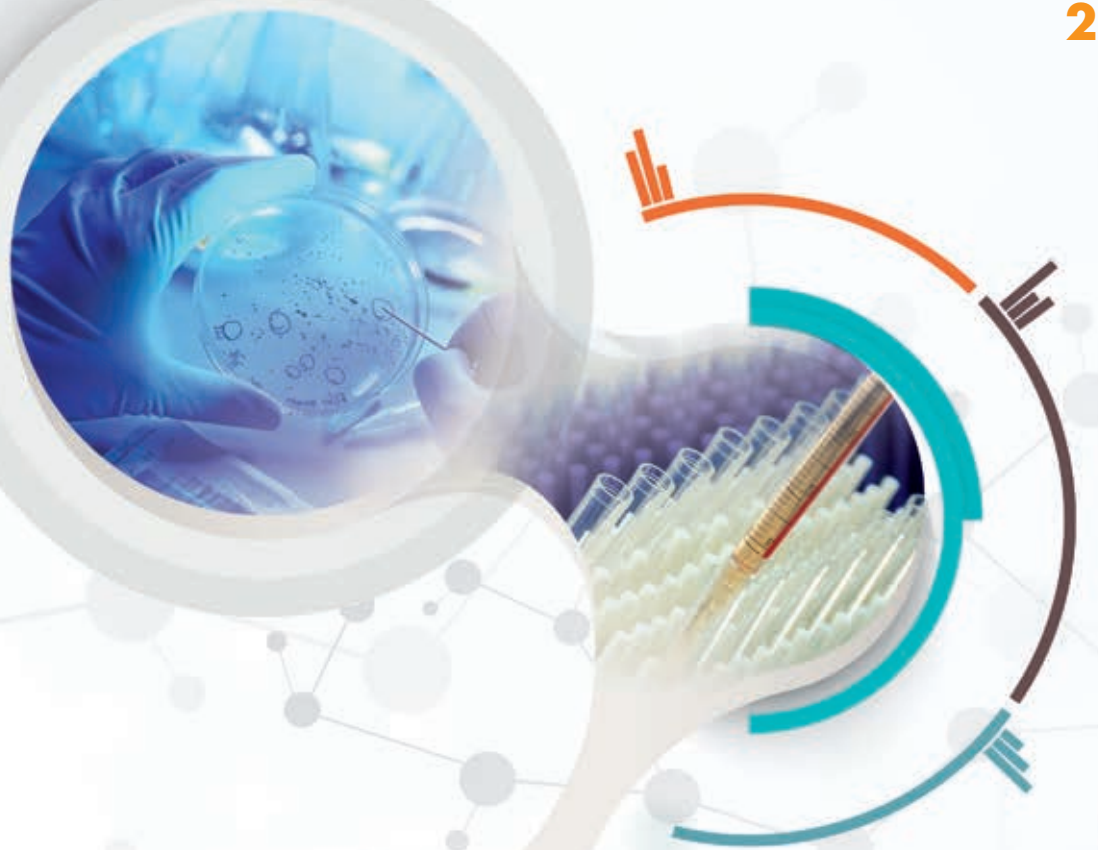
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2018



歌礼
ascletis

Ascletis Pharma Inc.
歌禮製藥有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 1672

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1. About the Report

1. ABOUT THE REPORT

The report is the first Environmental, Social and Governance Report (the "**Report**") published by Ascletis Pharma Inc. (the "**Company**" or "**Ascletis**") and its subsidiaries (the "**Group**" or "**We**"), which outlines the principles and philosophy upheld by the Group in fulfilling its Corporate Social Responsibility ("**CSR**") and illustrates our CSR vision and commitments.

BASIS FOR PREPARATION

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") as set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited with scope and contents that comply with the disclosure principles under the Guide.

REPORTING PERIOD AND SCOPE

The content of the Report mainly focuses on the core businesses of the Group, embodies the Group's fulfillment of ESG principles from 1 January 2018 to 31 December 2018 (the "**Year**" or the "**Reporting Period**") and fulfill the overall performance of CSR. Unless otherwise specified, the Report covers the directly controlled businesses.

LANGUAGES FOR THE REPORT

The Report is available in both Chinese and English. If there are inconsistencies between the English and Chinese versions, the Chinese version shall prevail.

REPORT PUBLICATIONS

The report is available online. The online edition of the Report is available for review and downloading at the website of the Stock Exchange of Hong Kong Limited (www.hkex.com.hk) and the official website of the Group (www.ascletis.com).

CONTACT DETAILS

Shareholders may send their enquiries to the following:

Address of the Company: 12/F, Building 3, No. 371 Mingxing Road, HIPARK, Xiaoshan District, Hangzhou, Zhejiang Province, PRC
Fax: +86 571-85389730
Email: ir@ascletis.com

2. Governance System

2.1. ABOUT THE GROUP

OUR MISSION

Ascletis' mission is to become a world-class innovative R&D driven biotechnology company addressing unmet medical needs in three therapeutic areas: viral, cancer and fatty liver diseases.

OVERVIEW

Ascletis is an innovative R&D driven biotechnology company with two commercial products. Led by a management team with deep expertise and a proven track record, Ascletis has developed a fully integrated platform covering the entire value chain from discovery and development to manufacturing and commercialization. Ascletis is now commercializing two drugs, Ganovo® (Danoprevir), the first direct-acting anti-viral agent for Hepatitis C developed domestically for China, and Pegasys® (Peginterferon alfa-2a), a well-established pegylated interferon for Hepatitis B and C partnered with Shanghai Roche Pharmaceuticals Ltd. ("**Shanghai Roche**"). Ravidasvir is a near-commercial stage Hepatitis C virus (HCV) drug, which NDA was accepted in August 2018 and was granted priority review in October 2018.

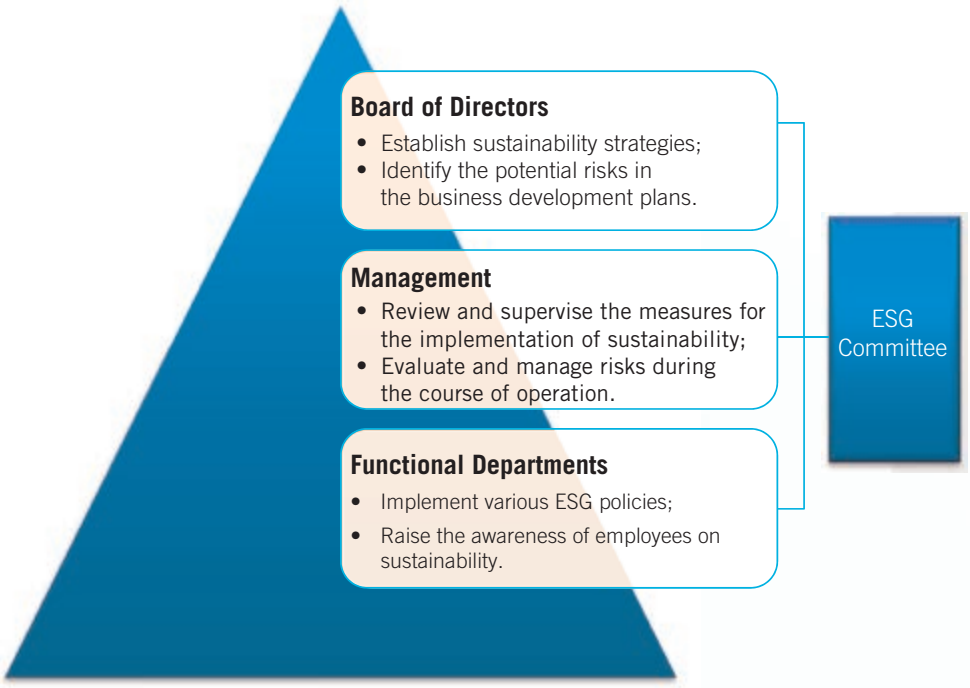
Ascletis' R&D pipeline consists of first/best-in-class drug candidates from antibody-based immunotherapy, small molecules and siRNA at various clinical development stages, addressing unmet medical needs in three therapeutic areas: viral, cancer and fatty liver diseases. For anti-viral therapeutic areas, ASC22, licensed from Suzhou Alphamab Co., Ltd. ("**Alphamab**") for viral indications, is a first-in-class, Phase II-ready programmed cell death ligand-1 (PD-L1) antibody to treat Hepatitis B and other viral diseases. ASC22 is differentiated from other PD-1 or PD-L1 antibodies since it is the only late-stage antibody against PD-1 or PD-L1, which is subcutaneously administered and room temperature stable with clinical safety data from more than 500 patients of oncology indications. ASC09 is a Phase IIa-completed, potential best-in-class protease inhibitor to treat HIV Type-1 infections. ASC21 is an investigational new drug (IND) approved HCV 5B nucleoside inhibitor. For cancer therapeutic area, ASC06 is the first systemically delivered siRNA-based liver cancer drug candidate that has completed phase I and phase I extension clinical trials. For fatty liver diseases therapeutic area, besides an in-house developed preclinical drug candidate with global rights for non-alcoholic steatohepatitis (NASH), ASC40, licensed from 3-V Biosciences Inc. ("**3-V Biosciences**"), is a first-in-class small molecule fatty acid synthase (FASN) inhibitor and has entered the global Phase 2 clinical trials for NASH.

2. Governance System

2.2. CORPORATE STRUCTURE

The Board of Directors of the Company takes the full responsibility for Enviromental, Social and Governance ("**ESG**") strategies and reporting, and leads the ESG Committee comprise of the executive directors, the person-in-charge of ESG and representatives from all major departments of the Company. The ESG Committee is responsible for coordinating and determining the ESG risk management and internal monitoring systems within the Group.

In 2018, we established the ESG Committee to better identify and manage relevant risks in ESG and promote the efficient implementation of various ESG policies across the various departments.



ESG Structure

2. Governance System

The major responsibilities of the ESG Committee are clearly set out in the Rules Governing the ESG Committee which include:

- Identifying the ESG issues which have impact on our operations, shareholders and other major stakeholders of the Company, including but not material to quality of working environment, environmental protection, operating practices, community activities and welfare, as well as developing corresponding control initiatives;
- Identifying stakeholders' major ESG concerns in appropriate ways and responding in a timely manner;
- Preparing annual working report and submitting to Chairman for approval and for Company's ESG performance improvements;
- Responsible for formulating and refining the Company's ESG policies and promoting implementation across all departments;
- Ensuring that the Company is in compliance with the relevant legal and regulatory requirements so that it can monitor and respond to latest ESG policies and issues;
- Maintaining the operation of the Company's management system for social responsibility and raising the social awareness of employees.

2.3. MANAGING CORRUPTION RISKS AND PROMOTING INTEGRITY

The Group is committed to operation compliance, managing corruption risks, promoting integrity and complying with the relevant laws and regulations of the places where we operate, including the Criminal Law of the People's Republic of China (《中華人民共和國刑法》) and the Against Unfair Competition Law (《反不正當競爭法》). We prohibit any payment to government officials by our employees and their intermediaries for obtaining or retaining business or conducts. We implement the Employee Code of Conduct (《員工行為準則》) and the Anti-Corruption Policy (《反腐敗政策》) to ensure strict compliance with the relevant laws and regulations by our employees and agents. We also implement zero-tolerance policy towards any illegal act such as bribery, blackmail, fraud and money laundering in to prevent business corruption.

In addition, we have developed the Employes whistleblowing (《員工舉報、投訴記錄表》) and reporting procedures with a dedicated e-mail address for preventing and handling illegal acts such as money laundering and corruption of employees. During the year, there was no record of other illegal acts such as corruption, bribery, fraud and money laundering of employees and distributors of the Group.

2. Governance System

2.4. STAKEHOLDER ENGAGEMENT

The Group acknowledges the importance of various stakeholders, including employees, medical experts, distributors and other business partners, investors/shareholders, customers, government and regulatory bodies, suppliers and the general public, in achieving our success. The Group considers that effective communication with stakeholders is essential and endeavours to maintain on-going and proactive dialogues with stakeholders. We have determined the scope that fall within ESG in the Report.

Key Stakeholders	Expectations and needs	Main communication channels
Shareholders and Investors	Compliant and sound operation Good return on investment Effective risk management Protection of intellectual property right	General meeting Corporate annual report ESG report Investor visits Result roadshows Official website Investor relationship column
Government and regulatory bodies	Facilitating economic development Supporting communities and livelihood Efficient corporate governance Resources utilization Waste management	Compliance reports Written response to enquiries Meetings
Patients	Quality control Protection of patients' safety Protection of patients' privacy	Website and email of the Group Hotline Patient satisfaction survey and feedback forms Daily operation/communications
Employees	Job stability Benefits and remuneration Safe working environment Career progression	Channels for employees to express opinions Assessment of performance Employee investigation and research Employee training
Suppliers	Fair procurement	Communications with and training for suppliers
Community and the public	Promoting social harmony Supporting charitable activities Promoting energy conservation and reduction of emission	Supporting charity activities Engaging in seminars/forum/ workshops

3. Innovation-Driven And Collaborative Cooperation

3.1. INNOVATIVE R&D ACTIVITIES

Ascletis' R&D pipeline consists of first/best-in-class drug candidates from antibody-based immunotherapy to small molecules and siRNA at various clinical development stages.

Our product pipeline as of the date of the ESG Report is set out below:

Field of Disease	Target	Indication	Products/Drug Candidate	Pre-clinical	Clinical Phase I	Clinical Phase II	Clinical Phase III	NDA Filed	Marketed	Cooperation Partner	Region of Equity Interest
Anti-viral	NS3/4A	HCV	Ganovo® (Danoprevir)								Greater China
	Interferon receptor	HBV	Pegasys® (Peginterferon alfa-2a)								Mainland China
	Interferon receptor	HCV	Pegasys® (Peginterferon alfa-2a)								Mainland China
	NS5A	HCV	Ravidasvir								Greater China
	NS5B	HCV	ASC21							Medivir	Greater China
	Protease	HIV	ASC09								Mainland China and Macau
	Programmed death-ligand 1 (PD-L1)	HBV	ASC22								Greater China
	Undisclosed	HBV	Lead Compound								Global
Fatty Liver Disease	Fatty acid synthase (FASN)	NASH	ASC40								Greater China
	Undisclosed	NASH	Lead Compound								Global
Cancer	Vascular endothelial growth factor & kinesin spindle protein (VEGF&KSP)	Liver Cancer	ASC06								Greater China

3. Innovation-Driven And Collaborative Cooperation

- **Ganovo®**

Ganovo® (Danoprevir) is our first commercialized product. We obtained the NDA approval from CFDA on June 8, 2018, and have begun to commercialize Ganovo® in China. We made our first sales in China on June 27, 2018. Since then, we have gradually commenced nationwide sales of Ganovo® in eastern, southern, northeastern, northern and central China.

We believe that Ganovo® Regimen has the following advantages:

– Higher cure rate. Ganovo® Regimen demonstrated a 97% cure rate (SVR12) in a phase III clinical trial completed on 140 HCV patients, which is substantially higher than the current primary regimen in China.

– Shorter treatment duration. The 12-week duration of our Ganovo® Regimen is significantly shorter than the treatment duration of 48 to 72 weeks for HCV treatment using interferon regimen. We believe that our shorter duration regimen will increase compliance to the treatment and improve patient tolerability.

– Superior safety and tolerability profile. No grade 3 or higher laboratory liver function abnormalities were observed in our phase III clinical trial of the Ganovo® Regimen. Moreover, there was no discontinuation of use due to adverse events. The rate of serious adverse events potentially related to the use of Ganovo® Regimen was approximately 0.7%.

– Potent anti-viral activity. In pre-clinical studies, Ganovo® demonstrated potent activity against HCV NS3/4A protease derived from HCV genotypes 1 through 6 with sub-nanomolar to nanomolar potencies. In clinical trials, our Ganovo® Regimen has shown an overall cure rate of over 97% (SVR12) against HCV genotypes 1 and 4 infections.

3. Innovation-Driven And Collaborative Cooperation

- **Pegasys®**

The Group entered into a partnership with Shanghai Roche in November 2018 and obtained exclusive rights to promote Pegasys® in China.

Pegasys® is a long-acting modified form of interferon (IFN), a naturally occurring protein produced by the body to fight viruses, approved to treat Hepatitis B and C. Shanghai Roche had sold and promoted Pegasys®, a leading pegylated interferon treatment for more than 15 years in China. We began our exclusive sales and promotion of Pegasys® in China from December 1, 2018.

Near Commercial-stage product

- **Ravidasvir**

We filed the NDA for Ravidasvir on July 31, 2018 and received the acceptance letter from the CFDA on August 1, 2018. In October 2018, Ravidasvir was granted priority review by the CFDA.

We have developed Ravidasvir to be a best-in-class, pan-genotypic inhibitor targeting the HCV NS5A protein. Ravidasvir offers superior anti-viral activity, a higher genetic barrier to resistance and a better safety profile compared to our competitors' NS5A inhibitors approved in China. By the end of 2018, there were 3 phase III clinical trials of Ravidasvir completed globally: (1) Ravidasvir/Danoprevir (RDV/DNV) Regimen phase II/III clinical trial in China for genotype 1 patients; (2) Ravidasvir/Sofosbuvir (RDV/SOF) Regimen phase III clinical trial outside of China for genotypes 1, 2, 3 and 6 patients; (3) RDV/SOF Regimen phase III clinical trial outside of China for genotype 4 patients.

We believe that, based on the clinical trials, Ravidasvir has the potential to address the limitations of the current primary regimen for HCV in the following aspects:

– Best-in-class NS5A inhibitor. Our RDV/DNV Regimen demonstrated a 99% cure rate (SVR12) in the phase II/III clinical trial in China with 410 HCV genotype 1 patients who completed the 12-week treatment and 12-week follow-up.

– Pan-genotypic anti-viral activity against genotypes 1 to 6. In vitro studies have shown that Ravidasvir has potent anti-viral activity against HCV genotypes 1 to 6. Two phase III clinical trials of RDV/SOF Regimen demonstrated an overall cure rate of 97% (SVR12) in genotypes 1, 2, 3 and 6 and a 95% cure rate (SVR12) in genotype 4. In genotype 3 patients with and without cirrhosis, RDV/SOF Regimen demonstrated superior cure rates of 96% and 97%, respectively, (SVR12) in Asian patients with HCV.

3. Innovation-Driven And Collaborative Cooperation

– Highly efficacious for patients infected by HCV with baseline NS5A resistance mutations. The RDV/DNV Regimen demonstrated a 100% cure rate (SVR12) for patients with baseline NS5A resistance mutations in our phase II/III clinical trial. 6 patients in our phase II clinical trial (EVEREST) had baseline NS5A resistance mutations and 100% of these patients achieved SVR12. 19% of HCV patients in China carry baseline NS5A resistance mutations. Competitors' products demonstrated a cure rate of 20% (SVR12) in treating patients infected by HCV genotype 1b with baseline NS5A resistance mutations.

– Efficacious for hard-to-cure genotypes. Phase III clinical trial of RDV/SOF Regimen demonstrated a 99% cure rate (SVR12) in genotype 1a patients and a 97% cure rate (SVR12) in genotype 3 patients.

– Efficacious for cirrhosis patients. Phase III clinical trial of RDV/SOF Regimen demonstrated a 96% cure rate (SVR12) in cirrhosis patients.

– Efficacious for HCV/HIV co-infected patients. Phase III clinical trial of RDV/SOF Regimen demonstrated a 97% cure rate (SVR12) in HCV/HIV co-infected patients.

Drug candidates in the pipeline

- ASC22

Phase II-ready PD-L1 antibody for Hepatitis B cure. ASC22, as a PD-L1 single domain antibody fragment crystallizable (Fc) fusion, has the advantages of subcutaneous injection and good stability at room temperature. These characteristics would be of great value to improve patients' compliance to treatment and quality of life. ASC22 is a potential global first-in-class immunotherapy to offer clinical cure for chronic Hepatitis B infections.

In January 2019, we announced that we have obtained exclusive rights in Greater China for ASC22 for viral indications from Alphamab. To date, Alphamab and 3D Medicines (Beijing) Co., Ltd. have studied ASC22, also known as KN035, in multiple oncology clinical trials, including two pivotal trials, with more than 500 patients in China, U.S, and Japan. ASC22 has demonstrated good human safety profile.

- ASC40

Phase II NASH drug candidate. In February 2019, we announced that we have obtained exclusive rights in Greater China for ASC40, a FASN inhibitor currently in global Phase II clinical trials for the treatment of NASH, from 3-V Biosciences. ASC40 is an orally bioavailable, first-in-class inhibitor of FASN. FASN is a key enzyme in the DNL pathway and catalyzes the biosynthesis of palmitate, which can then undergo further modifications into other fatty acids and complex lipids. Dysregulation of FASN activity is found in a number of different diseases, including liver diseases and cancer. Nonalcoholic fatty liver disease (NAFLD) and the more advanced disease of NASH can progress to significant liver diseases, including cirrhosis and hepatocellular carcinoma.

- ASC09

Phase IIa-completed HIV drug candidate. ASC09 is a potential best-in-class protease inhibitor to treat HIV type-1 infections. ASC09 has an unprecedented high genetic barrier to resistance and has completed phase I and phase IIa clinical trials, which have shown potent anti-viral activity. Our studies have shown that ASC09 requires seven mutations before HIV develops resistance to ASC09, indicating ASC09 to have high genetic barrier to resistance compared to other approved protease inhibitors. Lopinavir, a HIV protease inhibitor, is approved and marketed in China. Lopinavir has a relatively low genetic barrier to resistance, and therefore has lower efficacy for protease-inhibitor resistant HIV patients. In addition, compared to Darunavir, a best-in-class protease inhibitor among approved protease inhibitors globally, virological studies suggest that ASC09 is a promising candidate for 72% clinical isolates resistant to Darunavir. The clinical trials have also shown that ASC09 is safe and well-tolerated. These characteristics make ASC09 a promising HIV drug therapy candidate for both treatment-naïve and treatment-experienced patients. We are working towards initiating a phase IIb clinical trial in China in 2020.

3. Innovation-Driven And Collaborative Cooperation

- ASC06

Phase I-completed liver cancer drug candidate. We aim to develop ASC06 as the first systemically delivered therapeutic drug to treat liver cancer in China by using RNA interference ("**RNAi**"), a breakthrough approach to drug discovery and development. ASC06 has been designed to silence two genes critical for growth of liver cancer cells — vascular endothelial growth factor ("**VEGF**") and kinesin spindle protein ("**KSP**"). ASC06 has completed phase I and phase I extension clinical trials, which have shown that 50% of patients who received 0.7mg/kg dose achieved stable disease and one patient achieved a complete response. We are working towards initiating a phase II clinical trial in China in 2020.

- ASC21

IND-approved HCV NS5B nucleotide polymerase inhibitor. ASC21 is an NS5B nucleotide polymerase inhibitor that has shown in in vitro studies to have potent, pan-genotypic anti-viral activity and a high genetic barrier to resistance. The Group has focused on development and optimization of API, and formulation of ASC21, which has received IND approval on March 13, 2019.

- Pre-clinical programs

We have two wholly-owned, in-house pre-clinical programs at discovery stage. One is to develop novel therapies to achieve high functional cures for Hepatitis B. The other is to develop breakthrough therapies for NASH.

3.2. INTELLECTUAL PROPERTY PROTECTION

The Group strictly complies with laws and regulations in relation to intellectual property such as the Intellectual Property Law of the People's Republic of China (《中華人民共和國知識產權法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》), the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), and insists in zero-tolerance approach to infringement on intellectual property rights. We formulate the Administrative Measurements for Intellectual Property (《知識產權管理辦法》) and the Rules for Research and Development Management (《研發管理制度》) with reference to the relevant laws and regulations to standardize and strengthen our internal management on intellectual properties with our rules and systems.

We rely on employees and various regulations, confidentiality agreements and applications for patents in protecting our intellectual property rights such as confidential data, professional know-how and other proprietary information. In R&D activities and business activities, we protect proprietary information with our confidentiality agreements and patents. For example, every employee is required to sign a confidentiality agreement and a invention assignment agreement. Our confidentiality agreements and invention assignment agreements are carefully drafted to protect our proprietary interests.

In addition, we require that all publicly available products and business information shall be examined strictly. We also ensure that all advertisements used for brand promotion shall deliver complete, true and accurate information to the public without any false or misleading product descriptions and acts such as infringement upon others' rights such as intellectual property rights, patent rights, and copyrights.

In addition to requirements for intellectual property rights, we also strictly standardize the code of operation for external suppliers. In our cooperation with external suppliers, we will enter into confidentiality agreements. In addition, suppliers shall guarantee that all the technological and development achievements obtained during the cooperation will not infringe upon legitimate rights of any third party such as the legal patent rights, trademarks and copyrights.

4. Commitment to Quality and Integrity

4.1. PRODUCT QUALITY MANAGEMENT

4.1.1. PRODUCT QUALITY

The Group strictly complies with the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》), Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), Good Manufacturing Practices for Pharmaceutical Products (《藥品生產質量管理規範》) and Good Supply Practice for Pharmaceutical Products (《藥品經營質量管理規範》), which provide the legal framework for compliant operations of enterprises engaged in manufacturing, sales and quality management of drugs.

Industry Norms
- Our production base strictly complies with the most stringent cGMP regulations in all stages from design, construction and operation

Quality Assurance
- We have adopted a wide range of high-end equipment and advanced production technologies at global level to ensure that all of our pharmaceutical products are of high quality

International Standards
- To ensure our production quality and management system to maintain international standard with the equivalent standard requirements of international pharmaceutical companies

Ensure Production Capacity
- Sufficient production capacity to ensure consistent supply of our drugs for clinical treatments

The Group considers product quality and safety as key elements of our business and will continuously be making improvements to our product quality and optimizing the quality control management system.

4. Commitment to Quality and Integrity

4.1.2. Information on products

For packaging, labelling and advertising of drugs, we strictly comply with the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) and other relevant laws and regulations to ensure patients' safety.

Pharmaceutical Packaging

The Group complies with the Measures for The Administration of Pharmaceutical Packaging (《藥品包裝管理辦法》) to ensure that the packaging for all of our drugs is in compliance with national and professional standards. When national or professional standards are not available for reference, we will develop our corporate standards which will be implemented upon approval by the food and drug authorities at provincial level and the relevant regulatory authorities. We will file the application with the relevant authorities for approval when changes to the standards for packaging are required.

The Group complies with the Measures for the Administration of the Insert Sheets and Labels of Drugs (藥品説明書和標籤管理規定), which stipulates that the insert sheets and labels of drugs should be reviewed and approved by the National Medical Products Administration. A drug insert sheet and label should include (among others) the scientific data, conclusions and information concerning drug safety and efficacy according to relevant provisions, in order to ensure the safe and rational use of drugs. We have strictly follow the relevant provisions, to make sure the inner labels of drugs bear such information as the drug's name, indication or function, strength, dose and usage, production date, batch number, expiry date and drug manufacturer, and the outer labels of drugs indicate such information as the drug's name, ingredients, description, indication or function, strength, dose and usage and adverse reaction.

Drug Advertisements

The Group complies with the Measures for the Examination of Drug Advertisements (《藥品廣告審查辦法》) and Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), pursuant to which we obtain approval document numbers for all advertisements relating to our drugs upon approval by competent authorities. We will file new applications for approval to obtain approval document numbers for advertisements for our drugs relating to approval when alteration to the content of such advertisements is required.

4.2. PRODUCT SAFETY ASSURANCE

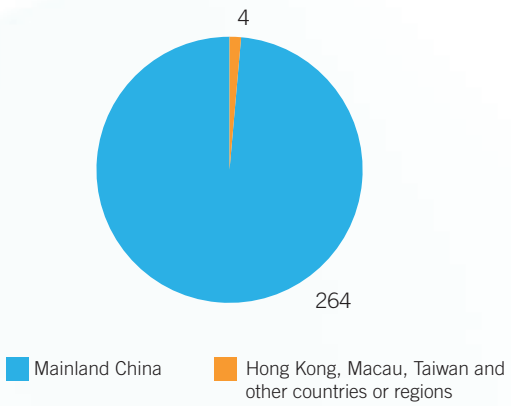
We comply with the Measures for the Administration on Reporting and Monitoring of Side Effect of Pharmaceuticals (《藥品不良反應報告和監測管理辦法》) and the Announcement on the Direct Reporting of Adverse Reactions by the Licensee of Marketed Drugs issued by China Drug Administration (2018 no. 66) (《國家藥品監督管理局關於藥品上市許可持有人直接報告不良反應事宜的公告（2018年第66號）》) to strengthen management of products at various clinical stages and in the market in terms of the safety and information security by developing the management system for adverse reactions to the drugs. For any medical case in relation to adverse reactions suffered by patients or clinical subjects who received drug treatment, we will implement the procedures as specified by our management system for adverse reactions to the drugs, to determine if the side effects are related to the use of the drug. Employees of our Company shall report such case of adverse reactions to the pharmacovigilance department in a timely manner within one business day when they become aware of any adverse reactions as a result of use of the Company's products (and any case of death and group adverse reactions to a drug must be reported to the pharmacovigilance immediately). The pharmacovigilance department will complete preliminary investigation and inspection, data entry, quality control of data, conduct medical assessment and evaluation for the case and handle procedures such as appeal and reporting. During the year, the Group did not record any recall of products sold or delivered by us due to safety and health issues.

4. Commitment to Quality and Integrity

4.3. SUPPLY CHAIN MANAGEMENT

The Group has paid great attention to supplier management and have developed the Supply Chain Quality Control Procedures (《供應商質量管理程序》). The Group generally seeks to have a long-term business relationship with its suppliers. In addition to factors such as service quality, goodwill and cost, whether the suppliers and distributors have commitment to environmental and social responsibilities is another important consideration. Furthermore, the vendors, suppliers, professional contractors and distributors that have significant business relations with any company of the Group are required to enter into Undertaking of Anti-bribery and provide the Letter of Compliance for the Year. We also enter into confidentiality agreements with suppliers for technical cooperation.

NUMBER OF SUPPLIERS



Note: The number of suppliers includes those of producers, distributors, purchasing agents, traders and suppliers for indirect procurement.

4.4. PROTECTION OF PATIENTS' INTERESTS

4.4.1. PROTECTION OF PATIENTS' PRIVACY

The Group attaches high importance to information security and protection of privacy of the patients and subjects. We specified that the collection, use and disclosure of information of patients and subjects and the ways of maintaining such information are monitored and controlled. In addition, each of our employees is required to enter into a confidentiality agreement at the time of joining the Company. Only the relevant departments may have the authority of access to the information of the patients. Employees are required to obtain approval from their supervisors for access to the information of the patients.

4.4.2. EMPHASIS ON PATIENTS' INTERESTS

The Group values patients' opinions and interests. We have established different channels for patients or their families to express opinions or complaints. Upon receipt of inquiries or complaints, we will follow the established procedures of handling complaints, and the relevant department will contact the patient to follow through on the situation, claims, key facts and reasons of the complaint, and ensure that the opinions and complaints received will be responded and followed up properly. We will review and optimise the complaint management system on a regular basis so as to protect patients' interests and maintain the reputation of the Company.

4. Commitment to Quality and Integrity

4.5. REPAYING COMMUNITY

The Group spares no effort to promote community services and perform its corporate social responsibilities. We organize, promote and support our employees in engaging voluntary services, and provide drug donations to patients. During the year, the Group made total donations of RMB9,227 thousand through RAH Charity Foundation. We communicate and interact with various social sectors through organizing and participating in numerous activities to build, grow and sustain social communities. We are committed to promote the development of new innovative drugs in China and will continue to make contributions towards sustainable social communities.

5. Talent Management

Employees are our most valuable assets and the cornerstone for the success of our Group. We adhere to the "Human-Based" management philosophy to allow for career advancement considerations with our employees. The underlying entities of the Group strictly comply with the relevant laws and regulations in the places where we operate, including but not limited to the Employment Ordinance (《僱傭條例》) in Hong Kong and the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) and Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) in Mainland China.

5.1. TALENT EMPLOYMENT

We have adopted polices to provide and ensure a harmonious, tolerant, fair and non-discriminatory working environment. We strictly comply with the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) and other relevant laws and regulations, and formulate our human resources policies in accordance with relevant laws and regulations.

As of December 31, 2018, the Group had a total of 279 employees, 276 of which were located in the PRC and 3 were located abroad, and over 62% of our employees were holders of bachelor's degree or higher level of academic qualifications. The details of our employees are set out in Appendix I: Sustainability Data Statement.

Recruitment Management System

In order to improve transparency, we have formulated the Recruitment Management System (《招聘管理制度》), our Human Resources (HR) Department solicits information on manpower requirements and needs at the end of each year. The Group recruits employees through recruitment websites, recruiters, internal referrals and job fairs. In our selection process, the HR Department will strictly examine the qualifications of candidates through screening procedures to prevent employment of child labor and forced labor. Following the basic principles of "openness, justice and fairness", the responsible staff in the interview will assess the applicants by filling in the feedback form for the interview and considering the education background, experience and skills of the applicant regardless of issues such as gender, marital status, family condition or disability of the candidate that may affect the outcome of recruitment. The Group will deal with non-compliance incidents in accordance with the laws.

Stability of employees

In order to reduce the employee turnover, we will proactively conduct face-to-face interviews with departing employees to understand relevant reasons so as to enable corporate management improvements.

Employment Contracts

The Group enters into employment contracts or other employment agreements as permitted under the laws and regulations with the employees which cover salary, benefits, basis of termination and other matters, and ensure no forced labor cases. The remuneration for our employees includes salary and bonus, which will be determined by qualifications, industry experience, job positions and performance. The Group has made contributions to social insurance and housing provident fund for our employees in accordance with laws and regulations in China.

5. Talent Management

Remunerations and Benefits

For the purpose of attracting and retaining talents of high caliber, the Group is committed to provide fair and competitive remuneration and benefits to employees. Our HR Department updates the policy of benefits and remuneration on a regular basis to keep the remuneration at an appropriate and market competitive level. The Group has made contributions to social insurance and housing provident fund for its employees as required by the laws of the PRC, including pension insurance, medical insurance, unemployment insurance, maternity insurance, work-related injury insurance and housing provident fund.

We pay great attention to benefits for employees and strictly comply with the Labor Law of the PRC in making arrangements such as working hours and overtime pay for employees. Moreover, we provide employees with benefits which are better than the minimum standard provided under the laws. We provide all employees with paid annual leave, sick leave, casual leave, maternity leave and work-related injury leave. For general benefits, we also provide employees with meal allowance, summer hot weather allowance, birthday and festival benefits, etc. The Company organizes an annual dinner for employees to celebrate the New Year together.

2018 Annual Dinner

Birthday Benefits for Employees

5. Talent Management

5.2. EMPLOYEE'S HEALTH AND SAFETY

Clean and safe working environment

To ensure a safe working environment for our employees, we use construction materials with fire-proof performance that meet the standards specified by the Fire Control Law of the People's Republic of China(《中華人民共和國消防法》) and the Provisions on the Supervision and Administration of Fire Protection of Construction Projects (《建設工程消防監督管理規定》). We have also carried out regular fire drill in accordance with the requirement of the fire-control authorities to enhance the fire prevention awareness of all employees and continuously improve our fire evacuation equipment. In addition, smoking is prohibited in the working places of the Company for a safe and clean working environment for our employees.

Fire drill - wearing protective equipment

Fire drill - on-site rescue

Handling occupational health accidents

We have also developed the response plans for emergency cases. We communicate with our employees on the potential risks in the work place and provide relevant education and training on safety, including safety rules and contingency measures.

Free physical health examination

To ensure the holistic well-being of the employees, employees are entitled to free physical health examination.

Workplace Safety Track Record

During the year, the Group did not have any accident involving work-related death or injury of employees.

5. Talent Management

5.3. CULTURAL EVENTS FOR EMPLOYEES

The Group also organizes events for our employees on a regular basis to alleviate work pressure and to develop the spirit of team work and cohesiveness. The Company organizes outdoor events such as trips and outreaching activities to recognize outstanding performance of our employees, enhance their sense of achievement and sense of belonging to the Company.

Corporate event for fifth anniversary

Spring and autumn corporate outreach events

5. Talent Management

5.4. TRAINING AND DEVELOPMENT OF EMPLOYEES

Internal training

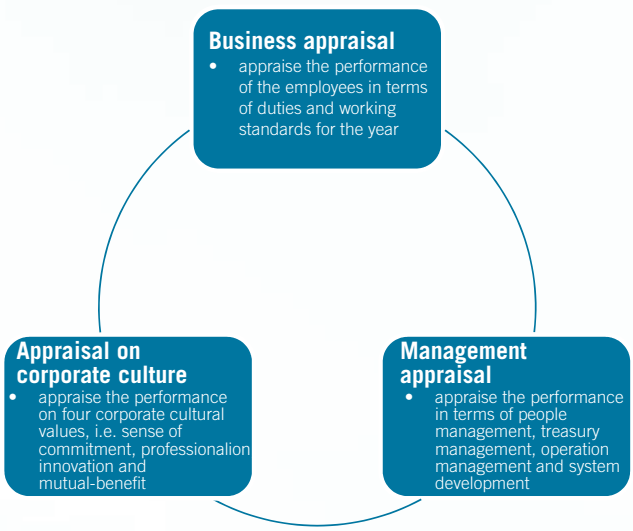
The Group attaches great importance to employees' training and development, in order to build an excellent team and maintain competitiveness of the Group. To maintain quality, expertise and skills of the employees, the Group provides employees with regular training, which includes introductory training for new employees, skill training, professional and general skills training, compliance training, and training on health and safety.

Exchanges with fellows

Moreover, we also encourage our employees to participate in seminars and sharing sessions held by external organizations to enrich their expertise. In addition, we provide employees with outstanding performance and great potential with opportunities for advanced studies and industry conferences . The Group conducts academic marketing activities to establish and maintain relationships with medical experts and key opinion leaders. We also maintain long-term cooperative relationships with several national academic associations. Through various activities, our employees may have exchanges with industry talents, which will help the Group to develop, market and sell its products more effectively.

Annual performance assessment

To ensure the quality of our employees, we have an annual performance appraisal system, pursuant to which we will appraise the performance of our employees annually on objective considerations such as business performance, management capabilities and cultural values in deciding year-end bonus, salary adjustment and promotion.



Annual Performance Appraisal System

6. Environmental Protection for a Green World

6.1. ENVIRONMENTAL PROTECTION SYSTEM ESTABLISHMENT

The Group strictly abides by relevant laws and regulations of the regions where the Company operates, 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 Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), 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 the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》). Apart from establishing the Environmental, Social and Governance Committee, the Group has also established the Environmental Policy Management System to continuously improve environmental management measures. The environmental policy covers all of the Company's business. An environmental review is conducted annually to review environmental performance and make appropriate adjustments or revisions to the environmental policy.

The Group has been in compliance with applicable regulations and policies and maintains good relationships with communities in the surroundings of the production base, it strives to save energy as much as possible in business operations, implement measures for water management and waste recycling, reduce greenhouse gas emissions and improve energy efficiency. During the year, there was no material incident affecting the environmental and natural resources nor any punishment and litigation in respect to environmental regulations.

6.2. EMISSIONS MANAGEMENT

Greenhouse gas emissions inspection

In fulfilling China's responsibilities under the Paris Agreement and dovetail important policies such as the National Plan on Addressing Climate Change (2014-2020) (《國家應對氣候變化規劃 (2014-2020 年)》) and National Strategies on Adaptation to Climate Change (《國家適應氣候變化戰略》), the Group is also committed to minimize the impacts arising from the trend of global warming. We carried out the inspection of greenhouse gas emissions of the Group's headquarters in accordance with the Greenhouse Gas Protocol jointly developed by the World Resources Institute and the World Business Council for Sustainable Development and ISO14064-1 developed by the International Standardisation Organisation.

Following the inspection, the Group's greenhouse gas emissions are divided into direct GHG emissions (Scope 1) and indirect GHG emissions (Scope 2 and Scope 3). Scope 1 refers to direct GHG emissions from sources that are owned or controlled by the Company. Scope 2 refers to indirect GHG emissions resulting from the generation of electricity, heating and cooling, or steam generated off site but purchased by the Company. Scope 3 refers to emissions that include indirect GHG emissions from sources not owned or directly controlled by the Company but related to our activities. GHG emissions in all scopes were originated from the fuel consumption of the Company and the fuel oil used by its vehicles (Scope 1), electricity consumption during operation (Scope 2) and waste landfill and paper consumption (Scope 3), etc. A summary of GHG emissions during the year is described in Appendix I.

Wastewater discharge

Wastewater from processes and washing, untreated rainwater and domestic sewage generated by the Group will be discharged to the sewage treatment station in the factory area for treatment, and will be discharged to the sewage treatment plant at Shaoxing when the treated sewage has met the required standards. Water discharged from recirculating cooling systems and sewage from water purification generated in the factory area will be discharged directly to the sewage treatment plant in Shaoxing for centralized treatment, and will be discharged to other areas when effluent has met the required standards. The discharge of wastewater did not have any direct or indirect impact on the quality of water and met the required standards for emissions at national level and local level.

6. Environmental Protection for a Green World

Disposal of waste

The Group employs professional companies for waste disposal. To achieve waste utilisation, the Group introduces the sorting and storage of waste according to type and delivers waste to different companies for recovery, utilisation and disposal according to their recycling purposes. Waste is stored in sealed containers with waste labels attached and transported by GSP-equipped transportation vehicles to achieve full-process supervision. We also have sufficient safety equipment, decontamination and clean-up tools and kits as well as the compilation of an Environmental Contingency Plan for Wastes(《廢棄物環境應急預案》)to deal with accidents.

Reduction of business trips

The Group is aware that business trips can result in GHG emissions. Therefore, we encourage employees to replace unnecessary overseas business trips with video conferences, and choose non-stop flights for unavoidable business trips, in order to minimize GHG emissions.

6.3. USE OF RESOURCES

In order to reduce the consumption of resources in operation, we promote energy and water conservation within the Group. The following measures are implemented to promote resources efficiency during the year.

Lighting system

The Group gives priority to the use of energy-efficient LED lighting. Moreover, we divide our offices and laboratories into several different lighting zones to provide independent control of the lighting system, and encourage employees to turn off unnecessary lighting when not in use as they are away from seats for extended periods, away for outdoor work or go out for lunch. We also regularly check the level of illumination in different parts of the office, and for places with light exceeding the required brightness level, so that we may reduce the number of lights to reduce energy consumption.

Heating and cooling air conditioning system

Heating and cooling air conditioning system is one of the most intensive power-usage devices. Therefore, we implemented water-cooled air conditioning system and avoid installing the air conditioner under direct sunlight in order to enhance energy efficiency. We also stipulate that air conditioning should only be operated in summer above the temperature of 28℃ and encourage employees to turn off the air conditioning in their office when not in use.

Fuel consumption conservation

In order to reduce the fuel consumption, the Group regularly carries out inspection and maintenance of the vehicle fleet, inflates the tires regularly to keep proper air inflation and improves the automobile efficiency to reduce fuel consumption and emission of pollutants. We also offer training for drivers to prevent engine idling and improve fuel oil efficiency.

6. Environmental Protection for a Green World

Water management

The Group understands that the world is now facing a water shortage crisis. Therefore, we have implemented a number of measures throughout our operations to enhance the effective use of water resources. We take the initiative to lower the water pressure to the lowest possible level, take meter readings regularly and check for hidden leaks. At the same time, we place water saving reminder stickers in each toilet and use sanitary ware with water saving labels and infrared sensing to reduce water consumption.

Green office

The Group uses an online management platform as an important tool in streamlining and managing the business processes to reduce paper consumption. For unavoidable paper consumption, we encourage employees to reuse or use both sides of paper, and put up notices at prominent printing areas to raise employees' environmental protection awareness. We also encourage employees to use waste paper for internal record purpose, and use e-greeting cards instead of traditional greeting cards to send holiday greetings to minimize paper consumption. Before purchasing office stationery, we will first assess the material usage to avoid excessive inventory. If there is any need for purchase of materials, we will give priority to the products that can be recycled or replenished and reduce the use of one-off and unrecyclable ones. We encourage our staff to reuse envelopes, spring binders, file cards and other stationeries. We have posted waste separation guidelines in our offices to encourage staff to separate recyclables such as metal cans, plastics and used paper to facilitate recycling and disposal of wastes.

7. Appendix I: Sustainability Data Statement

Environmental Subject Area	Unit	2018
Greenhouse gas emissions		
Direct greenhouse gas emissions (Scope 1)	tonnes carbon dioxide equivalent	31.4
Indirect greenhouse gas emissions (Scope 2)	tonnes carbon dioxide equivalent	2018.3
Other indirect greenhouse gas emissions (Scope 3)	tonnes carbon dioxide equivalent	15.2
Total greenhouse gas emissions (Scope 1, 2 &3)	tonnes carbon dioxide equivalent	2,064.9
Greenhouse gas emission intensity		
Per square metre (Scope 1, 2 &3)	tonnes carbon dioxide equivalent/ square metre	0.02
Per employee (Scope 1, 2 &3)	tonnes carbon dioxide equivalent/ employee	30.8
Fuel consumption		
Fuel consumption of our fleet (Gasoline)	tonnes	1.0
Energy consumption		
Total electricity consumption	kilowatt-hours	2,868,960.0
Total electricity consumption intensity (per square metre)	kilowatt-hours/square metre	30.8
Total electricity consumption intensity (per employee)	kilowatt-hours/employee	42,820.3
Water consumption		
Total water consumption	cubic metre	17,812
Total water consumption intensity (per square metre)	cubic metre/square metre	0.2
Total water consumption intensity (per employee)	cubic metre/employee	265.9
Hazardous waste		
Total hazardous waste (Solid)	tonnes	3.5
Total hazardous waste (Liquid)	tonnes	161.7
Intensity of hazardous waste (Solid) (per employee)	tonnes	0.1
Intensity of hazardous waste (Liquid) (per employee)	tonnes	2.4

7. Appendix I: Sustainability Data Statement

Environmental Subject Area	Unit	2018
Non-hazardous waste		
Total non-hazardous waste	kilogram	18,400
Non-hazardous waste intensity (per employee)	kilogram/employee	274.6
Paper consumption	ream	470.0
Paper consumption intensity (per employee)	ream/employee	7.0
Packing Materials		
Bottle label	Unit	28,500
Paper box	Unit	29,635
Carton	Unit	455
Polyolefin bottle for oral solid drugs	Unit	28,265

7. Appendix I: Sustainability Data Statement

Social Subject Area	Unit	2018
Total employees		
Total number of female employees	no. of people	136
Total number of male employees	no. of people	143
Total employees	no. of people	279
Total employees (by age group)		
Below 30	no. of people	79
Aged 30-50	no. of people	195
Above 50	no. of people	5
Employee participation in training		
Total number of employees participating in training	no. of people	250
Percentage of employees participating in training (by gender)		
Percentage of female employees	%	41.9
Percentage of male employees	%	47.7
Average training hours per employee (by gender)		
Average training hours per female employee	hours	12.3
Average training hours per male employee	hours	12.3
Occupational health and safety		
Work-related casualties		
Injury cases	no. of people	0
Number of work-related fatalities	no. of people	0

8. Appendix II: Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide Content Index

8. APPENDIX II: THE HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Index content			Relevant sections
A. Environmental Area			
A1:Emissions	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 air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environmental protection for a green world
	A1.1	The types of emissions and respective emissions data.	Appendix I: Sustainability Data Statement
	A1.2	Greenhouse gas emissions in total and intensity.	Appendix I: Sustainability Data Statement
	A1.3	Total hazardous waste produced and intensity.	Appendix I: Sustainability Data Statement
	A1.4	Total non-hazardous waste produced and intensity.	Appendix I: Sustainability Data Statement
	A1.5	Description of measures to mitigate emissions and results achieved.	Emission Management Use of resources
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emission Management
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of resources
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	Appendix I: Sustainability Data Statement
	A2.2	Water consumption in total and intensity.	Appendix I: Sustainability Data Statement
	A2.3	Description of energy use efficiency initiatives and results achieved.	Use of resources
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of resources
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Appendix I: Sustainability Data Statement
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental protection for a green world
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental protection for a green world

8. Appendix II: Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide Content Index

Index content			Relevant sections
B. Social Area			
B1:Employment	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, anti-discrimination, and other benefits and welfare.	Talent Employment
	B1.1	Total workforce by gender, employment type, age group and geographical region.	Total workforce by gender and age group is set out in Appendix I: Sustainability Data Statement, while further categorisation is being considered for disclosure in the future
	B1.2	Employee turnover rate by gender, age group and geographical region.	Considering disclosure in the future
B2: Health and Safety	General Disclosure	Information on: (a) the polices; 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.	Employee's Health and Safety
	B2.1	Number and rate of work-related fatalities.	Appendix I: Sustainability Data Statement
	B2.2	Lost days due to work injury.	Appendix I: Sustainability Data Statement
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Employee's Health and Safety
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Training and development of employees
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Total workforce by gender is set out in Appendix I: Sustainability Data Statement, while further categorisation is being considered for disclosure in the future
	B3.2	The average training hours completed per employee by gender and employee category.	Total workforce by gender is set out in Appendix I: Sustainability Data Statement, while further categorisation is being considered for disclosure in the future

8. Appendix II: Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide Content Index

Index content			Relevant sections
B4: Labour Standards	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 preventing child and forced labour.	Talent Employment
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	Talent Employment
	B4.2	Description of steps taken to eliminate such practices when discovered.	Talent Employment
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
	B5.1	Number of suppliers by geographical region.	Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
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.	Product Quality Management
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Safety Assurance
	B6.2	Number of products and service related complaints received and how they are dealt with.	Protection of Patients' Interests Product Safety Assurance
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Protection
	B6.4	Description of quality assurance process and recall procedures.	Product Safety Assurance
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Protection of Patients' Interests
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.	Managing Corruption Risks and Promoting Integrity
	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.	Managing Corruption Risks and Promoting Integrity
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Managing Corruption Risks and Promoting Integrity
B8: Community Investment	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.	Repaying Community
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Repaying Community
	B8.2	Resources contributed to the focus area.	Repaying Community