

Wanjia Group Holdings Limited

萬嘉集團控股有限公司

Environmental, Social and Governance Report

2017/2018

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INTRODUCTION

Wanjia Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred as the “Group”) focus on pharmaceutical wholesale and distribution business, pharmaceutical retail chain business and hemodialysis treatment and consultancy service business in the People’s Republic of China (the “PRC”). The Group serves a broad customer base through its distribution network in Fujian Province, which distributes pharmaceutical products to customers located principally in Fujian Province and also sells pharmaceutical products in the neighborhood. The Group has been upholding the operation philosophy of “honesty and morality go first”, adhering to the operation objective of “benefiting the society and the people” and pursuing the mission of providing healthy products and services.

The Group understand the importance of sustainable development for corporations. Pharmaceutical sales, which is one of the important businesses of the Group has a significant impact on social benefits. The Group is at the start-up stage on environmental, social and corporate governance (the “ESG”) and is committed to integrate the ESG into the management.

The Group is pleased to publish its second Environmental, Social and Governance Report 2017/2018 (the “Report”) to allow stakeholders to understand the corporate social responsibilities performed by the Group.

REPORTING SCOPE

The Report is prepared in accordance with the “comply or explain” provisions of the Environmental, Social and Governance Reporting Guide set out in Appendix 27 by The Hong Kong Stock Exchange. The Report covers the ESG measures of the pharmaceutical wholesale and distribution business and pharmaceutical retail chain business of the Company from 1 April 2017 to 31 March 2018 (the “Reporting Period”). Historical data will be provided for comparison where applicable.

VALUABLE FEEDBACK

Stakeholders’ valuable feedback can help the Group make ongoing improvement in the environmental, social and governance aspects. Any suggestion to the report are welcome.

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STAKEHOLDER COMMUNICATION

The Group understand stakeholders have different expectations and requirements towards the Group. Our goal is to gain a balanced and satisfying result on both business development and to meet requirements of stakeholders.

The Group engage with stakeholders through various channels. Communicate with external stakeholders enhance understand of the Group's efforts in the environmental, social and governance. For internal stakeholders, communication is made through various activities.

ENVIRONMENTAL PROTECTION

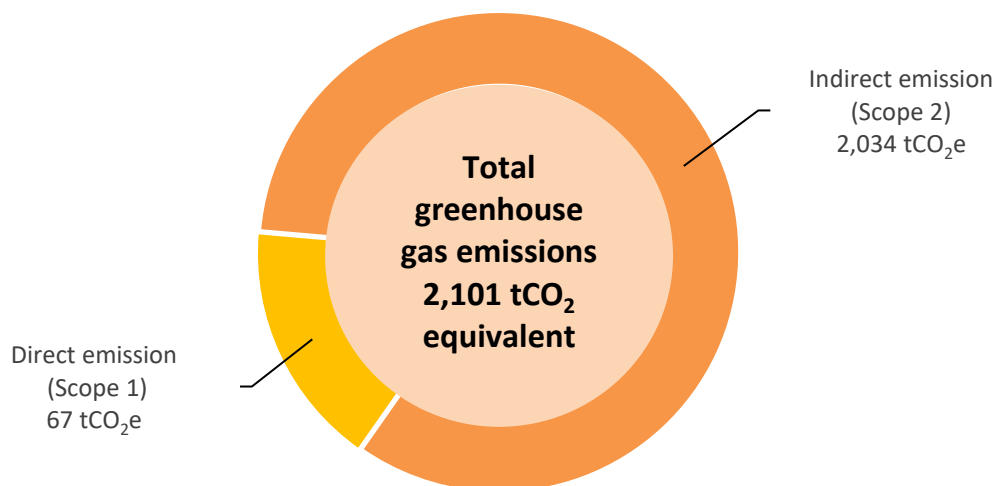
The Group actively drive corporate sustainability, take into consideration both business development and impact on the environment. Although pharmaceutical wholesale and distribution business and pharmaceutical retail chain business of the Group have lower impact on the environment compared to those manufacturing industries but we are not relent our effort. Environmental protection cannot be achieved with the effort of the Group alone. It also requires the cooperation from staff and other parties. Environmental protection is included to the induction training for new employees to facilitate the implementation of environmental protection measures.

Greenhouse Gas and Exhaust Gas

The greenhouse gas emission is an important indicator of environmental performance. Reducing the greenhouse gas emission is the Group's long-term goal. Our greenhouse gas emissions are mainly generated from the electricity consumption in its retail outlets. All retail outlets and warehouses are equipped with environmental control measures. Temperature and humidity are adjusted according to seasonal changes to avoid impact made to the medicine quality. Retail outlets have installed LED lighting. Regular checking and cleaning the retail outlet area so that customers can shop in a comfortable environment.

The Group's retail outlets are mainly located in Fujian province. Logistics team is established for delivery so the goods is available at store for customers at the suitable timing. Fuel used on vehicle generate exhaust gases. The logistics team would take the traffic into consideration to reduce driving distance, thereby making an indirect contribution to the environment.

During the reporting year, there was no exceed in energy use and violation of environmental laws and regulations.



Gasoline 29,589 litres		
Nitrogen Oxides¹ 55 kg	Sulphur Dioxide¹ 19 kg	Particulate matter¹ 5 kg
Electricity purchased 2,515,624 kWh in total		
Office 608,434 kWh		Retail outlets 1,907,190 kWh
Office Electricity intensity 406 kWh/m ²		Retail outlets electricity intensity 114 kWh/m ²

¹ Calculated based on consumption of vehicle fuel

Waste Management

Proper waste disposal is conducive to reduce the impact to the environment and ecology. The Group has established waste management procedures for classification and disposal. Substandard medicine will be returned to the supplier or destroyed by the medical waste contractor designated by the government in accordance with the for Write-off and Destruction management system (《報損與銷毀管理制度》). During the reporting year, the Group did not have any substandard goods return to the supplier nor generation any hazardous waste.

For general waste, the Group encourage recycling by setting waste classification facilities in the office. Retail outlets recycling are carried out through local recycling facilities. The Group actively upgrade its electronic office system to enhance communication among employees and also reduce the use of paper for information dissemination. To further reduce waste at retail outlets and the office, disposable paper cups are not in used. During the reporting year, the Group generated total of 36 tons of waste.

When customers purchase in retail outlets, plastic bags are provided upon request. During the reporting year, retail outlets dispensed total of 9.2 tons plastic bags. To avoid overuse, the logistics department distribute plastic bags to retail outlets based on needs and at the same time encourage customers to use eco-bags. The Group expect the use of plastic bags will be gradually decrease in the future due to the increased environmental awareness from customers.

Use of Water Resource

Water consumption is not material environmental aspect to our pharmaceutical wholesale and distribution and pharmaceutical retail chain business. The major use of water arise mainly from employees' daily water consumption. Water facilities are shared between tenants in office and retail outlets, therefore water consumption data is not collected. Although water is not material issues, reminders are given to staff to save water.

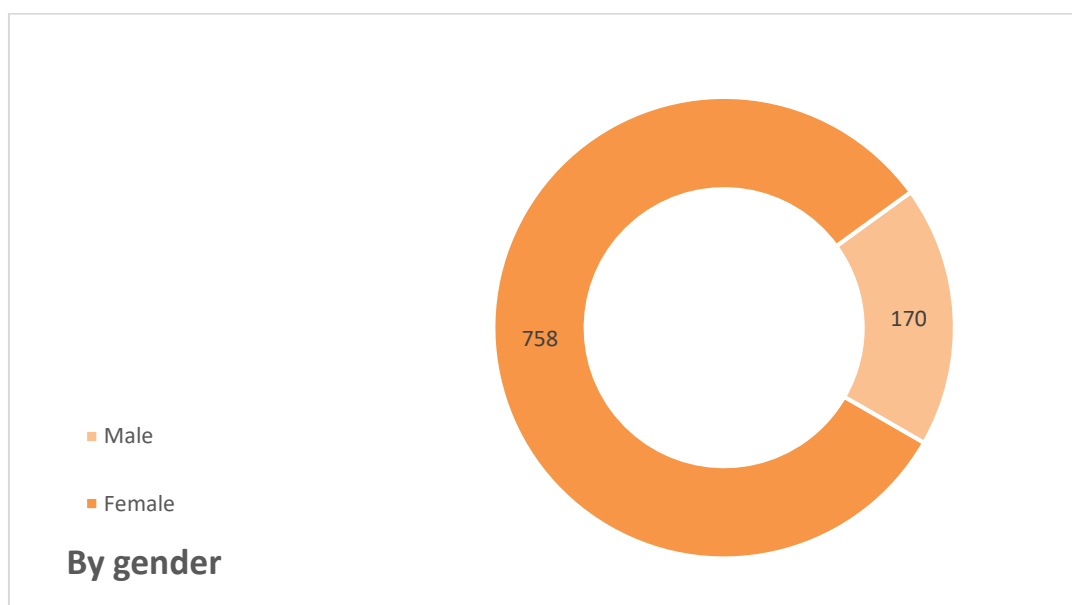
CARING FOR EMPLOYEES

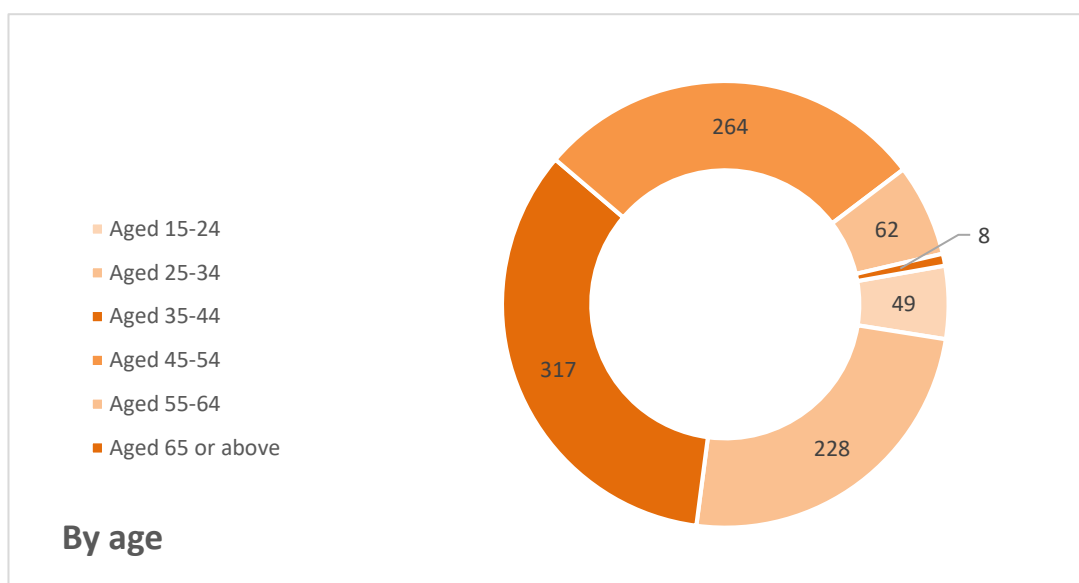
The Group today's achievement attribute the effort from staff. The Group is committed to create a suitable working environment. In line with the long term development, human resources policy is established in accordance with the regulations of the stage and Fujian province enable staff to receive appropriate support and training.

As an equal opportunity employer, the Group ensure all of staff are treated equally. Any form of discrimination is not tolerated. Recruitment and promotion are based on only work performance and capabilities but not nationality, race, gender and religion. Performance evaluation is arranged by human resources department yearly to understand staff needs. Employees' remunerations are determined according to their responsibilities and market trend. The performance evaluation also help the Group identify talents to take lead for the Group future development. There was no complaint received in relation to any unfair treatment during the reporting year.

Distribution Ratio of Employees

As of 31 March 2018, the Group's pharmaceutical wholesale and distribution business and pharmaceutical retail chain business consisted of 928 employees, of which 927 were full-time employees and one was temporary employee. All employees were recruited and worked in China.





Cultivate a sense of belonging in employees can reduce employee turnover. To enhance communication and trust, the Group exchange opinions with employees through various channels. A wide range of employee activities are organized every year to promote friendship and teamwork. Although the Group strove to meet employees' needs, staff turnover rate of 2.5% was recorded for the pharmaceutical wholesale and distribution business and pharmaceutical retail chain business as of 31 March 2018.

Turnover rate	
By gender	%
Male	3.43
Female	2.29
By age	
Aged 15-24	9.69
Aged 25-34	3.47
Aged 35-44	1.26
Aged 45-54	2.08
Aged 55-64	1.48
Aged 65 or above	1.04

Occupational Health and Safety

It is our responsibility to ensure staff work in a safe environment. Employees must comply with guidance on safe work and pay attention to personal hygiene at all time. To ensure staff health, physical examinations is arranged annually. For any abnormal situation found, follow-up actions will be taken and make internal transfers when needed.

The Group take into account staff needs at work by provide with appropriate instruments and protective equipment. Therefore office area has sufficient brightness and are regularly cleaned

to reduce risks and strain. Cold drinks are provided during summer time to prevent heatstroke. For staff who need to work outdoor will be provided with sunscreen and rain gear.

The Group strictly comply with laws and regulations. No work related injury were happened during the reporting period.

Development and Training

Constant acquisition of new knowledge and skills enable to enhance competitiveness and drive the Group to become a learning-oriented enterprise. The Group provide employees with various training to improve personal abilities and professional knowledge. During the reporting year, the Group has organized training on various areas, including company regulations, knowledge of drug use, marketing techniques and the goods display requirement.

Training plan is developed yearly to ensure resources are used appropriately. The government continues to strengthen drug regulation and complicated legislations are update regularly. The Group grant subsidies to employees for taking courses to acquire new knowledge to accurately grasp up-to-date. In order to improve the training content and programs, reviews are carried out upon completion of certain training so as to optimize future training.

The Group wish the new employees can bring in new ideas. To facilitate the understanding of the Group's philosophy, all new joiners are required to join the induction training to learn about the Group's history, operating philosophy, business process and corporate culture. Daily work may not be able taught thoroughly in class. Experienced staff is arranged to guide new employees and instructs them on daily work so that they can fit in faster.

Training	Number ²	%
By gender		
Male	141	82.94
Female	728	94.04
By level of positions		
Senior management	11	61.11
Middle management	50	84.75
Supervisor	131	95.80
Employee	671	94.77

²Staff average training hours 1 hour.

Labour Standards

Child labour is still a universal phenomenon at home and abroad even though the economy is booming nowadays. The Group never accept any children for any jobs. Identity cards are checked during recruitment to ensure employees has met the legal age for work on the first working day. Recruitment require approval and review by multiple departments to ensure compliance.

The Group is deeply aware of the importance of work-life balance. Long working hours reduce productivity and increase the risk of accident. The Group do not encourage overtime work. Proper work process is stipulated. Overtime work situation and work flow are regularly monitored. The Group approve the establishment of the labour union. Routine meetings with the management are held to exchange ideas. Human resources department would clearly explain the rights and responsibilities of employee to safeguard the interests of all parties and reduce labour disputes. The human resources management policy is updated constantly by the human resources department according to the labour law issued by the government. During the reporting period, no violation of laws and regulations relating to prevention of child labour and forced labour was identified.

OPERATING PRACTICES

Supplier Management

The Group pursue the mission to provide medicine to the community and distribute and wholesale medicine for healthcare institutions. Unlike other household goods, medicine must be supplied steadily lest patients' conditions are affected. The Group has established long-term cooperation with large and medium-sized pharmaceutical manufacturers and suppliers in various provinces and cities nationwide to ensure the stability of supply. The Group contacts suppliers through various channels to learn about theirs needs and collaborate with each other. Each year the Group hold banquet for all suppliers to exchange opinions and communicate on future cooperation plans.

Pharmaceutical quality and safety are particularly important. The Group is responsible to ensure quality of suppliers. For effective management, the Group has established a quality management system. Suppliers are subject to strict investigations before become suppliers of the Group. The quality department assess the suppliers every year to ensure they comply with the Group's requirements. Other than price and quality, the Group also impose requirements on suppliers' environmental policies. Suppliers are required to submit documentation of environmental laws and regulations of the state and operating locations to ensure their compliance with requirements.

Product Responsibility

The Group uphold the operation philosophy of “honesty and morality go first”, adheres to the operation objective of “benefiting the society and the people”, and pursues the mission to provide healthcare products and services. Drug safety and effectiveness are of particular importance. As a responsible drug distributor and retailer, the Group take effective quality control measures during procurement, storage, sales, and transportation to ensure the quality of medicine. The Group is committed to provide professional services and convenience for customers. The Group’s businesses are regulated by the China Food and Drug Administration and strictly comply with laws and regulation in relation to operations. To facilitate employees’ effective execution of relevant requirements, the Group has established an effective quality management system, place great importance to customers’ personal information, and provide excellent after-sale services.

Product Quality

The Group has established quality department to be responsible for setting quality targets, enforce and monitor the execution of the code of conduct by the departments to ensure the quality across the entire supply chain. The quality department visit each department regularly to carry out internal review and risk assessment then analyze the results and proposes improvement suggestions. The results will be submitted to the management for regular review and follow-up on improvements.

Drugs vary widely in types. Each of them has unique characteristics and requires different storage methods. Improper storage will affect the quality of the drugs, so they must be stored based on their characteristics. The Group’s warehouse, logistics teams and retail outlets are all designed in compliance with national requirements. The temperature and humidity of the storage locations are regularly tested to ensure that drugs are not affected by changes in the environment. For the goods received from suppliers, the quality department must inspect each batch of products to prevent substandard goods get sold in the retail outlets. During inspection, information such as the packaging and lot number of the products must be recorded in details for future tracking.

After-sale Service and Complaint Management

The Group value customer feedback and strive to improve its services. Customer service representative will contact customers on a regular basis to learn about their satisfaction with the products and services. All retail outlets of the Group have posted up the supervision hotline of the Food and Drug Administration and set up customer feedback collection boxes. Customer feedback and complaints are handled by the customer service department, which respond to all feedback and complaints and records in detail for future reference. For severe complaints, the Group will set up teams to follow up and investigate the issues. The Group often work with suppliers to follow up on quality issues and formulate improvement plan for continuous improvement, thereby achieving win-win results.

To prevent drugs with safety hazards from entering the market, the Group has formulated a drug recall system to assist suppliers to carry out systematic recall. All recalls must be reported by the management to the Food and Drug Administration. During the reporting year, there was no cases of recall due to quality issue.

Customer Privacy

In the business operations, employees are required to access customers' personal information to handle membership formalities. In no circumstance employees disclose customers' information to any person. Authorization is set to access personal information in the Group's computer system. Those unauthorized personnel cannot access the related information. The computer system is updated on a regular basis to prevent information leakage due to hacker attacks.

Anti-corruption

The Group believe that conduct business with integrity and good corporate governance are an important part of enhancing competitive advantage. Since its establishment, the Group has maintained the highest standard of corporate governance. Any bribery, extortion, fraud and money-laundering are not tolerate. The Group has established clear governance structure to regularly review and monitor policies and practices of corporate management. We strictly comply with relevant laws and regulations, optimize the management system, safeguard the interests of stakeholders, and enhance corporate value and accountability.

The Group has whistle-blowing policy in place for employees to report on non-compliance and unethical behaviors. The management will consider to hand over severe non-compliance incidents to judicial authorities. To ensure that the Group operate with the highest standard of moral and professional ethic. The board of directors regularly reviews the adequacy and efficacy of the risk management and internal control system. The code of conduct set out in employment contracts and staff handbook and provide measures for handling non-compliance or unethical behaviors. Employees are required to observe regulations at all times. Benefits shall not be accepted from suppliers or other partner companies in any circumstance. Employees are required to declare their relations with personnel of the Group and other partner companies prior to their employment and shall abstain from such business activities that may cause conflict of interests. The Corporate Governance Report is set out in details on pages 17-35 in the Company's 2017/2018 Annual Report. During the reporting period, the Group did not identify any involvement in bribery, extortion, fraud and money-laundering.

Community Participation

The Group pharmaceutical retail chain business focus in Fujian province, where the retail outlets provide convenience for local residents. The Group develop the community with its expertise and resources. The third season of "Love in the Air" program was launched in 2017 under the leadership of General Manager Fang Haifeng (方海峰), Chief Operating Officer Luo Xiaoming (羅小明), Chief Procurement Officer Jiang Lifang (江麗芳) and regional directors. The Group believes that monetary donations alone cannot bring full benefits to the community. Therefore, addition to monetary donations, employees have set up a volunteer team to carry out voluntary activities. During the reporting year, the volunteer team provide physical examinations and volunteer medical consultation to the residents, and dispensed herbal tea in hot summer days. Taking advantage of the convenience of its retail outlets, the Group collaborated with Ma Changbai Charitable Organization to collect used books from the residents at retail outlets and then donate the books to under-privileged children. In the event of any natural disaster, drugs are essential for disaster relief. As a drug supplier, the Group understands the needs of disaster-stricken areas, and therefore donates drugs to these areas through its own network. The Group looks forward to make more contribution to the community with its resources and strength in the future.

CONTENT INDEX OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

Scope	Content	Page	Description
A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	6-8	
KPI A1.1	The types of emissions and respective emissions data.	6	
KPI A1.2	Total greenhouse gas emissions.	6	
KPI A1.3	Total hazardous waste produced.	7	
KPI A1.4	Total non-hazardous waste produced.	7	
KPI A1.5	Description of measures to mitigate emissions and results achieved.	7	
KPI A1.6	Description of how hazardous and nonhazardous wastes are handled, reduction initiatives and results achieved.	7	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6-8	
KPI A2.1	Total direct and/or indirect consumption by type (e.g. electricity, gas or oil).	7	
KPI A2.2	Total water consumption		Water supply facilities for office area and some of the retail outlets are shared with other tenants. Water consumption data is not collected.
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	6	
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.		Water supply facilities for office area and some of the retail outlets are shared with other tenants. Water consumption data is not collected.
KPI A2.5	Total packaging material used for finished products	7	

General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	6-8	
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	8	
Social			
EMPLOYMENT AND LABOUR PRACTICES			
B1 Employment		Page	Description
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	8-9	
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	8	
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	9	
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	9-10	
KPI B2.1	Number and rate of work-related fatalities.	9-10	
KPI B2.2	Lost days due to work injury.	9-10	
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	9-10	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	10	
KPI B3.1	The percentage of employees trained by gender and employee category.	10	
KPI B3.2	The average training hours completed per employee by gender and employee category.	10	

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to avoid child and forced labor.	11	
KPI B4.1	Description of measures to review employment practices to avoid child and forced labor.	11	
KPI B4.2	Description of steps taken to eliminate such practices when discovered		When child labour is identified, assistance will be seek from relevant organizations and provide tuition and living expenses
OPERATING PRACTICES			
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	11	
KPI B5.1	Number of suppliers by region		Not disclosed
KPI B5.2	Description of practices relating to engaging supplies, number of supplies where the practices are being implemented, how they are implemented and monitored.		Practices are implemented and monitored for all suppliers.
B6 Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	12-13	
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		During the reporting period, there was no medicines recalls due to health and safety reason
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	12	
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	11	
KPI B6.4	Description of quality assurance process and recall procedures.	12	

KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	13	
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B7 Anti-corruption

General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	13	
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	13	
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	13	

B8 Community Engagement

General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	13	
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).		The Group has made contribution in multiple social areas
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.		The voluntary activities hours was not recorded