



KINGWORLD MEDICINES GROUP LIMITED 金活醫藥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 01110





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Environmental, Social and Governance Report



INTRODUCTION

This is the first Environmental, Social and Governance (the “ESG”) report prepared by the Group in accordance with the requirements of Appendix 27 Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) to the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited. This ESG report covers the period from 1 January 2016 to 31 December 2016 and is intended to give an insight into the approach adopted and actions taken by the Group regarding its operations and sustainability that have implication for the Group and the interest to stakeholders. The terms used in this ESG report have the same definitions as those in the Group’s 2016 Annual Report, unless otherwise defined.

The ESG report of the Group has been presented into two subject areas, environmental and social and each subject area will have various aspects to disclose regarding the relevant policies and the status of compliance with relevant laws and regulations as addressed by the ESG Reporting Guide.

The Group understands the importance of the ESG report and is committed to making continuous improvements in corporate social responsibility in our business in order to better meet the changing needs of an advancing society. The first ESG report of the Group will present general disclosure of required aspects in policies, initiatives, performance and compliance. The Group will continue to optimise and improve the disclosure requirements.

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THE GROUP

Kingworld Medicines Group Limited (the “Company”) and its subsidiaries (together, the “Group” or “Kingworld”) engages principally in the agency and distribution of branded domestic and foreign pharmaceutical and healthcare products. Kingworld is committed to “saving lives, serving health” and conducts an honest and reliable business. For six consecutive years from 2009 to 2014, it was among China’s Top 100 Importers of Pharmaceutical and Healthcare Products and, in 2013, it was one of the Top 5 Sales Enterprises of Chinese Patent Medicines, gradually establishing leadership in the industry.

Today, Kingworld is a distributor of more than 60 pharmaceutical and healthcare products from around the world. They included a good number of high performing pharmaceutical products of well-known century-old brands that have earned the praises and trust of customers. With a distribution network that covers the entire country, Kingworld is helping to safeguard the health of Chinese people at all times. In January 2016, the Group won the “Most Investment Value Award” in the “2015 Listed Companies in China Capital Market” event.

Kingworld operates its business with integrity, heart and diligence, and actively gives back to the society by embracing its social responsibility. In addition to caring about people’s health, the Group also firmly believes having an environment, a community and employees which and who are healthy is equally important. Hence, during the reporting period, the Group actively improved the working environment for its employees and also their benefits, promoted environmental protection measures and corporate governance plans, as well as took part in social and charitable activities to share the fruit of its hard work with the community.



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Since 7 July 2017, the headquarter of the Group has been relocated to 8th - 9th Floor, Block A, Majialong Chuangxin Building, 198 Daxin Road, Nanshan District, Shenzhen, Guangdong Province, The PRC.



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ENVIRONMENTAL PROTECTION

Emission Reduction

The Group operates mainly agency and distribution businesses instead of manufacturing of pharmaceutical products, hence there is no discharge of greenhouse gas or other types of emission in the course of its operation. However, we still remain vigilant regarding emissions control and have related environmental policies in place as well as follow relevant laws and regulations to ensure our business fully complies with all requirements and does not harm the environment.

The Company's subsidiary Shenzhen Dong Di Xin Technology Co., Ltd. ("Dong Di Xin") also does not produce exhaust gases or effluent emissions when it manufactures medical devices. However, non-hazardous dry battery wastes are produced in the manufacturing process, about 0.426 ton a year. We have issued clear guidelines to employees prohibiting them from casually discarding such wastes. Proper arrangements are in place and collection points have been set up, and the wastes collected will then be delivered to entities approved by the government to handle hazardous waste recycling to ensure no pollution to the environment.

Resource Utilization

The Group values all precious resources on the earth and, with reference to relevant laws and regulations, as well as its businesses and conditions, has drawn up a set of complete and comprehensive resource conservation policy.



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Externally, the Group's business development direction is conducive to creating conditions for environmental protection and energy conservation. Keeping in pace with time, we have been continuously developing online business channels. To date, the Group has the support of dozens of integrated and professional E-commerce platforms and its own Kingworld Healthy Home Qianhai Cross-border E-commerce Platform, self-operated "Kingworld Health" WeChat mall, etc.. Being able to directly interact with customers on the Internet, many steps and procedures in the conventional way of communication can be removed, which has enabled it to not only conserve relevant resources, but also speeds up turnover of goods therefore reduces wastage from goods expiring and have to be thrown away.

Internally, we use environmental and energy-saving electrical appliances in our offices to help reducing power consumption. In addition, we have issued detailed guidelines on how to conserve energy when using and operating office equipment including printers, fax machines and copiers, etc.. We also require employees to switch off water and power sources when they break and before they leave the office after work. The Group only consumes water only as necessary averaging several dozen tons a month. We have posted reminders easily noticeable near water sources to prompt employees to save water.

In addition, through its internal information systems, the Group relates to employees different environmental protection and energy saving information and relevant work guidelines, written notices and system reminders. While providing good and comfortable working environment for our staff, we are also promoting paperless office to reduce wastes of paper by using new technology such as H5 to implement brand marketing and promotion activities. At the same time, the Group has taken the lead to promote awareness of energy conservation and environmental protection, working with related organizations to jointly host environmental protection activities such as "caring for sanitation workers", "caring for nature" and "walking for emission reduction", and encourage active participation of employees in those activities.

The Company's subsidiary Dong Di Xin uses large-scale injection molding machines that consume power at the rate of approximately 518.5 kWh/h in the year. The motors of some of the units have been modified to be with server control functions and as such have improved power efficiency, and that has contributed significantly to energy conservation.



If the earth is sick and the natural environment is destroyed, how can we anticipate that human being can have a healthy life? The Chairman of the Board, Mr. Zhao Lisheng wishes for the harmonious coexistence between the exuberant nature and healthy human being. Mr. Zhao Lisheng, who has led the Group in caring for nature, was invited to join as a director of the Greater China Council of the Nature Conservancy and a member of the First Council of the Peach Blossom Spring Ecological Protection Foundation, where he and the co-chairman of the Foundation Mr. Ma Huateng and Mr. Ma Yun together promote environmental protection. The Foundation promotes cooperation, is of great conservation value on a global scale, and uses charitable technique and commercial tool to support and implement conservation projects. It focuses on cultivating and fostering of the local management protection capacity; exploring sustainable funding models; promoting environment-friendly eco products; organizing the public, especially around youth field experience activities, volunteer opportunities and putting forward the "come from nature, back to nature" healthy lifestyle.

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Environment and Natural Resources

While our business does not cause major impact or risk to the environment or natural resources, the Group has strictly abided by environmental laws and regulations of the PRC and Hong Kong and has made relevant policies to minimize any potential impact. The noise generated as Dong Di Xin operates is in compliance with relevant standards and has no impact on residents and the environment in its neighborhood. Dong Di Xin also has in place policies involving such as EIA Report, Three Wastes (Waste Gas, Waste Water and Waste Residues) Detection and Occupational Hazard Factor Environmental Testing, allowing it to closely monitor the environmental impacts of its operation.

At the same time, the Group has formulated a comprehensive set of contingency measures for tackling environmental incidents to help it preventing and quickly responding to emergency situations, including chemical spills and accidental discharge of hazardous wastes, etc., on company ground. The Group conducts an emergency rescue drill every year to make sure it is prepared for the worse. Apart from prevention, we want to know for certain that should an incident happen, we have the ability to properly and swiftly handle it and minimize its impacts on the environment.

SOCIETY

Employment and Labour Practice

Employee Benefits

The sustainable profitability, business creativity and growth potential of the Group provide assurance on more comfortable working environment for every employee. The Group attaches great importance to the interests of employees as they are its most important asset and the cornerstone of its success. As such, in addition to having strictly complied with labour laws and regulations in the PRC and Hong Kong, we have implemented policies that safeguard the rights and interests of employees which cover areas including recruitment, remuneration and benefits, promotion, dismissal, working hours and holiday, etc. and all other treatments that they deserve.

We work by the principle of being fair and just in staff recruitment, without prejudice and base only on an applicant's abilities and requirements of the job concerned. The same principle is also applied in deciding employee benefits and remuneration. Our remuneration policy is in line with industry standards and also takes into account an employee's workload and specific post and duties. There are no inequalities in pay for the same work. We adopted a 40 working hours per week system. In addition to statutory holidays, our employees also enjoy pay annual leave and wedding leave. Our female employees are entitled to maternity leave and breastfeeding leave as prescribed by the relevant laws and have equal opportunities with male employees in promotion and benefits.

The Group values the opinions of employees and has been active in establishing and promoting communication with them. We have set up a trade union for our employees. In addition to working for employee welfare, the trade union also serves as an important channel of communication with employees for the management. Furthermore, we use multi-platform including OA, WeChat group, telephone, email, mailbox and other mechanisms to make it easy for employees to voice their views to the management and promote two-way communication.



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Occupational Safety

Ensuring the workplace is safe for employees is our most important responsibility. Although our business has no innate safety threats to employees, we still make sure our work safety policies are developed in strict compliance with relevant laws and regulations. A multi-pronged approach is adopted to provide employees with a safe working environment.

All our employees are insured against work-related injuries and employees on business trips are also relevantly protected. We provide training to employees based on their job requirements and duties, including knowledge of technical skills, to help them control machinery better and reduce the risk of accident happening. Those training also cover occupational health for enhancing safety awareness among staff. We also send out messages and reminders from time to time to urge our employees to stay alert to danger. The Company's subsidiary Dong Di Xin also provides all its front-line employees with protective gears, such as earmuffs, to ensure their health will not be affected while working. With the help of the different measures enforced, there had been no industrial accidents or employee injuries during the reporting period.



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Development and Training

The Group places much emphasis on personnel training and encourages employees to pursue self-improvement and life-long learning. To these ends, we have developed a comprehensive employee development and training system. Each year, the business department heads and business schools will decide what training is required based on the needs of the department and its staff and those training requirements will be assessed by the business schools and senior department executives and then implemented accordingly and coordinated by the business schools.

As the Group has been actively developing online sales channels, it needs employees to be well-verse in related knowledge and skills. Hence, we provide regular training that employs both on and offline learning modes to employees and also every now and then relevant training to strengthen employees' product knowledge, understanding of government policies and sales skills.



Intellectual Property Rights

We have always attached importance to the safeguard and protection of our intellectual property rights. The Group has established an internal control system to manage its intellectual properties, including the administration of trademarks and patents. The Group would sign a confidentiality agreement with its employees at the time of their signing of employment contract, with detailed specifications on the employee's scope, obligations and responsibilities with regards to confidentiality, as well as the relevant cease-of-employment arrangements.

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Our training strategies have two aspects – internal and external. Internally, all new recruits are given induction training for them to understand the culture, system and products of the Group, helping them adjust their thinking and acquire relevant skills. In addition, we have established business schools as our core training platform, which provides a wide range of in-house courses and activities that agree with the needs and stage of development of the Group. For example, annual and semi-annual marketing conferences, themed conferences, topical studies, industry exchange seminars, internship, themed contests, outdoor development activities, cultural activities, which teach all sorts of professional skills and groom professional aptitudes, etc., for employees to partake as needed. Moreover, the business schools organize business customer training courses and also courses jointly with other enterprises to train talent at all levels.



Externally, we send employees from time to time to study and participate in courses offered by various higher education institutions or industry organizations, covering areas such as financial and auditing expertise, as well as professional skills of relevance to our business units. Employees receiving the training will be tested and appraised monthly, quarterly and annually, and improvement plan will be drawn up together with the employee concerned.

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The Group has well-trained employees delivering performances to its satisfaction. In 2016, our employees completed in total 81 online courses and attended 104 classes offline. The total enrollment count for the different courses was 7,238 and all together 15,468 hours of study were completed. For offline learning, on average each employee spent 2.13 hours a month and 30.94 hours a year receiving training.

Labour Standards

The Group strictly abides by labour laws in the PRC and Hong Kong and relevant policies have been drawn up to rid child labour or forced labour. We have detailed recruitment guidelines that require the responsible person to verify original identity documents of applicants. The new recruits have to go through checkings by our Human Resources Department to ascertain their true identity and that they have reached the statutory working age.

Should child labour or forced labour be discovered, decisive actions would be taken immediately, with the persons concerned removed from their posts and handed over to relevant authority for follow-up. We will also review the recruitment process or the monitoring system to prevent recurrence of the same problem. During the reporting period, at our hard work, there has been no case of child labour or forced labour.

Business Model

We employ a comprehensive supplier monitoring system to make sure our suppliers do not cause adverse impacts on the environment and the society during their operation. We undertake rigorous review of all of our product suppliers to ensure their operational quality and that they possess adequate management capabilities in areas such as managing environmental and social risks. In addition, we sign quality guarantee with suppliers, which is applicable to both signing parties. Should problems be detected, purchase will stop immediately and a product recall will be mounted. During the reporting period, our suppliers were mainly from Hong Kong, mainland China and Europe, and others included Australia, Japan, Singapore, the United States and Malaysia.

Product Responsibility

The Group has drawn up accountability policies for the products it distributes and sells, job descriptions for different positions, equipment and facilities management systems and also health and personnel health management systems, etc.. The Group also abides by the relevant laws and regulations concerning product safety, advertising and other aspects, such as the Drug Administration Law, Food Safety Law and Implementation Rules of the Food Safety Law of the People's Republic of China and also Administrative Provisions on Food Labeling as well as the Code of Practice for Quality of Pharmaceuticals.

Drug storage, maintenance and the sale process are all carried out in accordance with relevant standards or specifications. Furthermore, all drugs are sample checked by government drug regulatory agency, self-tested by the manufacturer and inspected by a third party. Only after all test procedures are completed and the results found acceptable would a drug be approved and permitted to be released to market. We have also developed systems for reporting and monitoring adverse responses to drugs and managing drug quality risks, etc. During the reporting period, there has been no case of product problem.

Packaging materials are mainly used as required for transportation and sale of pharmaceutical products we distribute. We use the "full-container-load (FCL) packaging" method and reuse packaging materials till they are damaged, and such efforts are returning satisfactory results.

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The Company's subsidiary Dong Di Xin holds all relevant licenses for production and strictly abides by relevant laws and regulations in relation to production of medical devices, such as, Measures for the Supervision and Administration of Medical Device Production, Regulation on the Supervision and Administration of Medical Devices, Provisions for the Instructions, Labels and Packaging Labeling of Medical Devices, etc.. All of its products meet national health and safety standards.

Publicity and the labels of our products all comply with relevant laws and regulations and are subject to approval of and filing with relevant authorities. We have also established a drug quality risk management system to assess, hence help to minimize or eliminate the risks, qualitative and quantitative, concerning a product. For drugs with defects, we have a product recall management system to guard the safety of drugs for human use.

Anti-corruption

We operate our business with decency and honesty and actively guard against corruption such as bribery, extortion, fraud and money laundering. A host of policies is implemented involving the adoption of transparent and open processes, tier-on-tier monitoring and final gate-keeping by a professional audit department. The interest declaration mechanism being applied has worked well and activities to promote anti-corruption have been well-attended by employees. Once a report is received, we will act timely and investigate, while protecting the whistleblower. During the reporting period, the Group and its employees all abided by the relevant laws and regulations and no corruption case was reported.

Giving Back to Society

Living its corporate mission, which is to "offer help to people, benefit the world", the Group has established the Kingworld Caring for Health Foundation to encourage the embrace of the charitable spirit of "Building a Healthy China". Kingworld has been relentless in championing different activities to promote public wellness and charitable causes that can benefit all sectors in the society.

The Group is united as one in supporting charitable causes. The management is keen to set example for the entire workforce. For example, on 28 March 2017, Chairman of the Board, Mr. Zhao Lisheng, was elected as director of the Shenzhen Charity Federation, giving him the opportunity to directly participate in several large-scale charitable activities in Shenzhen and to lead the Company's staff to continue to contribute their full effort to charity.



Left: The Group donated Kyushin Pills of total value RMB5,600,000, a part of its "warm the plateau, love in Qinghai" charity program.



Right: Kingworld donated HKD3,500,000 to HKUST to support student exchange and the HKUST's traditional Chinese medicine R&D center.

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In addition, in March 2016, jointly with the China Charity Federation we launched the “warm the plateau, love in Qinghai” charity program. The Group donated Kingworld Kyushin Pills of total value HKD5,600,000 to the elderly with heart diseases from poor families in ethnic minority groups in Qinghai. In September the same year, we signed an agreement with the Hong Kong University of Science and Technology (“HKUST”) to donate HKD3,500,000 to support student exchange and the university’s traditional Chinese medicine R&D center, a joint effort to promote the heritage of traditional Chinese medicine and development in the Greater Health arena. The HKUST named a tiered terrace classroom of the Lee Shau Kee Business Building after the name of Company as the “Kingworld Medicines Group Classroom”, which was officially opened for use in January 2017.



In addition, Kingworld Caring for Health Foundation together with institutions including the Shenzhen Municipal Caring Office, Shenzhen Evening News, etc. presented the “Do A Good Deed Every Day” healthy living program, on top of season-long activities such as “Mother’s Love” to advocate care for students taking examinations, “Tender Hand” to encourage care for one’s beloved, “Ways to Stay Healthy” to zest up people’s love for outdoor sports. Through these community health campaigns the Group had effectively communicated the concept of health to Shenzhen citizens and contributed to building Shenzhen into a healthy city.



Photo: Participants in the “Tender Hand” caring for one’s beloved activity.

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In addition, as one of the strategic partners in the “Large-scaled Social Welfare Event for the Maternal and Children’s Healthy Growth through 10,000-Li-Tour around China” (中國母嬰萬里行大型公益活動), in association with the Organization Committee of the PRC Infant & Baby Growth Forum, we successfully delivered 40 offline lectures regarding infant and baby fostering know-how in 22 cities around the country, covering approximately 30,000 families with mothers and infants and approximately 12,000,000 people. It made a positive contribution to the new environment for the PRC infants and babies’ healthy growth. In 2017, we will continue our efforts in participating in the “Event for Maternal and Children’s Healthy Growth through 10,000-Li-Tour around China” (中國母嬰健康萬里行) for a better environment for the PRC infants and babies’ healthy growth, constantly promoting the healthy development of the PRC maternal and child care industry through practical actions.

Furthermore, we joined hands and assisted our partners, including Nin Jiom Medicine MFY. (H.K) Ltd. and Guangzhou Pharmaceuticals, and carried out various social welfare activities nationwide, such as “the Youth to Accompany the Old (青春伴夕陽)” to care for the elderly and other activities to care for the mentally disabled and to aid the poor.



Kingworld Caring for Health Foundation, one of the initiators of the first “Shenzhen Charity Enterprise Campaign” held in 2016, donated RMB300,000 to the “Healthy Shenzhen, Shenzhen-based Charity Enterprise” movement together with the Shenzhen Charity Federation, which was an effort to promote health for all.

In 2016, the Group and Kingworld Caring For Health Foundation donated a total in cash and supplies of more than approximately RMB10,000,000 worth to charity, contributing notably to public well-being and charitable causes in China. The main beneficiaries included HKUST, the poor elderly with heart diseases in Qinghai, households and elderly in communities in Shenzhen, minority groups in mainland China and Hong Kong, and different temples, etc. In the last two years, the Group was honored with such titles as “2015 Most Socially Responsible Pharmaceutical Enterprise”, “Shenzhen Health Industry – Socially Responsible Enterprise”, etc., which represented recognition from various sectors for its contribution to the community.

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According to the Shenzhen Municipal Civil Affairs Bureau, together with Tencent Holdings Limited and China Vanke Company Limited, Shenzhen Kingworld Medicine Company Limited, a subsidiary of the Company, was listed in the 2016 Shenzhen Charity Donation List, ranking the 17th place, and Shenzhen Kingworld Care and Health Foundation was also on the Rank List of Donation from Social Organizations, ranking the 104th place.

