencing to replace business trips as far as feasible to reduce carbon emissions;

3. Take the eco-friendly modes of transportation that have low levels of pollution, such as railway lines, trams, LPG minibuses, etc.;
4. Pay attention to recycling and reuse of waste batteries to avoid water pollution; and
5. Use environmentally-friendly cleaning agents to reduce water pollution.

During the year, the Group did not violate against any environmental laws and regulations that are applicable to the Group. The emissions of waste gas and waste generated by the Group during the reporting period and the results achieved are as follows:

Types of waste gas	Unit	Quantity	
		(2018)	(2017)
Nitrogen oxides (NO _x) (produced by the use of vehicles)	Kg	8.11	8.22
Sulfur oxides (SO _x) (produced by the use of vehicles)	Kg	0.12	0.15
Particulate matter (PM) (produced by the use of vehicles)	Kg	0.52	8.56
Greenhouse gases (Including scope 1 and scope 2)	tonnes carbon dioxide equivalent	58.01	58.55

Types of waste	Unit	Quantity	
		(2018)	(2017)
Hazardous waste	mt	0	0
Non-hazardous waste	mt	3.22	3.44

The Group entrusts a third party to collect and process non-hazardous wastes.

Use of Resources

The resources used by the Group for its operations are mainly electricity, water and paper. The Group has no issue in sourcing water that is fit for purpose. In order to uphold its commitment to sustainable development, the Group's employees have kept the use of resources to a minimum through various green practices.

Electricity Consumption:

1. Use of energy-efficient lights and electrical appliances in office workplace.
2. Staffs are encouraged to dress in smart casual and indoor temperature is maintained at around 25.5°C in the summer time.
3. Turn off some lights and air conditioning during lunch hours and non-office hours.
4. Enable the "Standby" or "Sleep" mode of personal computers.

Water Consumption:

Reminders on water conservation are posted in office workplace.

Paper Consumption:

1. Use of environmentally friendly paper.
2. Use of Office Automation System instead of the paper-based approval process to reduce the use of paper.
3. Practice of double-sided printing or copying.
4. Publish notice or brochure in electronic version and upload the files to the Group's intranet or the internet for public viewing.

In addition, the Group also reduces the use of resources through environmentally-friendly procurement (procurement of environmentally friendly furniture, eco-friendly toner, green stationery, etc.) and adopts simple decoration approach for new office premises. During the year, resources that the Group used and the results achieved are as follows:

Resources	Unit	Quantity	
		(2018)	(2017)
Electricity	kWh	24,152	26,513
Water	m ³	250.84	267.84
Packaging materials and office paper (paper materials)	Mt	1.51	1.56

The Environment and Natural Resources

The Group has the right to operate the forest land at Jilin Province, the PRC, which is owned by Jilin Fu Man Shan Zhen Co., Ltd.* (吉林福滿山珍有限公司) (the "**Forest Land**"). The Group will continue to minimize the depletion of natural resources when cultivating and harvesting ginseng and herbs.

The Group adopts the following measures to conserve the Forest Land and reduce the depletion of natural resources:

1. In order to preserve the integrity of the original forest vegetation ecosystem, species diversity and ecological stability, we adopt the use of organic growth model without the application of chemical fertilizers, pesticides, and only use induced artificial intervention in a near-natural way when necessary to achieve maximum seedling rate.
2. Crop rotation on old ginseng land. In order to promote the ecological restoration and sustainable development and utilization of old ginseng land, the multi-species (arbor, shrub, grass, and economic plants) structural forest restoration model is adopted, in particular for steep-slope land. Without affecting the growth of young plantation in low-slope land, the Group would pursue the growth and production of pollution-free and standardized Chinese herbal medicines and other economic plants, so that the vegetation on old ginseng land could be restored while reasonable and optimal re-use could be achieved at the same time.

3. Hire forest management and conservation officers and provide job training, to improve the overall professionalism of our forest management and conservation team. In order to protect and conserve the Forest Land, the Group hired forest management and conservation officers, and in view of the need to further enhance their level of education and skills required for forest management and conservation, the Group provides targeted training and engages relevant professional and technical personnel as teaching staff and offers training to our forest management and conservation officers for them to acquire forestry knowledge, forest management and conservation expertise and knowledge of relevant laws and regulations, such as Forestry Law, Regulations for the Implementation of Forestry Law, Handbook of Natural Forest Protection Program Knowledge, Forestry Warning Signal Education Materials. Officers have to pass training examinations and obtain certificates before work. The professionalism of our forest management and conservation team is effectively enhanced through the above measures and every management and conservation officer can accurately grasp the knowledge about area under management and conservation, tree species, forest compartment under management and conservation, quality of forest stand, and their main responsibilities. This is to ensure the realization of our “five no” target, i.e., no major forest fires; no indiscriminate felling and excessive deforestation; no indiscriminate hunting and excessive and poaching of wild animals; no significant pests and diseases; and no drugs planting.

During the year, the Group only harvested a small amount of underground ginseng and is not aware of any occurrence of major forest fires, indiscriminate felling and excessive deforestation, indiscriminate hunting and excessive and poaching of wild animals, significant pests and diseases and drugs planting.

B. SOCIAL RESPONSIBILITIES

Employment and Labor Practices

“The human resource – the whole man – is, of all resources entrusted to man, the most productive, the most versatile, the most resourceful”, said Peter F. Drucker, revered as the father of modern management. The Group is confident that maintaining a strong relationship with our employees is one of the keys to success in business. In order to protect the rights and interests of our employees, the Group has formulated the Employee Handbook in accordance with the Labor Law of the People’s Republic of China, the Labor Contract Law of the People’s Republic of China and other relevant laws and regulations.

1. Remuneration, Benefits and Attendance

(1) Remuneration

Remuneration and salaries are determined by the Group based on the qualifications, work experience, competence, roles and responsibilities of each individual employee, and taking into account the market compensation level of the industry and our internal salary standard to ensure that remuneration and salaries so determined are fair internally and are competitive in the market. Our remuneration package comprises one or more of the following components: wages, bonuses, incentives and benefits. The Company wishes to attract and retain talent, provide incentives for our employees to improve their performance and reward outstanding employees through its remuneration system. All employees are entitled to paid holidays as well as statutory holidays, bereavement leave, marriage leave, maternity leave and sick leave.

(2) *Benefits*

The Group has made required contributions to social insurance fund and housing provident fund for employees in the People's Republic of China and made contributions to mandatory provident fund and took out employees' compensation insurance policies and medical insurance policies for employees in Hong Kong. Employees who fulfilled normal attendance requirement on working day are entitled to lunch allowance and travel allowance. Employees would receive holiday gift packages in Lunar New Year and on National Day of the People's Republic of China (1 October) and Labor Day (1 May) and birthday gift packages in their month of birth as a token of gratitude.

Maintaining a good work and life balance is essential for employees' physical and mental health, therefore, in order to help employees destress, short travel and employee exchange conference and other activities are held during the year, which help encourage employees to get together outside of work, improve the communication among employees and departments, build teamwork and create a pleasant work atmosphere.

(3) *Attendance*

The Group has implemented the standard working hours according to PRC regulations. The working hours are 9:00 to 12:00 in the morning and 13:00 to 17:30 in the afternoon with one hour lunch break, five working days a week, from Monday to Friday, while Saturday and Sunday are rest days. The Group has the right to re-arrange the work schedule and working days in accordance with its operation requirements, provided that staff could have rests for 48 hours a week and at least one consecutive 24-hour rest a week; employees should obtain prior approval before taking leave. The Group, in principle, does not encourage our employees to work overtime unless it is necessary and being approved by the head in charge. To ensure the health and well-being of our employees, overtime work is subject to a cap of 3 hours per day and accumulated overtime work should not exceed 36 hours per month. Employees are, in principle, entitled to compensation leave (except statutory holidays) for their overtime work. If arrangement for compensation leave could not be reached, the Group will provide overtime pay in lieu of compensation leave.

The Human Resources Department also reviews the attendance records on a regular basis. If overtime work is discovered, investigation will be conducted immediately to ensure that employees are not forced to work overtime.

Employees are entitled to basic leave. There are nine kinds of leave, namely public holidays, statutory holidays, annual leave, casual leave, sick leave and medical leave, marriage leave, bereavement leave, maternity leave, and official leave. Employees are required to apply and obtain approval in advance before taking leave.

2. Recruitment, Promotion and Dismissal

(1) Recruitment and Promotion

The recruitment and hiring procedures of the Group embody the principle of “meritocracy, open recruitment and hiring solely on merit”. Employees would be rewarded with corresponding adjustment in their remuneration package according to their positions for their outstanding performance during the term of office and significant contributions made to the Group.

(2) Resignation

Resignation for personal reasons is subject to approval by department head in charge and 30 days’ prior written notice from the employee is required. Employees who are deemed to be incompetent for their positions based on the relevant reasons would be dismissed with 30 days’ prior written notice from the Group.

3. Equal Opportunities and Anti-Discrimination

The Group is an equal opportunity employer. Our recruitment, employment and human resources management practices, such as promotion, rewards and training opportunities, will under no circumstances be influenced or affected by an applicant’s or employee’s ethnicity, color, age, gender, sexual orientation, race, disability, pregnancy, religion, political ideology, members of the community or marital status.

Health and Safety

During the Year, the Group had complied with the Labor Law of the People’s Republic of China, the Law on Protection of Labor Rights and other applicable laws and regulations. In addition to minimizing work-related incidents and diseases, we also focus on providing employees with a safe and healthy working environment. This would in turn contribute to the improvement of the quality of products and services, ensuring smooth operation, and enhancing workforce stability and employee morale. In addition, the Group believes that ongoing staff involvement and continuing education are the keys to identifying and addressing health and safety issues in workplace.

Development and Training

The Group provides a comprehensive training program with training divided into monthly units and covering topics such as management skills, professional skills, project knowledge, latest news and information about brand culture. Through a series of training covering various topics, our staff’s understanding towards the Group’s business, management structure and corporate culture would be gradually enhanced. Employees are encouraged to fully develop their potential and strengths.

(1) Induction Training

For the new employees, the Group conducts a series of training courses on “Behavioral Mapping” on a regular basis with information on the Group’s system as the main focus in training, so as to assist the new employees to better understand the Group’s system and to help them become familiar with their new work environment and improve their work efficiency.

(2) Project Training

Our Project Department publishes project progress reports on a regular basis and provides training on the fundamentals of the projects involved.

(3) The Group has established a training fund to provide selected outstanding staff with external training, learning and studying opportunities to enhance their working and management abilities.

Labor Standards

During the year, the Group had complied with the provisions of the Labor Contract Law of the People's Republic of China. Child labor and forced labor are strictly prohibited. New employees are required to present valid identification documents to the Group for legal working age compliance checks before the commencement of their employment period. All employees of the Group comply with the standard working hour rules stipulated by the PRC government. Overtime work is not encouraged unless in special circumstances and employees are entitled to additional overtime compensation in such cases.

Supply Chain Management

The Group adopts a prudent approach in selecting suppliers, including meeting with potential suppliers to understand their products and business operations. We would conduct background checks before appointing a supplier and ensure the supplier is duly registered and has obtained the relevant license or permits with the relevant authorities in accordance with the applicable laws and regulations.

Product Responsibility

The Group is committed to providing our customers with quality products and services. To improve quality, we have experienced sales team, technical team and after-sales support team and provide regular technical training. We will review complaints on a regular basis and strive to improve our products and services to avoid the recurrence of similar incidents in the future. Understanding customers' needs is the key to provide the best possible customer experience. We appreciate customer comments and suggestions and have various communication channels in place such as telephone, branch offices and public email.

During the Year, the Group was not in violation of any relevant laws and regulations that have a significant impact on the Group, in relation to health and safety, advertising and labelling in relation to the services and products provided by the Group.

Intellectual Property Rights and Customer Privacy

The Group respects all forms of intellectual property rights and designs of advertising, commercial advertising, products, services, names and trademarks. At the same time, the Group values the importance of protecting the privacy of our customers. When entering into agreements or contracts with customers, the Company will also enter into confidentiality agreements with customers to avoid disclosing customer's information and protecting the privacy of customers. To prevent leakage of customers' data, the Group will further improve and strengthen its measures of protecting customer privacy.

During the Year, the Group did not receive any complaints arising from infringement of intellectual property rights and leakage of customers' data.

Anti-corruption, Bribery, Extortion, Fraud and Money Laundering

Anti-corruption has been one of the essential elements of corporate social responsibilities defined by the international community. The Chinese government has been active in its fight against corruption in recent years. In the course of its operation, the Group strictly abided by the Criminal Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, the Interim Provisions on Prohibiting Commercial Bribery and other relevant laws and regulations in relation to anti-corruption, bribery, extortion, fraud and money laundering.

Employees can report suspicious behaviors and irregularities by sending letters to:

1. members of the audit committee of the Company; or
2. the chairman of the board of directors of the Company.

During the year, save as disclosed in the annual report for the year end 31 December 2018 of the Group, the Group is not aware of any material breaches of laws and regulations in relation to bribery, extortion, fraud and money laundering that has significant impacts on the Group.

Community Investment

To fulfil the role as a responsible corporate citizen, the Group actively promotes and participates in appropriate and financial feasible community involvement or social contribution activities.

- **Labour Needs**
The Group strives to enlarge the business operation so that we can hire more workers to utilize communities' available labour resources.
- **Community Activities**
The Group encourages employees to participate in community activities, such as community health initiatives, sports, cultural activities, education and volunteer work.
- **Environmental Protection**
All employees of the Group are encouraged to participate in environmental protection activities and raise the environmental awareness of people in the communities.