



China Health Group Limited 中國衛生集團有限公司

(Carrying on business in Hong Kong as CHG HS Limited)

(Incorporated in Bermuda with limited liability)

Listed on The Stock Exchange of Hong Kong (Stock Code : 673)

2019

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



Environmental, Social and Governance Report

INTRODUCTION AND SCOPE OF ESG REPORT

This report has been prepared by the management of the Company in accordance with the requirement of the Appendix 27 Environmental, Social and Governance Reporting Guide ("ESG Guide") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

In this report, and it presents mainly policies, initiatives and performance of the Group for the year ended 31 March 2019. It also highlights the material aspects identified from 1 April 2018 to 31 March 2019 (the "Reporting Period") with the Board confirms the report has been reviewed and approved to ensure all material issues and impacts are fairly presented.

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

The Group understands the importance of ESG report and is committed to making continuous improvements in corporate social responsibility into our business in order to better meet the changing needs of an advancing society.

The key stakeholders for the Reporting Period are identified by the Group as follow:

- Equity shareholders
- Local and Central governments of the People's Republic of China
- Hong Kong supervision bodies related to listing compliance
- Employees
- Customers
- Suppliers

Environmental, Social and Governance Report

ABOUT THE GROUP

The Group is principally engaged in provision of (i) hospital management service, (ii) trading of medical equipment and consumables(iii) business factoring and (iv) property investment during the year. As at the 31 March 2019, the Group took over the operation of 3 (2018: 4) hospitals and 1 (2018: 1) eldercare and nursing home in PRC. The group implemented a series of new management models and information technology system to improve the overall performance in the operation of the hospital. Trading of medical equipment smoothen the sourcing and supplying of high-quality equipment to the hospitals managed by the Group, which in turn streamlines the hospital operations, maintains quality of services provided by the Group, and improves performance of the hospital management business accordingly.

During the year ended 31 March 2019, the Group has commenced business factoring business for hospitals under the management of the Group to stabilise the revenue and profits to the Group and provides necessary funding to improve quality services.

ENVIRONMENTAL

The business activities of the Group do not involve in use of significant amount of natural resources and generate any emissions or wastes that would severely bring adverse effect to the environment.

The Group committed to achieve environmental sustainability through daily operation. The operations of the Group are subject to various laws, rules and regulations with respect to environmental matters, including the Regulations on the Management of Medical Waste 《醫療廢物管理條例》, the Implementation Measures of the Management of Medical Waste 《醫療衛生機構醫療廢物管理辦法》 During the Reporting Period, the Group did not noticed any cases of non-compliance relating to environmental laws and regulations, including disposal of medical wastes and radioactive substances and the discharge of sewage.

A.1 Emissions

The Group sticks to the principle of active participation and environmental responsibility and supports green activities and actively implement national policies with the aims of reduction in the consumption of natural resources. The Group are under the governance of the Environmental Protection Law of the People's Republic of China Prevention 《中華人民共和國環境保護法》, Control of Atmospheric Pollution 《中華人民共和國大氣污染防治法》 and Urban Drainage and Sewage Treatment Ordinance 《城鎮排水與污水處理條例》.

Environmental, Social and Governance Report

Air Emission

The Group took the initiative to examine the issue of air emission across its operation. Due to its business nature, the Group did not involve in any combustion processes or industrial activities that lead to direct air pollutant emission to the atmosphere. The Group thus concluded that its operation had no material impact through direct air emission to the environment. The Group also encourages staff to travel on the public transport or car-pooling when there is needed for out of office in order to reduce the emissions of air pollutants.

Greenhouse gas emissions

The major source of greenhouses gas ("carbon dioxide" or "CO₂") emissions of the Group was from the use of electricity in the offices of the Group, which is used for empowering the offices' equipment. The emissions of CO₂ of the Group can be broadly classified into direct emissions (Scope 1), energy indirect emissions (Scope 2) and other indirect emissions (Scope 3).

The use of petroleum are mainly for

The emission of CO₂ for the year ended 31 March 2019 has been summarised as follow:

Source of CO ₂ emissions	Quantity of energy consumed	CO ₂ equivalent emissions (kg)	Intensity of emission (kg per staff)
Scope 1			
Combustion of unleaded petroleum	10,587L	28,688	1,148
Scope 2			
Electricity consumption	11,436 kWh	10,430	417
Scope 3			
Paper consumption	125 kg	600	24
Water processing	264 tons	121	3
Business travel	N/A	45,789	1,832
Total CO₂ emissions		98,011	3,424

Environmental, Social and Governance Report

Medical wastes management

Biological, chemical and clinical wastes in hospital are treated in strict accordance with the Medical Waste Management Regulations 《醫療垃圾管理條例》. Clinical wastes are separated and collected by the disposed of by authorized contractors of municipal environmental sanitation services to minimize the risks of contagion.

Sewage treatment

Water consumed at hospitals is discharged to the designated water treatment facilities. The Group places high importance to fluid waste management as it limits our employees' exposure to infectious fluid waste. Fluid waste is contained in suction canister or other designated containers before being discarded into proper locations.

A.2 Use of Resources

Consumption and reduction in consumption of electricity

With the vision of helping to protect the planet and of incorporating environmental sustainability into its business functions and processes, the Group proactively seeks opportunities for increasing operating efficiency in order to minimize the use of resources.

The resources used by the Group are principally attributed to electricity and water consumed at offices. The Group has adopted green office practices to reduce natural resources consumption and the impact on the environment. For instance, offices are equipped teleconference and internet-meeting practices are encouraged to avoid unnecessary travel.

To achieve higher energy efficiency, the Group implemented the following key initiatives during the reporting period:

- To switch off lights and air-conditioning in the meeting room and computers at work stations where not in use; and
- To select the best configuration for air-conditioning control programme for medical rooms, based on in-door requirement and out-door condition.

Environmental, Social and Governance Report

Paper usage

The Group also encourage staff to reuse single-sided printed paper, duplex printing when printing documents for external use and communicate through electronic media. The consumption of paper has decreased from 18 kg per staff to 5 kg per staff this year.

Water consumption and conservation

Confronted with the crisis of the scarcity of global water resources, the Group has formulated the Management System for Water Supply 《供水管理制度》, and sewage is divided into domestic sewage and special wastewater in the hospital. We have adopted advanced sewage treatment system for sewage treatment and the sewage can only be discharged when it met the Standard for Sewage Discharge by Medical Institutions 《醫療機構污水排放標準》.

A.3 Environmental and Natural Resources

Measures in reducing environmental impact

The Group is committed to provide a high quality services to customers while maintaining the adverse impact bring to the environment at a minimal level. In addition, China is now popular in the usage of motion-sensor lighting to reduce unnecessary electricity consumption and the employees are pleased to support the Group's energy saving measures. Therefore, the China site of the Group is also using the motion-sensor lighting to have minimal electricity consumption.

B. SOCIAL

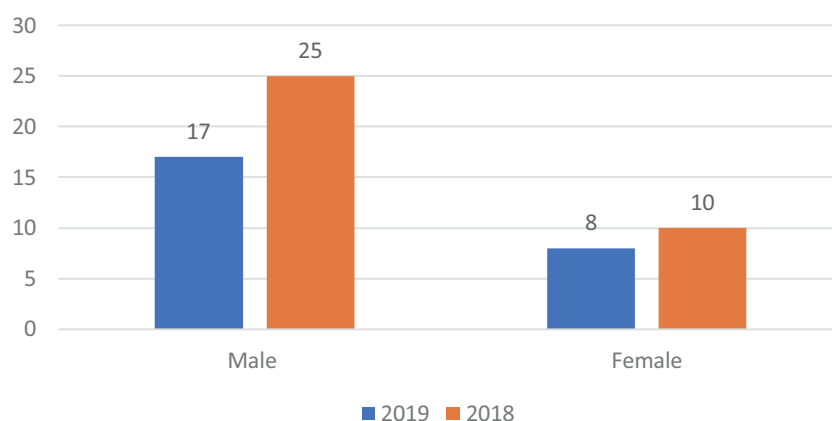
B.1 Employment

The Group rewards its employees with competitive remuneration, along with promotional opportunities, compensation and benefits packages to attract and retains talents. Remuneration is determined with reference to the prevailing market condition as well as the competency, qualifications and experience of individual employee. As at 31 March 2019, the Group has 25 (2018: 35) employees with an overall gender ratio between male and female at 1:0.47 (2018: 1:0.4).

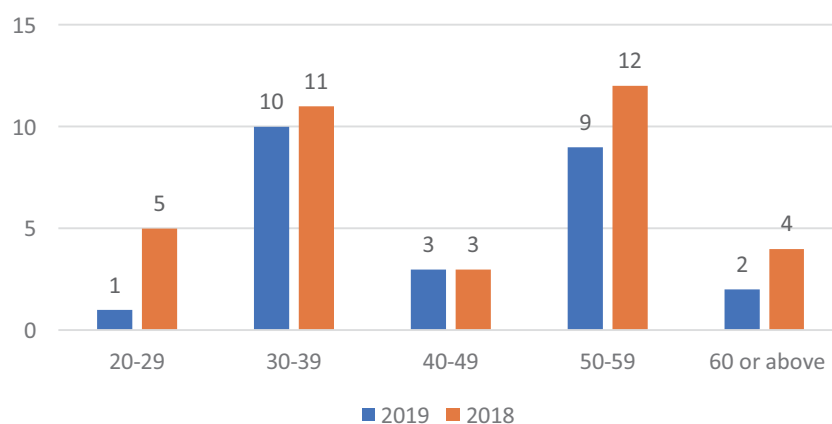
The Group strictly complies with the Employment Ordinance and Mandatory Provident Fund Schemes Ordinance of the Laws of Hong Kong, Labour Contract Law of the PRC 《中華人民共和國勞動合同法》, Presidential Decree of the PRC 《中華人民共和國社會保險法》 and other applicable laws and regulations relating to employment.

Environmental, Social and Governance Report

Workforce by Gender



Workforce by Age Group



Equal Opportunities

The Group also promotes equal opportunity. Remuneration scheme and job appraisal are based on the ability, speciality and working performance of each staff. During the reporting period, non-compliance with regulations concerning employment and equal opportunity and employment have not been noticed.

Environmental, Social and Governance Report

As equal opportunity employer, the Group is committed to providing a working environment that is free from discrimination on the basis of ethnic group, gender, age, religion, nationality, or disability. This includes employment practices, such as hiring, transfer, recruitment, training, promotion, discipline, rates of pay and benefits, in order to ensure employees and job applicants enjoy equal opportunities and fair treatment. We are committed to creating a corporate culture and a working atmosphere of equality, respect, diversity and mutual support.

B.2 Health and Safety

Workplace health and safety

As employees are the most important asset and resource of the Company, it is of utmost importance to provide a healthy and safe working environment for the employees in a reasonable and practicable situation. The Group has established a set of policies which focused on keeping a safe and healthy workplace, including the following requirements:

- Relevant training and knowledge should be provided to employees in respect to risks associated with goods handling in the medical facilities.
- The warning wording has been posted into the obvious area of the medical institutions to emphasis the health and safety practice.

During the reporting period, the Group has recorded zero work related fatalities and work injuries and no incident of non-compliance with relevant law and regulations regarding workplace safety and protecting employees from occupational hazards.

B.3 Development and Training

The Group aims to create an environment of continuous improvement in which our employees are encouraged to pursue excellence at work and career development. Customised training programs are arranged for staff members at different levels and from across its divisions on an ongoing basis throughout the Group. Induction program is offered to new joiners for learning the culture and the practices of the Group. The Group places great emphasis on its staff training and has established comprehensive training systems. Its key principles consist of all members of an organization participation; target-oriented; program aimed, monitoring in process, comprehensive, trackable and measurable

The Group established an award system for experienced and eligible staff to provide trainings to fellows. It is the Group policy that every staff, including management should attend training every year. Further, the Group encourages the staff to keep continuing education and lifelong learning, and enhance vocational retraining. The Group offers training time off and examination leave allowance for every worker.

Environmental, Social and Governance Report

B.4 Labour Standards

Child labour and forced labour

As for preventing child labour or forced labour, the Group strictly complied with Labor Law of the PRC 《中華人民共和國勞動法》, the Employment Contract Law of the PRC 《中華人民共和國勞動合同法》 and other relevant laws and regulations.

The recruitment process of the Group is firmly based on the recruitment policy and guideline designed by the Human Resource Department. The department managed their employees in a professional manner when such employees were recruited and employed, so as to eliminate situations such as child labour and forced labour in the Group. Employees are hired in accordance with specific job requirements and talent matching process to build a sustainable workforce.

Upon discovery of any child labour and use of forced labour, the person will be dismissed immediately and the discovered issue will be reviewed and discussed with the Board to prevent it from happening again. For the year ended 2019, the Group was not aware of any material violation of the relevant laws and regulations prohibiting the employment of child labour or forced labour.

B.5 Supply Chain Management

Supplier management

The Group also tended to maintain long term relationship with its suppliers for ensuring stable supply of medical materials. Group's suppliers are appointed from the approved list which is reviewed yearly. The approved list of suppliers is subjected to product quality and environmental commitment.

In our frontline operations, we focus on environmentally friendly materials such as paper and bio-degradable items. During the Reporting Period, we did not identify any material risks and issues on supply chain management.

B.6 Product Responsibility

Intellectual property and data privacy

Due to the business nature, our staff deals with an enormous amount of personal data of patients. The group takes responsibility to protect information in all forms, especially confidential health information of patients. In order to protect personal information of patients and information leakage, the Group establish policy in accordance with the Law of Protection of Consumer Rights and Interests. During the year, the Group did not aware of any non-compliance with laws and regulations having a significant impact on the Group relating to privacy matters.

Environmental, Social and Governance Report

Product Responsibility

The Group has implemented a series of measures to ensure customer satisfaction and product quality. Suppliers of medical equipment and consumables are all authorised suppliers from the municipal government and regulatory bodies. The Group's products are in full compliance with Product Quality Law of the People's Republic of China 《中華人民共和國產品質量法》. During the year ended 31 March 2019, no products were returned due to safety or quality problems nor any complaint received from customers.

B.7 Anti-Corruption

Anti-corruption and money laundering

The Group is committed to adhering to the highest ethical standards. The laws and regulations related to anti-corruption including the Criminal Law of the PRC 《中華人民共和國刑法》, Interim Provisions on Banning Commercial Bribery 《關於禁止商業賄賂行為的暫行規定》 and Anti- Unfair Competition Law of the PRC 《中華人民共和國反不正當競爭法》.

The Group has implemented specific measures to detect and deter money laundering and the financing of terrorist activities. For instance,

1. Establishing record keeping and client identification requirements for financial services providers.
2. Requiring the reporting of suspicious financial transactions and of cross-border movements of currency.
3. Establishing an agency that is responsible for ensuring compliance with the Act.

B.8 Community Investment

Community involvement

The Company recognizes the importance of contributing within the local community and encourages employees to develop close relationship with charities and other institutions, both locally and nationally, in order to build more economically sustainable environment. Extensive efforts are exerted to ensure compliance with the laws and regulations of the jurisdictions in which the Company operates.

In the future, the Group will:

- a) seek opportunities to work with charitable organisations to get involved in various community programs and contribute to society; and
- b) promote the health of its employees and customers by organising and taking part in sports and fitness activities.

The Group is also committed to provide career opportunities to the locals and promoting the development of the community's economy.