

RICI HEALTHCARE
HOLDINGS LIMITED
瑞慈醫療服務控股
有限公司



2017
環境、社會及管治報告

THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT





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Environmental, Social and Governance Report

Rici Healthcare Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) is an investment holding company with its subsidiaries engaging in four major businesses, namely general hospital, specialty hospital, medical examination and clinic, and is currently focusing on general hospital and medical examination. In accordance with the relevant laws and regulations of the People’s Republic of China and the Environmental, Social and Governance Reporting Guidelines of Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Reporting Guidelines”), the Group continues to improve its environmental, social and governance system, adheres to the sustainable development strategy, and is committed to providing high-quality healthcare services for the society.

The Group values the concerns of stakeholders in respect of environmental, social and governance aspects, and has established multiple channels to communicate with stakeholders, in order to determine environmental, social and governance issues and objectives that are important to us, help the Group to establish standards and guidelines for environmental and social work, identify areas where performance can be enhanced, and make adjustments based on the progress of each year and the opinions collected from stakeholders.

The board of directors (the “Directors”) of the Company (the “Board”) has always committed to meeting and maintaining high level of environmental, social and governance requirements. The Board is responsible for assessing and determining the environmental, social and governance risks of the Group, and ensuring that the Group has established appropriate and effective risk management and internal control system on environmental, social and governance aspects. The management of the Group regularly reports to the Board on the effectiveness of the system and regularly assesses the entities and scope of operations of the Group. The Board considers that such commitment is essential for maintaining accountability and corporate transparency, improving the performance of the Company and protecting shareholders’ interests.

The Group attaches great importance to the transparency of information, and reports annually on its environmental and social practices and progress and manage its results in a responsible manner. This report focuses on the Group’s specific guidelines and performance in environmental and social work as of December 31, 2017, covering the relevant performance and measures of the hospital segment (Nantong Rich Hospital) and the medical examination segment (including the Group’s headquarters and 30 medical examination centres under operation). The purpose of this report is to provide stakeholders with objectives, performance and future plans of the Group in respect of the environment and the society, including the impact of the Group’s operations to the environment, society and economy.

The Directors are of the view that, during the year ended December 31, 2017 and up to the date of this annual report, the Company has complied with the “comply or explain” provisions and reporting requirements set out in the Reporting Guidelines.

Environmental, Social and Governance Report

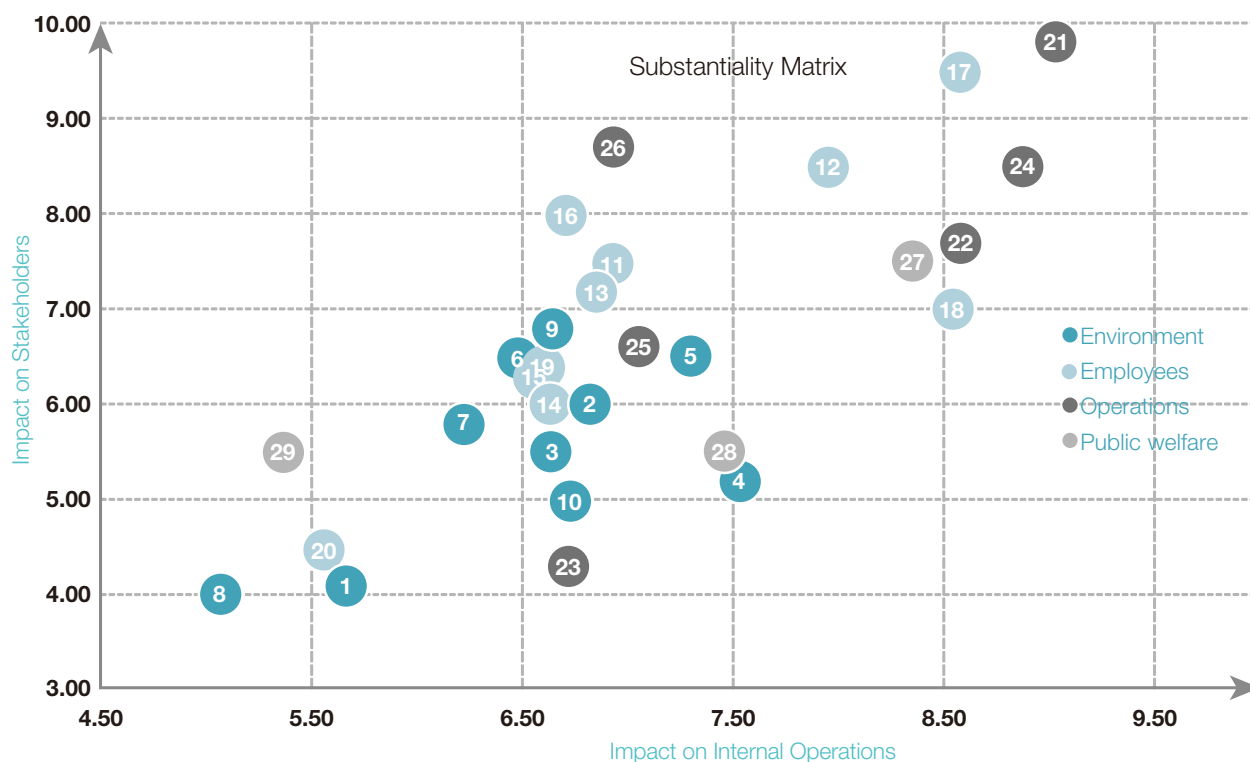
SUBSTANTIAL ISSUES MANAGEMENT

In order to identify and assess the significance of substantial issues in environmental and social aspects, during the reporting period, the Group defined substantial issues in accordance with the GRI Sustainability Reporting Standards. The Group identified and ranked the issues that are most substantial to the Group's economic, environmental and social impact or the decision-making of its stakeholders, and determined key issues for the management and disclosures of the Group. The Group's project team interviewed a number of senior managers to clarify their vision for sustainable development and evaluation of various issues in this report, and used questionnaires to collect feedback from all levels of staff within the Group, customers, patients and their families. Further integrating the business characteristics of the Group and industry characteristics, the results of the Group's substantial issues analysis and a corresponding substantiality matrix were generated, which were reviewed and confirmed by management. The substantial issues evaluation and its substantiality matrix are as follows:

| Aspects of ESG Reporting Guidelines | Company's indicators | No. | Impact on internal operations | Impact on stakeholders |
|--------------------------------------|---|-----|-------------------------------|------------------------|
| A1 Emissions | Exhaust emissions | 1 | 5.66 | 4.10 |
| | Wastewater emissions | 2 | 6.82 | 6.00 |
| | Greenhouse gas emissions | 3 | 6.64 | 5.50 |
| | Hazardous and non-hazardous waste emissions | 4 | 7.53 | 5.20 |
| | Pollutant emissions reduction | 5 | 7.30 | 6.50 |
| A2 Use of Resources | Energy consumption | 6 | 6.49 | 6.50 |
| | Water consumption | 7 | 6.22 | 5.80 |
| | Packaging material consumption | 8 | 5.07 | 4.00 |
| | Energy consumption reduction | 9 | 6.64 | 6.80 |
| A3 Environment and Natural Resources | Environmental risk management | 10 | 6.72 | 5.00 |
| B1 Employment | Employment | 11 | 6.93 | 7.50 |
| | Remuneration and benefits | 12 | 7.95 | 8.50 |
| | Democratic governance | 13 | 6.86 | 7.20 |
| | Diverse and equal opportunities | 14 | 6.64 | 6.00 |
| | Employee care | 15 | 6.56 | 6.30 |
| B2 Health and Safety | System construction | 16 | 6.71 | 8.00 |
| | Risk awareness | 17 | 8.58 | 9.50 |
| B3 Development and Training | Employee training | 18 | 8.54 | 7.00 |
| | Progression ladder for talents | 19 | 6.60 | 6.40 |
| B4 Labor Standards | Prohibition of child labor and forced labor | 20 | 5.56 | 4.50 |

Environmental, Social and Governance Report

| Aspects of ESG Reporting Guidelines | Company's indicators | No. | Impact on internal operations | Impact on stakeholders |
|-------------------------------------|------------------------------------|-----|-------------------------------|------------------------|
| B6 Product Responsibility | Service quality | 21 | 9.03 | 9.80 |
| | Advertising, labelling and privacy | 22 | 8.58 | 7.70 |
| | Intellectual property rights | 23 | 6.72 | 4.30 |
| B5 Supply Chain Management | Supply chain management | 24 | 8.87 | 8.50 |
| B7 Anti-corruption | Anti-bribery and extortion | 25 | 7.05 | 6.60 |
| | Anti-fraud and money-laundering | 26 | 6.93 | 8.70 |
| B8 Social Investment | Charity donations | 27 | 8.36 | 7.50 |
| | Voluntary medical consultation | 28 | 7.46 | 5.50 |
| | Safety education | 29 | 5.36 | 5.50 |



Environmental, Social and Governance Report

STAKEHOLDER COMMUNICATION

The Group attaches great importance to the communication with investors and other stakeholders, and regards it as an important way to enhance the performance of the Group and conduct business operations. Establishing a stable, open and transparent stakeholder communication mechanism is a key method for the Group to fulfill and promote its social responsibilities. The Group's stakeholders include patients and their families, customers, employees, partners and suppliers, shareholders and investors, government institutions and local communities. During daily operations, the Group actively and regularly engages in various forms of communication with investors and stakeholders through formal and informal channels.

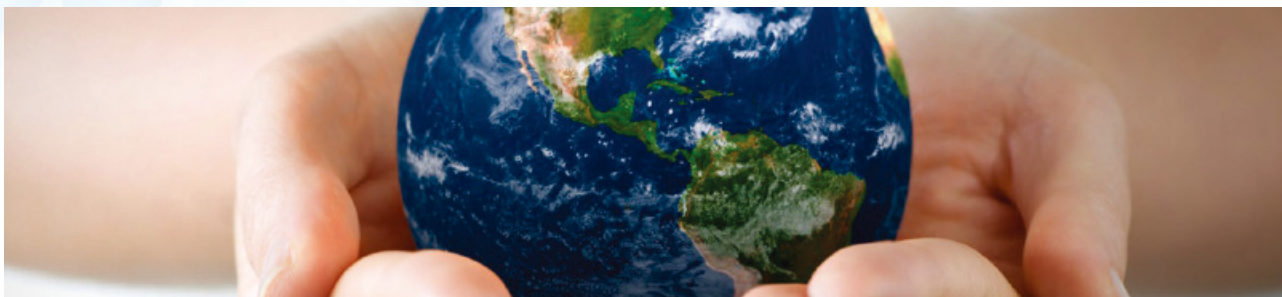
Stakeholder Communication Mechanism

| Stakeholders | Definition | Concerns | Communication methods | Response |
|--|---|---|--|---|
| Customers/ patients and their families | Existing and potential customers/patients of the Group and their families | Convenient, fast, reliable and high-quality health services | Satisfaction survey for customers/patients and their families, health promotion, customer services telephone call-back, community activities | Focus on improving customer satisfaction, provide efficient and high-quality services, innovative service methods, and fulfill the responsibility of safeguarding interests such as protecting the privacy of customers/patients and their families |
| Shareholders | Holders of shares of the Company | Good return on investment, fair, just, transparent and timely information disclosures | General meetings, various investor relations activities, investor hotline, email and fax communication platforms, company announcements | Guided by the concept of maximizing investor value, achieve sound management, good operating performance and active investor relations management |
| Government institutions | Government at all levels; administrative institutions for health and family planning; administrative institutions such as the State Administration for Industry and Commerce and State Administration of Taxation at all levels | Promotion of national economic development and support of livelihood | Policy guidance, work reports, daily communications | Compliance management, standard operation, and active implementation of national macroeconomic policies |

Environmental, Social and Governance Report

| Stakeholders | Definition | Concerns | Communication methods | Response |
|----------------------|---|---|---|---|
| Employees | Employees serving the Group, regardless of employment method and duration | Stable employment, reasonable welfare, clean and safe working environment, good room for development | Employee feedback collection, employee research, psychological counseling, team building activities | Focus on improving employee satisfaction, safeguard employees' legitimate rights and interests, and achieve common growth |
| Environment | Natural environment in areas which the Group operates in and other affected areas | Concern on climate change, support low-carbon economic development, and build a conservation-oriented society | Information disclosure, various activities, business pricing strategies | Advocate low-carbon travel, green office, green procurement, and green public welfare |
| Society | The public and institutions in areas which the Group operates in and other affected areas | Social harmony, enhance well-being | Charitable voluntary consultation activities, health knowledge spreading activities | Actively participate in charity, carry out volunteer activities, and spread medical and health knowledge |
| Partners | Suppliers of the Group, and other various institutions that trade with the Group | Integrity and mutual benefit, fair trade | Bidding and procurement meetings, business exchange and cooperation | Adhere to the principle of honesty, mutual benefit and equal negotiation, carry out centralized procurement, and form a good long-term cooperative relationship |
| Social organizations | Industry organizations and various non-profit organizations such as environmental protection and public welfare organizations | Various interest relationships that contribute to industry development and social harmony | Information disclosures, various activities | Integrate our own corporate social responsibility strategy and cooperate sincerely |

ENVIRONMENTAL PROTECTION



Environmental protection is one of the most important social responsibilities of corporate citizens. On the basis of operating in compliance with laws and regulations, the Group has taken all necessary measures on protecting the environment and preventing pollution, actively reduced the consumption of various resources and increased the recycling rate of resources, in order to reduce the impact of corporate business activities on the environment. Also, the Group strived to reduce emissions of various pollutants such as atmospheric emissions and solid wastes, continuously improved corporate environmental management, and vigorously promoted the concept of green office and low-carbon travel, in order to create an environmental-friendly society.

The Group, on the aspect of its organizational structure, has commenced the construction of its environmental health and safety management system which has gradually formed a top-to-bottom management mechanism covering the Board to each business segment, so that every level and every employee has its own responsibility for the implementation of environmental health and safety work. Each segment is staffed with specialists responsible for the management and exercise of environmental health and safety work, which forms work groups with clearly defined responsibilities and capabilities in the exercise of the duties delegated.

The impact of the Group's business activities on the environment and natural resources is mainly the consumption of relevant resources, such as water resources required in daily operation, and energy consumption from electricity and fuel consumption. The main sources of environmental pollution are atmospheric emissions (greenhouse gases, vehicle exhaust, etc.), and the main pollution factors are carbon dioxide, nitrogen oxides, sulphur oxides, particulates and solid wastes (hazardous wastes include medical wastes from hospital and medical examination services, and harmless wastes include domestic wastes from living and office and kitchen wastes).

COMPLIANCE OF ENVIRONMENTAL PROTECTION MANAGEMENT

The Group adheres to the compliance of environmental protection laws and regulations. All subsidiaries and branches have timely made pollutant discharge declaration and registration with local environmental management institutions in accordance with the environmental protection laws and regulations for admitting themselves into the scope of legal supervision of the local environmental protection institutions. In the area where the pollutant discharge license system is implemented, all subsidiaries have applied for and obtained the "Pollutant Discharge Permit" from the local environmental protection departments, or are in the process of applying for the "Wastewater Discharge Permit". The results of the environmental monitoring report of the subsidiaries of the Group issued by the local environmental monitoring institutions or third parties show that, in 2017, all subsidiaries met the requirements for comprehensively controlling the emissions of the three wastes.

PROMOTION OF ENVIRONMENTAL PROTECTION

In the design of office environment and actual operation, the Group has always adhered to the requirements for protecting the environment under the laws and regulations, endeavoured to carry out its operations under the standards required for energy-saving and emission reduction and recycling of resources, with an objective to integrate the concept and action of environmental protection into the normal operations of the enterprise. The Group has taken the following environmental protection measures to reduce the impact of business operations to the environment and natural resources:

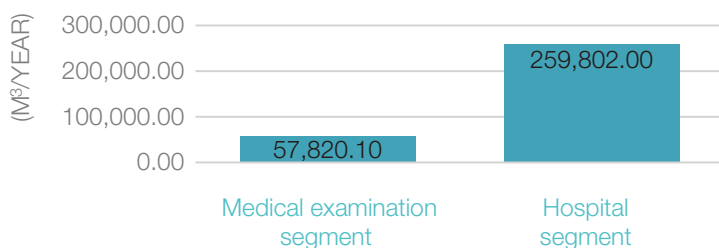
- Turning off all unnecessary electricity consumption equipment (computer, air conditioning, lighting, etc.) during non-working hours
- Increasing the number of lighting switches or changing the lightings to sensitive-lightings, and replacing lighting tubes with LED lightings
- Inspecting water supply facilities on a regular basis, and checking whether the response to the shutting down instruction is timely and whether there are faults, in order to prevent water leakage and eliminate evaporation, emission, drip and leakage
- Water is consumed for office use and used by healthcare workers in healthcare/medical examination centres during working hours. The healthcare industry requires healthcare workers to wash their hands and clean their tools frequently to prevent the spread of diseases, and thus water consumption (especially the water consumption of hospital segment) is required for medical needs and infection prevention and control measures
- Printing double-sided and reducing the amount of use of paper to half by certain office floors
- Designating a responsible person for each printer, and the use of printer is recorded
- Careful checking is required before printing to avoid duplicate printing
- Sharing of documents among staff, and if not necessary, performing internal communication through e-mail and instant communication tools instead of issuing paper documents
- Encouraging employees to commute by public transport and providing commuting shuttle bus for hospital employees in order to reduce the use of private cars
- Whenever use of private cars for business trip is required, asking the relevant persons to share personal cars in order to reduce fuel consumption

ENVIRONMENTAL PROTECTION

USE AND CONSUMPTION OF RESOURCES

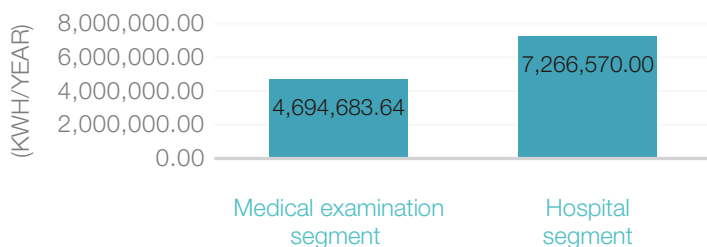
Different from the manufacturing industry, the Group (the medical examination segment of which includes the Group's headquarters and 30 medical examination centres under operation, and the hospital segment of which includes Nantong Rich Hospital) does not have production-related businesses, and thus the consumption density per unit of production and other indicators do not apply to the Group. Key performance indicators A2.5 of the Reporting Guidelines, the total amount (in terms of tons) of packaging materials used for finished products and (If applicable) the proportion per unit of production is not applicable for Healthcare Service Industry, either. The Group has strictly complied with the "Water Law of the People's Republic of China" (《中華人民共和國水法》), the "Electric Power Law of the People's Republic of China" (《中華人民共和國電力法》), the "Renewable Energy Law of the People's Republic of China" (《中華人民共和國可再生能源法》), the "Energy Saving Law of the People's Republic of China" (《中華人民共和國節約能源法》) and other relevant laws and regulations. As all operating water of the Group's subsidiaries comes from the water supply of the local municipal government, there has been no problem in seeking water sources. The statistics of water, electricity, fuel and paper consumed by our operation of services in 2017 are as follows:

WATER RESOURCES CONSUMPTION IN 2017



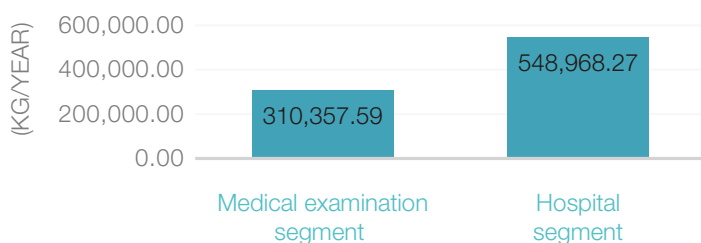
In 2017, the Group consumed a total of 317,662.10 m³ of water resources, among which, the medical examination segment consumed 57,820.10 m³ of water resources, and the hospital segment consumed 259,802.00 m³ of water resources.

ELECTRICITY RESOURCES CONSUMPTION IN 2017



In 2017, the Group consumed a total of 11,961,253.64 kWh of electricity resources, among which, the medical examination segment consumed 4,694,683.64 kWh of electricity resources, and the hospital segment consumed 7,266,570.00 kWh of electricity resources.

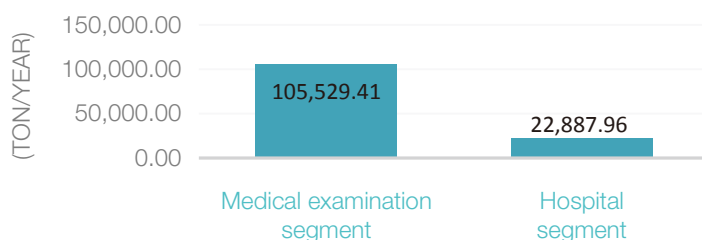
PAPER CONSUMPTION IN 2017



In 2017, the Group consumed a total of 859,325.86 kg of paper, among which, the medical examination segment consumed 310,357.59 kg of paper, and the hospital segment consumed 548,968.27 kg of paper.

ENVIRONMENTAL PROTECTION

FUEL RESOURCES CONSUMPTION IN 2017



In 2017, the Group consumed a total of 128,417.38 tons of fuel resources, among which, the medical examination segment consumed 105,529.41 tons of fuel resources, and the hospital segment consumed 22,887.96 tons of fuel resources.

Through implementation of a series of energy conservation, emissions reduction, consumption reduction and efficiency improvement policy, all the employees have built up a comprehensive energy conservation and environmental protection consciousness. The efficiency of use of resources, energy and reduction of emissions are substantially improved. Unreasonable use of resources and energy has been significantly inhibited, and the clean level of consumption has been promoted. Great effort will still be required in the future to achieve the target to reduce emission and maximized control on consumption of energy and resources.

CONTROL AND EMISSION OF ENVIRONMENTAL POLLUTANTS

The main business of the Group in 2017 is medical services. According to the environmental protection law of the People's Republic of China (《中華人民共和國環境保護法》), the law of the People's Republic of China on the prevention and control of atmospheric pollution (《中華人民共和國大氣污染防治法》) and other relevant laws and regulations, the Group has established "RICI environmental health management process" (《瑞慈環境衛生管理流程》), to detect, normalize, control, and deal with the waste and greenhouse gas emissions, pollution, the generation of hazardous and non-hazardous waste for compliance specification. The hazardous wastes generated from the Group's operation of services are mainly medical waste and medical waste water. The Group has strictly complied with the Administrative Measures for Medical Wastes Management, Administrative Measures for Medical Wastes Management of Medical and Health Institutions and other relevant laws and regulations, signed a cooperation agreement with local medical waste centralized disposal units and will dispose such wastes in strict accordance with the agreement. The statistics of hazardous wastes generated are as follows:

Medical examination segment: 131.97 tons/year

Hospital segment: 118.04 tons/year

ENVIRONMENTAL PROTECTION

For harmless waste from daily operations, the Group developed "Waste Management Process" (《垃圾管理流程》), some of the requirements are as follows:

1. Strengthen the promotion and guidance of education on clean working environment of all organizations, and strengthen the employees' awareness of less generation and proper disposal of waste
2. Departments communicate through email and electronic document to minimize the use of paper, thereby reducing waste paper
3. All waste products are put into the garbage house, classified and stored, and cleaned regularly
4. Employ qualified institutions or organizations to carry out the clean-up work

As the current data collection mechanism for harmless waste is incomplete and cannot provide accurate statistics, the Group plans to conduct survey when appropriate in the future and disclose the data in a timely manner.

Different from the heavy industries, the Group does not have emissions from fixed combustion sources. The direct emissions of exhaust gas and greenhouse gases are mainly from the emissions of vehicles owned by the Group. The statistics of greenhouse gas emissions from the Group's operation of services in 2017 are as follows:

| Emissions | Business segment | Emissions in 2017 |
|----------------------|-----------------------------|-------------------|
| Carbon dioxide (ton) | Medical examination segment | 4,012.68 |
| | Hospital segment | 6,323.09 |
| Nitrogen oxides (kg) | Medical examination segment | 227.36 |
| | Hospital segment | 119.95 |
| Sulphur oxides (kg) | Medical examination segment | 0.92 |
| | Hospital segment | 0.17 |
| Particulates (kg) | Medical examination segment | 21.79 |
| | Hospital segment | 11.49 |

QUALITY SERVICE PRACTICE



Bringing prolonging and healthier lives for people is the mission of the Group. The Group is persistently committed to providing high-quality services to customers and creating values for employees, customers and shareholders while pursuing integration of economic benefits and social benefits.

PROVISION OF HIGH-QUALITY SERVICES

Medical quality is the core value and eternal subject of the Group's medical service management. The Group puts the quality of medical care at the first place of work, and integrates the target of continuously enhancing the quality of medical care and raising the service level into each work of the Group.

In order to regulate medical activities, strengthen the quality management of the Group's medical services, ensure medical security, protect the legitimate rights and interests of customers, comprehensively improve the quality of medical care and enhance the quality of medical services, we have established the Medical Examination Business Department Service Leading Group in the medical examination segment, and set up the Quality and Safety Management Committee, the Medical Records Management Committee, the Pharmacy Management Committee, the Hospital Infection Management Committee and the Blood Transfusion Management Committee in the hospital segment. All quality management and enhancement structures are deployed with full-time or part-time employees responsible for the quality management work.

At the same time, we have established a green channel emergency rescue mechanism in hospitals to regulate the charges, admission, examination, rescue and treatment of patients from cooperated units or 120, in order to provide timely, standardised, efficient and considerate medical services, increasing the success rate of rescue and reducing medical risks.

The Group has documented its work on the management of service quality, and the record compiled by the quality management department would be reported and escalated on a regular basis progressively. Through measures such as inspection, analysis, evaluation and feedback, we continuously enhance the medical quality and service standard.

The Group has formulated assessment and evaluation criteria for relevant full-time or part-time staff, and carried out whole-process monitoring and continuous improvement on the medical service quality and service standard. At the end of 2017, the Group, with medical quality as the core, conducted a comprehensive performance evaluation, and the results of the evaluation showed that the medical quality and standard of each subsidiary of the Group significantly improved as compared with that of the previous year. All advertisement and promotion for medical institutions and healthcare services of the Group strictly comply with the Order of the State Administration for Industry & Commerce of the People's Republic of China and the Ministry of Health of the People's Republic of China (No. 26) "Measures for the Administration of Medical Advertisements" (《醫療廣告管理辦法》) and the "Advertising Law of the People's Republic of China" (《中華人民共和國廣告法》). Relevant company systems for the publishing of medical information and medical advertisements have also been established within the Group.

QUALITY SERVICE PRACTICE

SOCIAL HONOURS

Some of the significant awards and certifications received by the Group in 2017 are as follows:



National Honest Private Hospital (全國誠信民營醫院)

Private Hospital Management Branch of Chinese Hospital Association
(中國醫院協會民營醫院管理分會)

Advanced unit of medical insurance services of Nantong City

Nantong Municipal Bureau of Human Resources and Social Security
(南通市人力資源和社會保障局)

Municipal clinical key specialty and first group of municipal
care key specialty of Nantong City

Nantong Municipal Health and Family Planning Commission
(南通市衛生和計劃生育委員會)

Annual advanced blood donation unit and excellent organiser

Nantong Municipal Blood Donation Work Leading Group Office
(南通市獻血工作領導小組辦公室)

Excellent performance award for annual critical care quality
control information submission

Jiangsu Provincial Critical Care Medicine Quality Control Centre
(江蘇省重症醫學科醫療質量控制中心)

Group Third Grade Award of the First Practice Pharmacists
Professional Skill Competition of Nantong City

Nursing Society of Nantong City (南通市護理學會)

MEDICAL COMPLAINTS AND MEDICAL DISPUTES

The Group strictly follows the rules of laws and regulations, such as “Law of the People’s Republic of China on Tort Liability” (《中華人民共和國侵權責任法》) and “Regulation on the Handling of Medical Accidents” (《醫療事故處理條例》), and attaches great importance to the handling of medical complaints. Designated team of the Group is responsible for the reception and handling of medical complaints, and compiles complaints handling records in details, patiently explains to complainants, and gives satisfactory replies to complainants. In terms of health and safety, advertising, labeling and privacy issues and remedies for providing services, the Group has developed a series of management systems to maintain high compliance requirements. Examples are as follows:

- **Medical examination segment**

The customer services department of each medical examination centre is responsible for receiving various kinds of complaints and disputes relevant to medical examination, while the customer services department in the headquarters is responsible for collecting various kinds of complaints and disputes relevant to medical examination received by each medical examination institution on a regular basis and following-up the status of complaints handled earlier, and summarising and preparing the “List of National Customer Complaint”.

- **Hospital segment**

Complaints of the hospital segment are mainly handled by the doctor-patient communication office, with the involvement of relevant functional departments. The hospital has established medical malpractice handling procedures and management systems, such as the “Doctor Patient Communication System”, the “Complaints Management Approach of Nantong Rich Hospital”, the “Punishment Approach of Nantong Rich Hospital’s Doctor-patient Disputes Involving Economic Loss” and the “Responsibilities of Relevant Department of Nantong Rich Hospital in the Handling of Medical Disputes”, which cover the collection of information on medical disputes, communication channels, the time limit requirements for follow-up handling, the punishment standard after the identification of responsibilities and the division of responsibilities of relevant departments. The doctor-patient communication office is responsible for the collection, handling and follow-up of medical disputes, and has established medical disputes desks to record the status of complaints handling and follow-up. The medical department and the head of each department discuss and analyse all recent medical disputes during meetings, and discuss the next step of handling measures regarding the medical disputes which cannot be solved.

As the Group is engaged in medical services and is not involved in the manufacture of products, there is no recall in the products sold or shipped due to safety and health problems, and there is no product manufacturing quality and recall procedures.

As of December 31, 2017, there were 43 service disputes of the Group across the country in 2017, with 33 from the medical examination segment and 10 from the hospital segment. The responsible department, after-sales service team and special team for doctor-patient relationship shall timely record the incidents, communicate with customers/patients, and if necessary, identify and determine the responsibilities of medical incidents, in order to handle the incidents as soon as possible.



QUALITY SERVICE PRACTICE

CUSTOMER PRIVACY PROTECTION

The Group attaches great importance to the privacy of customer information, and has strictly implemented relevant state laws and regulations (such as the “Regulations on Medical Records Management of Medical Institutions” (《醫療機構病歷管理規定》), the “Law on Practicing Doctor of the People’s Republic of China” (《中華人民共和國執業醫師法》) and the “Administrative Measures of Nurses of the People’s Republic of China” (《中華人民共和國護士管理辦法》)) and the “Information Data Security Management System” (《信息數據安全管理制度》), in order to strictly protect customers’ data and privacy while providing services to customers. Customer data security management primarily ensures the safe storage and use of customer data, including private data, medical records, diagnosis, prescriptions and other data. The Group has appointed designated staff to be responsible for proper safekeeping customers’ data and maintaining the relevant systems for processing and storing data. The Group has implemented a confidential data security policy which requires all employees to keep all customer data confidential and receive mandatory trainings on data security policies; take security measures while transmitting, storing and disposing customer information; and which stipulates that customer data can only be used for the provision of services to customers or for research purposes in anonymous manner.

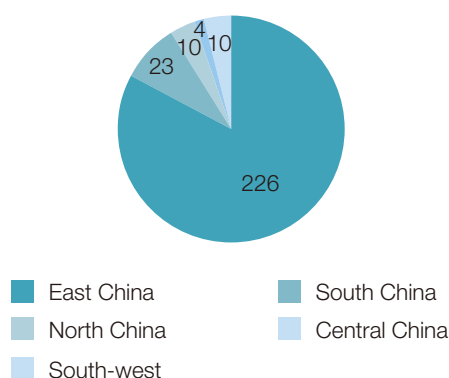
The Group has taken a number of measures to ensure network and data security, including installing web application firewall systems to block external-sourced attacks and malicious access; installing a database review system to monitor and analyze all requests for internal data access and identify and reject suspicious requests for data access; installing internal access gateways in medical examination centres and hospitals to control and ensure the safety of data exchange between medical examination centres and hospitals and the central database; and installing gateways and firewalls to limit the access of external network from the internal computer network.

During the reporting period, we did not receive any valid complaints about the breach of customer privacy or loss of customer information.

SUPPLIER MANAGEMENT

Supplier management is one of the most important segments in quality control of the medical industry. The choice of suppliers directly affects the quality and standard of the Group's medical services. Therefore, the Group has always adhered to an open and transparent supplier screening and review process, and would select qualified suppliers which commensurate with our standards, on the basis of providing high-quality services to the community, and giving priority to cooperate with suppliers with the commitment to social responsibilities.

Number of suppliers (in terms of regions)



Each segment of the Group adopts a unified procurement strategy. As of December 31, 2017, the number of suppliers to the Group's medical examination segment and hospital segment totaled 273, of which 226 were in East China, 23 were in South China, 10 were in North China, 4 were in Central China and 10 were in South-west China.

SUPPLIER SELECTION MECHANISM

Based on standardised supplier assessment screening criteria, the Group, taking into account of its peculiarity and complexity of the medical industry, has established a mature procurement system. In terms of supplier screening, the Group has developed stringent access requirements: suppliers must have a positive sense of service and reputation, and must be selected with preference to manufacturers and regional agents with strong establishment. For the procurement management of pharmaceuticals, the Group requires strict inspection on the legal qualifications and quality reputation of the supplying enterprises, in order to ensure the rationality and security of procurement. First-time suppliers/categories purchased have to be assessed and approved by the procurement department and the pharmacy committee. Through the comprehensive consideration of quality assurance, supply capacity, technical capability and product price, the Group ensures that the selected suppliers meet the Group's standards.

In addition, for all procurement business, in order to prevent and combat unfair competition to reflect the spirit of fair cooperation between the two parties, the Group requires itself to sign a "Corruption-free Agreement" with the suppliers.



SUPPLIER MANAGEMENT

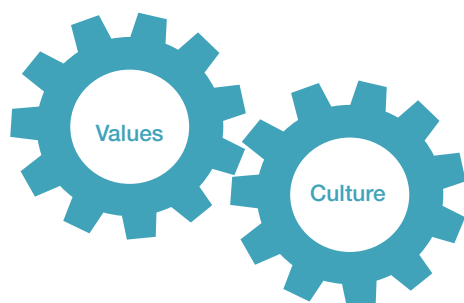
PERIODIC ASSESSMENT OF SUPPLIERS

The Group has established a supplier review system that all materials used are procured from suppliers with legitimacy, relevant qualifications and quality assurance capabilities. In supplier management, the Group's procurement department, together with the warehouse department and the departments that consume the materials, assesses the performance of suppliers annually according to the usage, supply capacity and after-sales service, etc., of the materials procured and conducts annual assessment on suppliers and forms the "supplier annual assessment", and the annual assessment results are reviewed by the management. The assessment results are considered as the justifications for the selection of qualified suppliers and elimination of unqualified suppliers.

OUR EMPLOYEES

CORPORATE CULTURE

The Group's corporate culture includes two main aspects, namely values and culture.



- Being Rici for a lifetime, building health assets for society, enterprise, employees, and customers
- Creating healthy homes, innovation, integrity, dedication and environmental protection, together setting up enterprise energy
- Reverence for life is this faith
- Caring for life is the moral of this
- Engaging in life is the basis for happiness
- Enhancing life is the basis for development



We protect lives for our customers, enhancing health values



We construct platforms for our employees, achieving personal values



We build assets for our investors, returning ideal benefits



We establish positive values for the society, setting up an enterprise model



We continuously innovate, enhancing service capability through innovation



We adhere to integrity, believing that integrity is the basis for establishment



We dedicate and devote to our work, being responsible to every life



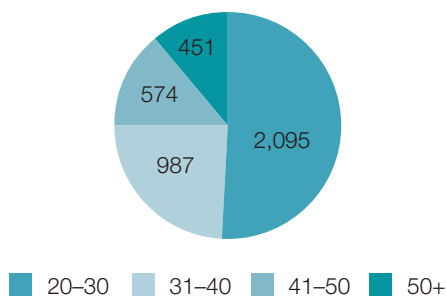
We conserve energy and protect the environment, constructing a sustainable environment

OUR EMPLOYEES

SUSTAINABLE DEVELOPMENT OF TALENTS

The Group firmly believes that excellent talents are valuable assets of the enterprise and the cornerstone of the sustainable development of the Company. Through the combination of external recruitment and internal trainings, the Group actively attracts external talents, and at the same time strengthens internal trainings and enhancement, building a high-calibre pool of talents for the Group. As at December 31, 2017, the total number of employees of the Group's medical examination and hospitals segments was 4,107, of which 1,004 were from the hospital segment and 3,103 were from the medical examination segment. The ratio of male to female staff was 21:79.

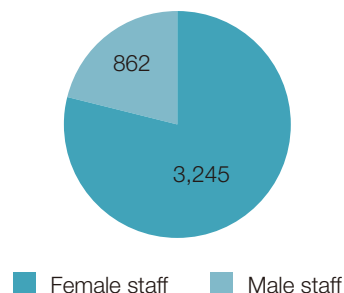
Age structure of personnel



should check whether the information of the registration form is consistent with the information of valid personal certificates. The Group strictly adheres to the International Labour Organisation Convention and prohibits all forms of child or forced labour. Despite the absence of similar problems, the Group still regularly reviews the employment policies to ensure that all employment practices are strictly implemented and incorporated into the human resources policies. In 2017, the total number of employees aged under 50 in the medical examination and hospital segments of the Group was 3,656, accounting for 89% of our total employees. More and more young talents have become the backbone of the development of the Group.

- The staff of the Group can be divided into East China, South China, Central China, South-west and North China by region. The proportion of staff is 85%, 7%, 4%, 2%, and 2%, respectively;
- The staff of the Group can be divided into managerial personnel and ordinary staff in terms of positional characteristics. The proportion of staff is 10.3% and 89.7%, respectively;
- The average turnover rate of the Group in 2017 was 13.71%.

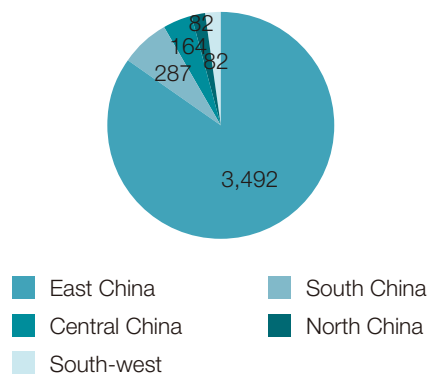
Gender structure of personnel



PIONEER EMPLOYER

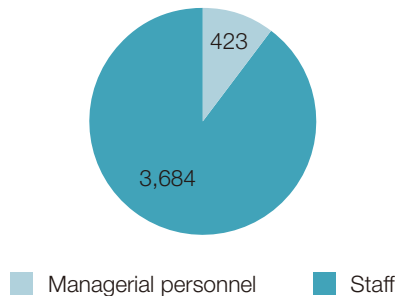
The Group adheres to nurture staff through excellent corporate culture, conscientiously building a comprehensive and caring platform for the employees. The Group strictly abides by the regulations on the prohibition of child labor promulgated by the state council and does not employ child labor or forced labor. The Group has formulated a series of human resource management measures. The human resources department shall strictly check the applicant's valid personal certificates, check the photos and confirm that no fake photos are allowed to be registered in the Company. All applicants should fill in the entry registration form, and the human resources department

Regional structure of personnel

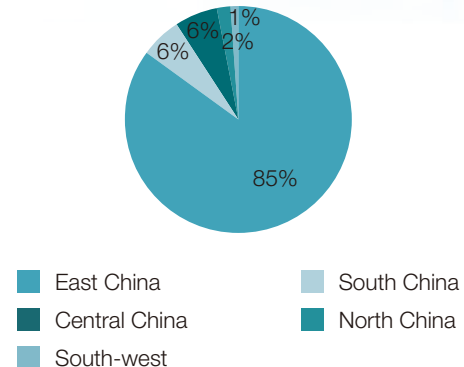


OUR EMPLOYEES

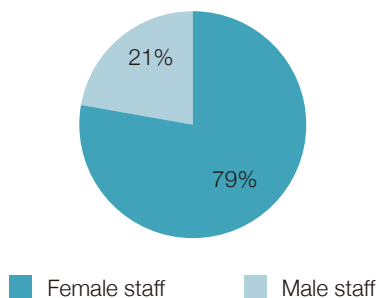
Position structure of personnel



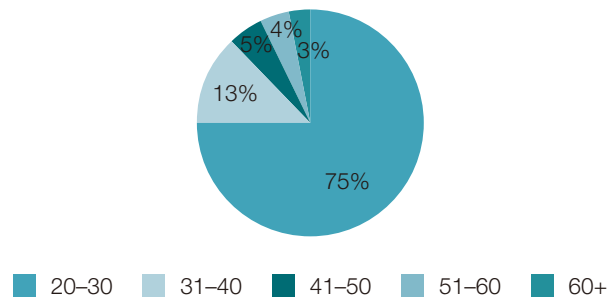
Regional structure of departed personnel



Gender structure of departed personnel



Age structure of departed personnel



HEALTH AND SAFETY

The Group regards human resources as the most valuable asset and is committed to providing a safe, healthy and harmonious working environment for all employees. From aspects such as system construction, formulation of technical standards, enhancement of employees' risk awareness and supervision and evaluation of management, the Group has conducted prevention and control on the health and safety risks of the employees. In 2017, the Group's medical examination and hospital segments had a total of 5 employee work injuries and loss of 32 working days due to work injuries, and no incidents of death of employees occurred.

1. System construction

In accordance with the "Law of the People's Republic of China on the Prevention and Treatment of Infectious Diseases" (《中華人民共和國傳染病防治法》), "Measures for the Management of Pre-examination and Sub-diagnosis of Infectious Diseases in Medical Institutions" (《醫療機構傳染病預檢分診管理辦法》), "Emergency Regulations for Public Health Emergencies" (《突發公共衛生事件應急條例》), the Group has formulated 20 professional protection standards such as the "Sterilisation and Isolation System", the "Infectious Disease Case Monitoring and Reporting System" and the "Medical Personnel Occupational Protection System", and revised the safe operation practices for positions with close contacts to infectors in accordance with the standards. Through the systemisation of the occupational health and safety management system and the clarification of responsibilities, the Group's work on infection management switched from passive to active and from post-handling to prevention. Through the systematic and comprehensive safety management standards, the infection rate and infection incidents arising from the ineffective prevention and monitoring are reduced, and this protected the safety of lives and properties of employees and patients.

OUR EMPLOYEES

2. Raising personnel's risk awareness

At the beginning of each year, the Group formulates infection management annual training programs for personnel at all levels, and according to the training programs, conducts trainings and examinations for the employees on the knowledge and skills relevant to infection policies and regulations, medical wastes treatment and occupational protection, assisting employees to become familiar with the rules and regulations and operation process on occupational health and safety, in order to enhance the ability to prevent infection incidents and control occupational hazards. Because the medical work faces the great occupational risk, the Group pays special attention to the protection of occupational hazards. The Group sets up infection management department to be responsible for conducting medical staff occupational exposure and protection. The Group, through training, publicity column and pamphlets and other forms, improves the staff's self health care consciousness and also arranges the employee health checks on a regular basis. In addition, the Group has established a variety of measures to protect the occupational safety of medical personnel, for example:

| Protection measures | Preventive measures |
|---|---|
| Prevention of infectious agents | Medical personnel should wear gloves, respirators with anti-seepage properties, protective glasses, masks and even protective clothing or aprons with anti-seepage properties. |
| Guard against sharp objects | Training for medical staff on acute injury and occupational exposure protection to enhance their occupational safety awareness and self-protection awareness. |
| Prevention of risk of exposure to hemogenic pathogens | Except for providing training and protection, occupational exposure is tracked for six months. All expenses for prophylactic medication and related blood tests of employees after occupational exposure can be reimbursed. |
| Prevent radiation occupational disease | To inspect the performance of radiological equipment annually and conduct occupational physical examination for radiological workers regularly. |

DEVELOPMENT AND TRAINING

The Group actively supports employees' development of professional skills, and through the enhancement of employees' knowledge and skills, promotes the healthy development of the Group's business. Supported by its corporate culture, the Group has carried out four series of training courses: "new staff training", "leadership development training", "professional development training" and "general working skills training".

- **New staff training**

In order for new staff to adapt quickly to the new working environment and to integrate better into the team, the Group provides a variety of induction training activities for new staff. In the medical examination segment, the institution provides trainings for new staff on enterprise briefing, employee information, sales and customer guidance, etc., in order to improve their background knowledge and professionalism. The business department of the respective company also organises field visit for new staff, assisting them to have a better understanding of the corporate culture and system. New staff trainings of the hospital segment comprise internal training and external training. Internal training for new recruits is a week of group training with a focus on professional pre-job skills, so that new staff can quickly understand and master the responsibilities of the position and specific working procedures.

- **Leadership development training**

In January each year, the Group conducts a series of seminars and conference on leadership training for general managers, institution heads and department heads. Management staff with certain experience and seniority are provided with training projects targeting the enhancement of management ability and leadership.

- **Professional development training**

Integrating specific needs of different professional lines, the Group has developed systematic and advanced professional courses for staff at key positions, in particular, doctors and nurses. In 2017, each line actively carried out professionalised learning activities, and through exchange and visits with domestic and foreign advanced enterprises, advanced skills were introduced and taken as reference.

- **General working skills training**

"Customer-oriented" care model is one of the core corporate cultures of the Group, and hence the Group's human resources centre and corporate culture department regularly carry out "service etiquette" training. In early 2017, through methods such as lectures and role simulation, the Group actively conveyed the common knowledge and skills of service etiquette to its employees.

- **Performance evaluation**

The Group stresses "to assess a person through performance", and adheres to the allocation principles of prioritising performance, working harder and earning more, allocating jobs according to workload and taking into account of fairness, in order to stimulate the enthusiasm and creativity of employees. The design, implementation and results of the performance management system of the Group focus on the comprehensive and objective evaluation of the overall performance of employees, in order to enhance the matching of employees' quality, ability, performance, and position requirements.

OUR EMPLOYEES

In 2017, the Group carried out appropriate professional trainings for all staff (including middle and senior management). The details are summarized as follows:



EMPLOYEE CARE

The Group strictly abides by the “Labor Law of the People’s Republic of China” (《中華人民共和國勞動法》), and always adheres to the principle of fairness, and follow the principles of fairness, openness and impartiality in recruitment, salary, promotion, dismissal, working hours, holidays, other treatment and welfare policies. The Group respects employees’ diverse backgrounds and abilities, regardless of gender, race, age, marital status, disability, religion, etc., always adheres to the principle of fairness, opposes discrimination, achieves equal pay for employees, abided by the same minimum wage standard and equal pay for equal work. In respect of employee composition of 2017, female employees accounted for 79%. The Group has set up a transparent communication mechanism to effectively convey employees’ opinions and suggestions to the management. In order to ensure fair and effective recruitment, the responsibilities of the department have been clearly established, and all posts have open job responsibilities, capacity requirements, assessment indicators and treatment standards. According to different posts, the applicant needs to pass a series of assessments, interviews, background investigation, educational background verification and other links, after both sides reach an agreement, sign labor contract according to the requirement of labor law. Ensure that employees’ rights are protected. According to the needs of growing up business, the Group provides fair promotion and development opportunities based on employee qualifications and on-the-job performance.

The Group has strictly complied with the labour laws and regulations of the places where it operates, and provides statutory benefits and paid leave for all full-time employees. The Group provides leave and benefits in line with national and local laws for all female employees during pregnancy, maternity and lactation, and male workers with pregnant spouse can also enjoy paternity leave.

As an “in-depth medical examination” advocate and practitioner, the Group always concerns about the health of its employees. The Group formulated the “Employee Care Program” to provide employees and their families with free medical examinations for RMB1,500 each year, or to provide discounted medical examination gift cards, in order to enhance employees’ sense of identity and belonging to the Group, so that employees can grow up and develop together with the Group.

In 2017, the Group carried out a number of activities to improve employees’ sense of well-being. On the “March 8” Women’s Day, Nantong Rich Hospital held a “Guandan” card game contest, and male colleagues formed a “warm men group” to give flowers to female colleagues. On the International Nurses Day, Nantong Rich Hospital held a celebration activity for the International Nurses Day with “Care: Voice of Guidance, Touching Services” as the theme. Other exciting entertainment activities such as staff sports games, the first Doctors’ Day activity and “Baking to celebrate Mid-Autumn Festival” were also held.

SOCIAL INVESTMENT

On the pledge of the continuously performing corporate citizenship responsibility and the concept of sincerely serving the society, the Group actively participates in various community activities such as charity donation, voluntary medical consultation services and environmental protection health education, continuously bringing positive changes to the society. In 2017, the Group held a number of social charity activities and invested RMB348,828.

CHARITY DONATIONS



Run The Track Shanghai (蒸蒸日上迎新四環跑)

As an event supporter for RunTheTrack Shanghai in 2017, Rici Medical sent Rici's Central Clinic Chain Division to provide professional emergency medical support for the event. The entire medical emergency protection program adhered to the system of "first seen first aid, all-round right support and simultaneous reporting", seamlessly linking the rescue process with the transfer process.

Lepao Haohe, Enjoy Lifestyle (樂跑濠河·樂享生活)

On July 2, 2017, Haohe Scenic Area held the second "Lepao Haohe, Enjoy Lifestyle" running race surrounding the Hao River. As a special sponsor, Rici Medical provided entire medical coverage for runners. "Bringing prolonging and healthier lives for people" is the unchanging mission of Rici Medical. With "enjoy life" as the theme, the Haohe running race encourages people to improve physical fitness and live healthily. In order to ensure the safety of participants, Rich Hospital formulated medical coverage rescue program and emergency plan for the event, reserved emergency medical equipment for treatment, and sent six medical workers to standby on-site. At the same time, Rici Medical Nantong Branch provided health consultation services at the event site.



Supporting sports events

The 2017 China Beach Volleyball Grand Slam Nantong and the International FIVB World Beach Volleyball Tour were held at Binjiang Park in Nantong. Hundreds of people, including players and staff, were at the site of competition. It was bustling and the players were motivated. Rich hospital provided entire medical coverage for the event. Due to the large number of participants and audience and the long duration of the event, Rich Hospital, having taken into consideration of the actual conditions of the hospitals, formulated a detailed medical

coverage plan in accordance with the medical and health protection plan issued by the Nantong Health and Family Planning Committee, in order to ensure the safety of all players, audience and other people during the event. As the only Class III general hospital in the development zone, Rich Hospital has repeatedly undertaken medical coverage work for various types of activities in the surrounding area, and has extensive medical coverage experience. In this beach volleyball match, the meticulous medical services and enthusiastic support of Rich Hospital were also highly praised by the event organiser.



SOCIAL INVESTMENT

VOLUNTARY MEDICAL CONSULTATION SERVICES

On January 18, 2017, the Group held the “Care for Health, Bring Warmth to SGPC” (關愛健康·情暖石化) voluntary medical consultation activity at the Shanglian community health service station of the Gaoqiao community health service centre in Pudong New Area, Shanghai. Seven chief and vice chief physicians from Ruijin Hospital of Shanghai Jiao Tong University School of Medicine and Eye and ENT Hospital of Fudan University as well as rehabilitation therapists from sports rehabilitation specialty of Rici’s clinics were invited to provide voluntary medical consultation services and services such as blood sugar and blood pressure measurement for employees of Gaoqiao Petrochemical. Physicians who participated in the voluntary medical consultation were from departments of cardiology, gynecology, Chinese medicine, gastroenterology, internal medicine (general), ophthalmology, otorhinolaryngology and sports rehabilitation specialty. Patients were amazed that busy specialists in hospitals were able to visit the community and provide consultation, which was a great benefit for them.

On October 30, 2017, the Group held the two-day “Celebrating the 19th National Congress, Prolonging Health” voluntary medical consultation activity to enhance the knowledge of medical care of the general public and raise their awareness to pay attention to their health. Well-known specialists from renowned Class III Grade A hospitals such as Huadong Hospital, Ruijin Hospital, Renji Hospital and Changzheng Hospital as well as Brain Doctor Group (冬雷腦科醫生集團) and RedHeart Medical Group (泓心醫生集團) were specially invited to provide voluntary medical consultation for the public for free. The considerate services and professional attitude of the staff of the Group were also well-praised by the public.

While pursuing its own development, the Group has also paid more attention to public welfare and national health, actively spread the concept of health, and strived to promote the development of national health.

HEALTH AND SAFETY EDUCATION

On March 24, 2017, the director of dermatology of Rici’s clinic held the “Prevention and Treatment of Allergic Skin Diseases in Spring” health lecture and provided on-site skin treatment services for some audience.

On May 20, 2017, we held the “520, Care for health — First Aid Training for Children’s CPR and Airway Obstruction” activity. Six groups of families were invited to learn about CPR and airway obstruction, and first aid simulation was held.

The 12th Jiangsu Provincial Perinatal Medical Academic Conference hosted by Jiangsu Medical Association and Perinatal Medicine Branch of Jiangsu Medical Association and co-hosted by Nantong Rich Hospital was held in Nantong in July 2017. Almost 300 obstetric and pediatric medical workers from various hospitals in the province attended the conference. Well-known specialists from Jiangsu Province and other regions were invited to give academic special lectures on the latest developments in the field of obstetrics and neonatal and relevant issues. They shared their experiences with front-line clinical staff and discussed and exchanged ideas. At the meeting, the deputy head of Rich Hospital gave a special lecture on “neonatal hypoglycemia” to explain in detail the clinical manifestations, examinations, treatment and preventive measures of neonatal hypoglycemia. This academic meeting brought forth updates in ideas and theories, and also provided specific and feasible guidance for the improvement of technology of obstetrics and pediatric diagnosis and treatment in primary hospitals as well as the management of preterm infants, promoting the further development of perinatal medicine in Jiangsu Province.



ANTI-CORRUPTION

The Group has always been pursuing strict policies to prevent corruption, and has set “striving to uphold integrity and believing that integrity is the basis for establishment” as its core values, and embedded such value in the daily operation.

On the basis of strict adherence to the laws and regulations such as the “Criminal Law of the People’s Republic of China” (《中華人民共和國刑法》) and the “Anti-unfair Competition Law of the People’s Republic of China” (《中華人民共和國反不正當競爭法》), “Law of the People’s Republic of China against Corruption and Bribery” (《中華人民共和國反貪污賄賂法》), “Law of the People’s Republic of China against Money Laundering” (《中華人民共和國反洗錢法》) and in accordance with the internal management needs of the Company, the Group has formulated the “Regulations on Fraud and Violation of the Group” (《本集團舞弊及違規行為條例》) (Note 1), which has defined the fraud and violation monitoring mechanism.

The Group has developed a formal staff handbook (Note 2) with clear guidelines on aspects such as conflicts of interest, privacy and confidentiality, prevention of bribery and corruption. All employees must comply with the relevant system and code of conduct formulated by the Group. The staff handbook is also an important part of the new staff induction training, and all new employees must pass the code of conduct assessment before they can be officially posted.

In order to strengthen the ideological education of honest and incorruptive practice and improve the awareness of business conduct, the Group has conducted online and offline promotion and trainings relevant to anti-corruption for all employees. On the Group’s portal website, the legal department of our medical examination segment has set up e-learning trainings relevant to anti-corruption. At the same time, in respect of offline exercise, our hospital segment has extended the targets of anti-corruption training from medical staff to management staff, and through weekly meetings, carried out anti-corruption trainings and promotion on the theme of industry corruption warning education cases to medical and logistics staff.

The Group has set up anti-fraud anti-commercial bribery provisions in procurement contracts, requiring third parties to be honest and incorruptive and law-abiding in the process of dealing with the Company in order to improve business ethics and the integrity of the management culture.

The Group has established a series of anti-corruption reporting and monitoring mechanisms. Employees can report directly through reporting mail and reporting line, and all reports are handled in a prudent and confidential manner. Through departmental self-monitoring and internal audit, the Company ensures timely detection and handling of matters on anti-corruption and anti-fraud, and hence reduces the negative impact of corruption and fraud.

During the reporting period, we were not served any litigation on corruption involving Rici Healthcare or the employees of the Group.

Note 1: Summary: to clarify the purpose, concept, form, responsibility attribution, permanent establishment, function, guidance, supervision, prevention and control of anti-fraud work, the whistleblowing, investigation and reporting of fraud cases, the confidentiality and reward of complaints and whistleblowing, as well as the remedies, punishment and scope of fraud. The Board and the audit committee of the Company are responsible for the guidance of anti-fraud in the Company. The management of the Group is responsible for establishing and implementing anti-fraud procedures and control mechanisms including fraud risk assessment and prevention. The audit department is responsible for assisting the establishment of anti-fraud mechanisms, and pay reasonable attention to and check for possible fraud during internal auditing process. All institutions and departments undertake anti-fraud work within the organization.



Environmental, Social and Governance Report

Note 2: Summary:

- In order to ensure the safeguard of commercial and technical secrets of the Group, the relevant provisions of the confidentiality agreement are also included in the labor contract, and must be signed and followed. In case of breach of confidentiality obligations, the Company may revoke the employment at any time without paying any financial compensation;
- Employees who engage in malpractices and cause significant damage to the Company's interests may be dismissed at any time without any financial compensation;
- Employees must not seek or accept personal favors or arrears from any customer, supplier, competitor, retailer, distributor or other partner of the Company during their tenure;
- Employees must not give anything of value that may be considered a bribe or other illegal compensation during their tenure;
- When employees at all levels handle conflicts of personal affairs or official duties, employees or their own unit shall declare in advance, and must report to the higher authorities in a timely manner, and request for appropriate pre-control measures, including avoidance, adjustment of scope of authority and obtaining authorization;
- Employees shall actively participate in anti-money laundering trainings of the Company, raise awareness and skills in anti-money laundering. Employees must not engage in criminal activities such as money laundering and terrorist financing during their tenure.

