



**百信集团**  
PASHUN GROUP

**Pa Shun Pharmaceutical International Holdings Limited**  
**百信藥業國際控股有限公司**

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

Environmental,  
Social & Governance  
Report

**2016**



## ABOUT THIS REPORT

We are proud to present our first Environmental, Social and Governance (“ESG”) Report, which provides an annual update on the progress we have made toward our sustainability strategy and introduces our sustainability goals.

The Group continued to focus on the pharmaceutical distribution, self-operated retail pharmacies and pharmaceutical manufacturing businesses in the People’s Republic of China (“China” or the “PRC”).

This report was prepared based on the principles as set out in the Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”), namely the Environmental, Social and Governance Reporting Guide, that was issued in December 2015.

On the other hand, the Corporate Governance Report in compliance with Appendix 14 of the Listing Rules of the Stock Exchange, namely the Corporate Governance Code (the “CG Code”), which has already been forming part of our 2016 annual report issued separately in April 2017, will not be repeated in this report.



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## BOUNDARIES AND SCOPE

This report focuses on the operations of Pa Shun Pharmaceutical International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) in 2016.

### Company

- Pa Shun Pharmaceutical International Holdings Limited (574.hk)

### Subsidiaries

- Pa Shun Pharmaceutical Company Limited (“Pashun BVI”)
- Toyot Pa Shun Medicine Factory Company Limited (“Pashun HK”)
- Chengdu Toyot Pa Shun Medicine Factory Company Limited (“Chengdu Pashun”)
- Chengdu Kexun Pharmaceutical Company Limited (“Chengdu Kexun”)
- Chengdu Keyi Biotechnology Company Limited (“Chengdu Keyi”)
- Chengdu Pa Shun Pharmacy Chain Store Company Limited (“Chengdu Pashun Chain Store”)
- Hebei Chun Sheng Tang Chain Store Company Limited (“Chunshengtang”)
- Hubei Baixintang Pharmacy Chain Store Company Limited (“Baixintang”)

This report will present its company-wide commitment to sustainable development during 2016. It will cover the significant environmental and social achievements and impact arising from the activities of the Group.

## VISION 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.

The Group takes an integrated approach to sustainability, incorporating environmental and social considerations into our decision-making processes. We focus on minimizing the impact of our manufacturing operation in Chengdu, PRC on the environment and creating positive impact on the community through our business. In doing so, we are guided by a set of core sustainability values and an effective governance structure.

Our Group believes that promoting sustainability is as important as achieving medium and long-term business growth. It has therefore made continuous efforts to maintain a high degree of sustainability in its head office and principal place of business in Hong Kong, as well as its principal place of business and manufacturing site in the PRC. Moreover, it values opportunities to learn more about the needs and expectations of the communities in which it operates, as well as those of other stakeholders.

## **BUSINESS SUSTAINABILITY**

The Group's revenue and profit from operations were entirely derived from activities of pharmaceutical distribution, self-operated retail pharmacies and pharmaceutical manufacturing in the PRC for the years ended 31 December 2016 and the principal assets employed by the Group were located in the PRC as at 31 December 2016.

During the reporting period, China's economy continued to enter into the new normal (新常態). On the back of the full-scale advance of pharmaceutical and health system reforms by the Chinese government, the pharmaceutical industry ushered in new opportunities and challenges.

In 2016, the Ministry of Commerce of China issued the National Development Plan for the Pharmaceutical Distribution Industry (2016-2020), aiming at guiding the reform and development of the pharmaceutical distribution industry and pushing the pharmaceutical distribution industry to accelerate transformation. In addition, the implementation of the "Two-Invoice System" in the PRC, which aims to reducing the number of layers between drug manufacturers and medical institutions, is expected to force the pharmaceutical distribution industry to integrate, resulting in concentration of the pharmaceutical distribution industry.

The pharmaceutical industry is highly competitive but it also gives rise to new opportunities for development. Leveraging a solid foundation in the southwest region of China, the Group will further seek appropriate opportunities to consolidate its market position. China's business environment is constantly changing with rapid development of science and technology and the Group should make good use of its existing resources and networks to seize the opportunity of extending to other areas of innovation for development.



Under the leadership of an experienced and dedicated management team, the Group will continue to implement the following business development strategies so as to maintaining growth and achieving better returns:

- accelerating the construction of an international logistics centre to improve the operational efficiency of the pharmaceutical distribution business;
- optimizing the product structure to expand the range of products, including Chinese herbal medicines;
- strengthening online and offline publicity and marketing activities to enhance brand awareness; and
- continuing to identify potential mergers and acquisitions opportunities to improve the Group's profitability.

## STAKEHOLDER GROUP AND ENGAGEMENT

Stakeholder engagement is an integral part of our business development and commitment to corporate sustainability. We develop medium and long-term relationships with stakeholders and consider their views on our business development through various formal and informal, independent and internal stakeholder engagement exercises.

Through our annual stakeholder engagement exercise and regular engagement activities, we are able to keep an ongoing dialogue with our stakeholders, enabling us to make more informed decisions, and better assess and manage any resulting impact.

### (1) Investors and shareholders

- Annual General Meeting
  - Investor briefings
  - Face-to-face meetings
  - Conference calls
  - Corporate website
- 

**(2) Customers**

- Annual customer satisfaction survey
- Organizing public events
- Periodic campaign to raise service standards and maintain customer satisfaction
- Guest comment card and client feedback survey at our venues
- Designated customer hotline
- Corporate website
- Social media (e.g. online platform)

**(3) Business partners**

- Face-to-face meetings
- Independent interviews
- Briefing sessions and seminars

**(4) Suppliers**

- Face-to-face meetings
- Daily work review
- Supplier assessment
- Independent interviews

**(5) Employees**

- Training, seminars, briefing sessions
- Social club activities
- Employee assistance hotline
- Face-to-face meetings
- Independent focus groups and interviews
- Recreational and volunteering activities



## (6) Communities

- Employee volunteering activities
- Participation in programs initiated by non-governmental organizations
- Organizing public events
- Independent interviews

The Group is considering to establish a more formal stakeholder engagement process to strengthen its management's efforts to promote sustainability through good corporate governance, environmental protection, community investment and workplace practices.

Our Group's core sustainability values:

- We consider ongoing communication with our stakeholders as vitally important to upholding the well-being of the community
- We believe a thriving community facilitates our continuing business success
- We will continue to engage with our stakeholders' views and work together with them to achieve a win-win scenario

## ENVIRONMENTAL AREA (A)

The Group is committed to protecting the environment and environmental considerations are taken into account very seriously during our decision-making processes. The board (the "Board") of directors (the "Directors") of the Company has overall responsibility for environmental considerations across the Group while each business segment has its own responsibility to implement appropriate environmental measures.

### A1. Emissions

#### *Air Pollutants*

In Hong Kong and PRC, key air pollutants are identified as: nitrogen oxides ("NOX"), sulphur oxides ("SOX") and respiratory suspended particles ("RSP"), also known as Particulate Matter ("PM"). These pollutants tend to be generated by motor vehicles, marine vessels, power plants, and industrial and commercial processes locally. NOX and SOX emissions are also generated from cement, construction and textiles industries.

Another area of emission is known as greenhouse gas ("GHG") emissions. The majority of GHGs are emitted from fossil fuel consumption. The two main sources of GHG emissions are: electricity purchased from power companies; and gas purchased from gas companies.

The Group's operations do not involve activities that directly emit GHG or other air pollutants. The Group's GHG emission through fuel consumption by vehicles is not material. The Group indirectly emits GHG or other air pollutants principally through its electricity and heat consumptions and transportation activities during its business processes to provide services to customers and in its general administration. The Group's efficient use of electricity, heat and transportation would contribute to achieving its objective of combating global climate change through the reduction of GHG and other air pollutants emissions which would improve the health conditions of the workers and the local communities.

To mitigate the impacts of its environmental footprint, it is the Group's policy to minimize its indirect emissions of GHG and other air pollutants through controlling its electricity and heat consumptions, as well as local and long distance travelling of its staff, so far as it is economically and operationally feasible.

The Board is responsible to monitor and evaluate the Group's efficiency in minimizing its indirect emissions of GHG and other air pollutants, and considers the existing policy appropriate.

Since the Group's operations do not involve those activities that directly emit GHG and other air pollutants, the laws and regulations governing direct GHG and other air pollutants emissions have no impact on the Group.

#### ***Generation and Discharge of Wastes***

The Group generates and discharges hazardous medical wastes mainly through its pharmaceutical manufacturing business segment in Chengdu, PRC and non-hazardous wastes in the forms of paper, packaging, plastics and sewage water during its business processes to provide services to customers, in its general administration and mainly through its pharmaceutical distribution and self-operated retail pharmacies business segment in PRC. The Group's efficiency in the reduction of its waste discharge and opting for disposal methods that reuse or recycle the discharged wastes would contribute to achieving its objective of conserving of the environment.

The Group has established a series of policies and guidelines to meet the statutory requirement on emissions by local government in Hong Kong and PRC. To meet the requirement of relevant PRC Laws, our manufacturing site in Chengdu, PRC has successfully obtained "Certificate on Pollution Control arising from Waste Discharge" 《污染物排放許可證》.

Moreover, all our hazardous waste from manufacturing site in Chengdu, PRC has been properly handled with care. Firstly, we apply the permit approval from the local Environmental Bureau in Chengdu, PRC. With the valid "transfer permit", we use the professional service of waste treatment and disposal company for final "hazardous waste" disposition.



We try to make use the recycle process to reduce unnecessary solid waste as much as possible to minimize the adverse impact on the environment in Chengdu, PRC. For those unused material or those could not be recycled, we use the professional company in this field for final “non-hazardous waste” disposition.

The Board is responsible to monitor and evaluate the Group’s efficiency in minimizing its generation and discharge of wastes, and considers the existing policy appropriate.

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

## **A2. Use of Resources**

The Group consumes energy in the form of electricity used mainly during its pharmaceutical manufacturing operation in Chengdu, PRC and during other business processes to provide services to customers and in its general administration. The Group’s efficient use of energy would contribute to combating global climate change.

The Group obtains water from both public and private utilities, and consumes water mainly in its pharmaceutical manufacturing business segment in Chengdu, PRC and during its business processes to provide services to customers and in its general administration. The Group does not withdraw water directly from the ecosystem and has no operation in water-stressed areas. The Group’s efficient use of water would contribute to preserving the local communities in which it operates and the quality of the fresh water consumed by the indigenous people who live in those communities (where applicable).

The Group consumes renewable natural resources in the forms of paper, wooden parts and components of equipment, tools, inventory and supplies, and non-renewable natural resources in the forms of metal, glass or plastic parts and components of equipment, tools, inventory and supplies that the Group purchased from external suppliers, mainly during its pharmaceutical manufacturing business segment in Chengdu, PRC and other business processes to provide services to customers and in its general administration. The Group’s efficient use of natural resources and opting for recycling, reusing or reclaiming materials, products, and packaging would contribute to the conservation of natural resources.

By implementing appropriate Energy and Material Management Program in each business segment where we operate, we can positively influence our environmental and economic impact while ensuring business continuity. Currently, our principal place of business and manufacturing site in Chengdu, PRC has set up a committee with a project leader to push for more efficient energy and material consumption and fulfill the program's goals.

Our short and medium-term goals are to:

- Implement a good energy and material usage performance monitoring system
- Engage third party logistics services (as necessary and appropriate) and suppliers that meet our environmental standards
- Report energy and material usage performance in the annual reporting cycle
- Invest in energy-efficient hardware that is in line with our environmental policies
- Increase staff awareness and commitment

Our long-term goals are to:

- Reduce energy and material costs, wherever possible
- Define best practice benchmarks for energy consumption and material usage within our Group
- Measure our performance against benchmark levels
- Give higher priority to energy efficiency investments
- Where possible, to use energy and material from sustainable sources
- Where possible, to negotiate better energy costs with utilities companies

The Board is responsible for monitoring and evaluation of the Group's efficiency in the consumption of natural resources and the practices of recycling/reuse of materials, and considers the existing policy appropriate.



### **A3. Environmental Impact and Natural Resources**

We strive to minimize the environmental impact of our business by implementing a variety of green measures, including responsible use of resources, carbon emissions reduction, energy saving, waste management and pollution prevention.

We recognize that our operations have an environmental impact, particularly through:

- Lighting, heating and cooling of our offices, stores and warehouses
- Fuel consumption of distribution fleets
- Generation of certain hazardous and non-hazardous waste
- Manufacturing of chemical products

As a result, the Group is committed to:

- Enhancing our contributions to environmental sustainability through sustainable development initiatives and implementing good environmental practices
- Regularly reviewing our business practices to identify how we can use resources like energy, water and other raw materials sustainably and more efficiently, while reducing waste and greenhouse gas emissions
- Communicating to suppliers our expectations of responsible and sustainable sourcing and manufacturing will cover relevant aspects respectively
- Recycling program for unused or damaged electrical and electronic equipment
- Reduction of printing paper and finished good packing paper usage
- Various energy savings initiatives, including LED light usage
- Reduced distribution of single-use plastic carrier bags and encouraging the use of more environmentally-friendly carrier bags

Our principal place of business and manufacturing site in Chengdu, PRC has successfully obtained the “Certificate of Environmental Protection and Management”.

## SOCIAL AREA (B)

### B1. Employment

Generally speaking, the Group's head office and principal place of business in Hong Kong as well as the principal place of business and manufacturing site in Chengdu, PRC have a series of written policies and guidelines on the following areas for reference:

- Compensation and dismissal
- Recruitment and promotion
- Working hour
- Rest period
- Equal opportunity
- Diversity
- Anti-discrimination
- Other benefits and welfare

The Group has the duty to respect its employees' rights set out in their employment contracts as well as in the relevant labor and employment laws and regulations. The Group's competence and its adherence to its contractual obligations, the relevant laws, regulations and standards would contribute to the protection of employees' rights.

To mitigate the Group's exposure to labor issues, it is the Group's policy that all the employees' rights in connection with the aforesaid conditions of work as set out in the employment contracts as well as in the relevant labor and employment laws and regulations are upheld, and that all the employees are adequately remunerated, in the sense that their remunerations are sufficient to meet their basic needs, and to provide them with certain discretionary income.

The Board is responsible for monitoring and evaluation of the Group's effectiveness in protecting workers' employment rights, benefits and welfare, and considers the existing policies appropriate.

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

## **B2. Health and Safe Working Environment**

Health and safety issues are important focus areas across all our operations in Hong Kong and PRC.

The Group is committed to:

- Creating a safe, healthy and supportive environment for all employees
- Providing a working environment that is free from all forms of discrimination
- Ensuring employees at every level receive an appropriate induction so they have the best possible start in our organization
- Providing ample opportunities to enhance one's skill, optimize performance and progress one's career through on-the-job training and well-defined career pathways
- Maintaining proper systems to ensure equal opportunities and competitiveness in staff remuneration and recognition
- Ensuring the company sets clear expectations for individual behavior. This is an integral part of the Group's human resources policy.

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

In our Hong Kong office, fire safety measures are in place. The property manager has been working with the Fire Services Department of the Hong Kong Government to arrange relevant seminars and fire drills to raise employees' awareness on fire safety.

Regular safety inspections and improvement works on our premise is conducted to safeguard our employees and users of our buildings. We keep track of the latest government information on the spread of communicable diseases and provide prompt preventive advice and measures on our intranet.

### ***Principal place of business and Manufacturing site in PRC***

In mainland China, our principal place of business and factory in Chengdu for pharmaceutical manufacturing continued to run Safety Operation periodic training to reinforce the culture of safe operation, strengthen employees' awareness on safety and improve their knowledge of work safety law. We also published safety management regulations and guidelines which were distributed to relevant staff.

Our principal place of business and & factory in Chengdu, PRC set medium and long term targets on the overall operation safety and establish an occupational health and safety committee. Committee members include senior management and staff, who are responsible for internet security, road safety, fire safety, occupational safety and health, risk management and safety training. We have conducted various training and workshops during the year, covering safe storage of hazardous chemicals, fire rescue and first aid.

To prevent employee health and safety issues from arising, it is the Group's policy to require its staff at all levels to always be alert of health and safety concerns at the workplace, to report and communicate all health and safety concerns at the workplace on a timely basis, and to adhere to all the applicable safety laws, regulations and standards.

The Board is responsible for monitoring and evaluation of the Group's effectiveness in ensuring its employees' health and safety, and considers the existing policy appropriate.

During the year under review, the Group did not have any non-compliance with the laws and regulations in respect of employees' health and safety, including Occupational Safety and Health Ordinance (Cap. 509 of the Laws of Hong Kong) and Work Health and Safe Protection Law (PRC).

### **B3. People Development and Training**

We aim to recruit the best talent who fit our business needs. We create an environment where employees can develop their full potential and contribute their skills and experiences to the medium and long-term development of the Group.

Our development and training program ensure we have the skills and talent needed to grow our people and business. These programs help our employees improve and gain knowledge on the pharmaceutical industry trends and latest standard and regulations:

- Annual analysis of our training needs across the business
- Organized in-house and external training courses and seminars for staff
- Emphasized health and safety
- Encouraged work-life balance
- Stress management and wellness-related training and counseling services
- Internship programs to provide job training and career coaching opportunities



***Reliance on Key Personnel***

Our business and growth may be disrupted if the Group is not able to retain the key personnel. The Group's future success depends heavily upon the continued services of its senior executives and key sales and marketing personnel. The Group's ability to attract and retain key personnel is a critical factor in its competitiveness. If the Group is unable to attract or retain the personnel required to achieve its business objectives, its business could be severely disrupted.

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

**B4. Labor Standards**

The Group has established standard on recruitment and dismissal in line with the Labor Laws and regulation of Hong Kong Government and local bureau in PRC.

Child labor is work that deprives children of their childhood, their potential and their dignity, and that is harmful to their physical or mental development, including work that interferes with their education. Organizations are normally not allowed to hire children below the age of 15 for full-time work.

Forced labor refers to all work or services which are exacted from any person under the menace of any penalty and for which the said person has not offered himself/herself voluntarily. Indicators of forced labor can include the withholding identity papers, the requiring for compulsory deposits, and the compelling of workers, under the threat of firing, to work extra hours to which they have not previously agreed. Debts can also be used as a means of keeping workers in a state of forced labor.

In particular, the Group is committed to ensure that the goods and services we produce in all our operations in Hong Kong and PRC to eliminate child labor and forced labor since they are serious violations of fundamental human rights. The Group's avoidance in engaging child or forced labor is to meet the legitimate expectation of the society.

Below summarized our steps for all occasions, we keep child labor and forced labor out of their supply chains:

- ***Engage consumers and clients***

It is the Group's belief that most consumers and clients worldwide are willing to pay more for goods and services that are produced or provided responsibly. Companies that can show consumers their goods were made without child labor or worker with unlawful identity can tap into this growing demand.

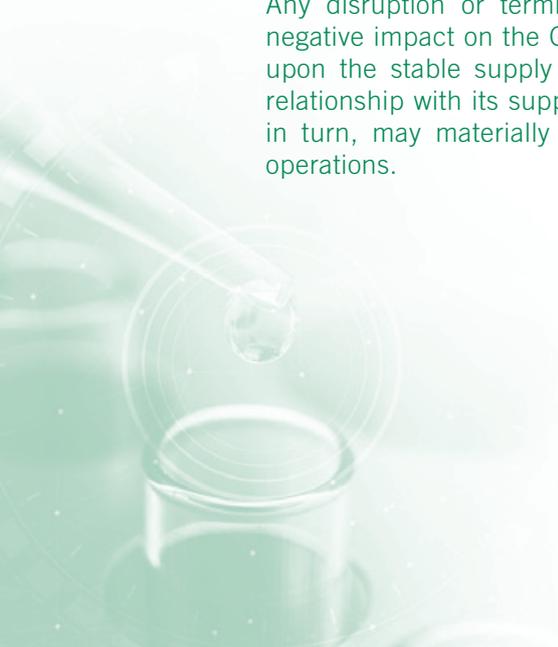
- ***Support employee and worker voice***  
Listening to employee and workers is one of the most effective ways a company can monitor the management of its supply chains. By respecting employee and workers, the Group can help ensure that they are eliminating and not enabling abusive forms of labor in their supply chains.
- ***Be transparent***  
It is the Group's belief that transparency and prompt disclosure can be a powerful demonstration of our commitment to making things right.
- ***Practice due diligence***  
We perform risk and impact assessments which help us to get a better "view" for the management of our supply chains. These assessments are integral to a responsible due diligence process. They are an essential tool for the Group seeking sustainability in their supply chains.
- ***Put in place meaningful grievance mechanisms***  
It is the Group's belief that we should ensure that safe, accessible channels are available to all employees to lodge complaints about any issue related to their code of conduct. Standard procedures have also been in place for handling and resolving complaints to protect employee and workers from reprisal.
- ***Link with other supplier incentives***  
The Group is committed to integrate child labor and other human rights issues by appropriate occasions into other dealings with suppliers, making them complementary and mutually-reinforcing.

The Board is responsible for monitoring and evaluation of the Group's effectiveness in eliminating child and forced labor, 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 child labor or forced labor, including but not limited to Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and Labor Law in PRC.

## **B5. Supply Chain Management**

Any disruption or termination of or material change in supplier relationships may have a negative impact on the Group's operation. The Group's business is dependent to a large extent upon the stable supply of products from its suppliers. If the Group fails to maintain stable relationship with its suppliers, it may not be able to secure a stable supply of products, which, in turn, may materially and adversely affect its business, financial condition and results of operations.



The Group is committed to:

- Supporting the interests of our customers by focusing on product and service quality, value and safety
- Providing products and services that comply with all applicable legislations in their distribution markets
- Maintaining clear and constant customer communications channels, listening actively to feedback and responding swiftly to complaints
- Safeguarding our operations against unfair business practices
- Ensuring business contracts clearly set out the agreed terms, conditions and the basis of our relationship
- Communicating to our suppliers the importance of responsible sourcing and social compliance in the areas of health, safety and worker welfare
- Encouraging suppliers and contractors to adopt responsible business policies and practices for mutual benefit

To prevent negative environmental and social impacts from arising from the Group's supply chain, it is the Group's policy that a supplier's record of non-compliance with the laws, regulations and standards in connection with environmental and social matters be one of the Group's key considerations for deciding whether to engage a new supplier or to continue business relationship with an existing supplier (as the case may be). The Group also has a policy to select suppliers which use recycled or reused materials in their production process.

***Branded Product Packaging***

The Group readily reports information on packaging waste generated by our branded products. Together with our internal development teams and suppliers, we aim to reduce the amount of packaging used in our branded products, wherever possible, while ensuring they still perform two essential functions:

- To contain and preserve our products throughout their lifetime
- To provide all required legal written information to our customers

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



## B6. Product Responsibility and Safety

The Group manages its business by business segments and distribution channels.

### 1. **Business Segment: – Pharmaceutical distribution**

This segment generates revenue primarily from sales of pharmaceutical products to (i) wholesalers, (ii) franchise retail pharmacy chain stores and (iii) hospitals and other medical institutions in rural areas.

### 2. **Business Segment: – Self-operated retail pharmacies**

This segment generates revenue primarily from sales of pharmaceutical and healthcare products, in self-operated retail pharmacies.

### 3. **Business Segment: – Pharmaceutical manufacturing**

This segment generates revenue primarily from sales of pharmaceutical products manufactured by the Group.

- We make use of a mix of controls before shipment and upon reception in our warehouses. Controls include labeling review, product conformity and other safety checks.
- We make use of a mix of internal audits with our qualified engineers and external audits with independent third party auditors.

Post-Market Surveillance for Branded Products:

Ongoing post market surveillance is conducted with regular re-assessment of our branded products. Our product sampling program ensures on-going quality and safety by rechecking selected products against original specifications.

The Board is responsible for monitoring and evaluation of the Group's effectiveness in ensuring consumers' health and safety, as well as in protecting consumers' right to be informed, and considers the existing policy appropriate.

During the year under review, the Group did not have any non-compliance with the laws and regulations in respect of customers' health and safety, as well as in respect of product marketing and labeling, including but not limited to Consumer Goods Safety Ordinance (Cap. 456 of the Laws of Hong Kong), Undesirable Medical Advertisements Ordinance (Cap. 231 of the Laws of Hong Kong), Trade Descriptions Ordinance (Cap 362 of the Laws of Hong Kong), Good Supply Practice Rules for Pharmaceuticals (PRC) and Good Manufacturing Practices (2010 Revision, PRC).



## **B7. Anti-corruption**

The Group has a set of anti-corruption policies to ensure compliance by all employees, officers and directors of the Group, and its subsidiaries and affiliates, with the Foreign Corrupt Practices Act (FCPA) and related anti-corruption laws of Hong Kong and PRC.

### ***Bribes, Kickbacks or Other Corrupt Payments***

All employees are prohibited from directly or indirectly offering, giving, soliciting or receiving any form of bribe, kickback or other corrupt payment, or anything of value, to or from any person or organization, including government agencies, individual government officials, private companies and employees of those private companies under any circumstances.

### ***Facilitation Payments***

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

### ***Relationships with Third Parties***

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

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

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

## B8. Community

The Group also encourages its staff to participate in charity and other activities that promote the welfare of the local communities in which the Group operates, including charity runs and volunteer activities, to raise their awareness of the needs and interests of the local communities. Costs associated with these activities are borne by the Group in order to increase staff participation rate.

Through its community initiatives, the Group is committed to supporting and encouraging management in our principal place of business and & manufacturing site in Chengdu, PRC to:

- Initiate dialogue with local communities for mutual benefits
- Develop programs with local community organizations that are relevant to our business and beneficial to local community needs
- Get employees involved in local community organizations and activities
- Establish a long-term partnership with relevant charitable organization(s) and to make local donations and sponsorships that are in line with the company's policy

The Group is expected by the society to anticipate and avoid causing negative impacts on the local communities in which it operates. The Group's timely and effective stakeholder identification and engagement process are important to help the Group to understand the importance of the local communities to the Group's activities.

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

## SUMMARY 1

### Compliance to ESG Reporting Guide of the Stock Exchange

(Appendix 27 of Listing Rules)

#### Environmental Area (A)

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



**Social Area (B)**

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

During the year under review, the Group has complied with all relevant laws and regulations in relation to its business including production, health and safety, workplace conditions, employment and the environment that have a significant impact on the Group.

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

***Environmental and Social Standards***

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

## SUMMARY 2

### Compliance to Relevant Laws in PRC

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

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

#### *i) Business operation*

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

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

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

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



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

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

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

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