



TIAN YUAN HEALTHCARE

天元医疗

China Tian Yuan Healthcare Group Limited

(Incorporated in the Cayman Islands with limited liability)
(STOCK CODE: 557)



2019

ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE REPORT

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Introduction

Since 2016, China Tian Yuan Healthcare Group Limited (the “Company”) has issued the Environmental, Social and Governance (“ESG”) report in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “ESG Reporting Guide”) summarising the management approaches, practices and performance in supporting sustainable development of its business operation and focusing on our efforts around our ESG issues, as well as adhering to the ESG reporting principles of materiality, quantitative, balance and consistency. This report covers the financial period from 1 January 2019 to 31 December 2019 (the “Reporting Period”).

Reporting Scope and Boundary

The Company, its subsidiaries and their jointly-operated hotel (the “Group” or “we”) are principally engaged in the provision of integrated solutions, hotel management services, hospitality related services and reservation services in the United States of America (“the USA”). The Group is also involved in securities and fund investment, money lending and related business and healthcare services. The Group’s information has been set out in our Annual Report 2019 in greater details. Unless otherwise indicated, the analysis of this report covers our principal activities in respect of the hospitality segment which has a more significant bearing on the environmental and social impacts brought by the Group than other segments.

The Group continued our commitment as a responsible corporation by making inroads in environment protection, sustainable development and caring for the community. We achieved the commitment with upholding the core value of the Group – to “Serve and Give Back to Community” through cooperating with our key stakeholders and partners. We led by our implementation of social responsibility programs focusing on sustainability, the environment and society.

Our ESG Management Approach

The Group have implemented a top-down management approach within the Group for ESG management. The board (the “Board”) of directors (the “Directors”) is responsible for the determination of the Group’s ESG strategy, assessing the ESG risks and opportunities as well as the oversight of the Group’s overall ESG performance, including environmental management issues, labour practices and other ESG aspects. An ESG working group has also been set up to support the execution of ESG management, to collect relevant ESG data and to compile the ESG report. The Board has reviewed and approved the ESG report in November 2020 to ensure all material issues and impacts on sustainable development are fairly presented.

Introduction

Reporting Principles

The Group adheres to the four fundamental reporting principles set out in the ESG Reporting Guide for the preparation of this report:

Reporting principles	The Group’s application
Materiality	The Group acknowledges the importance of material issues that may have a significant impact on its stakeholders and operations. Material environmental and social issues were identified through an analysis of the written and oral comments and responses submitted by members of the management team of the Group. Material issues identified in the Reporting Period are similar to the material issues identified in the previous reporting period. Results were presented to the Board for validation of the material ESG issues for the Reporting Period.
Quantitative	The Group records and discloses KPIs in quantitative terms as appropriate for evaluation and validation of the effectiveness of ESG policies and measures.
Balance	This report discloses information in an objective manner, providing stakeholders with an unbiased picture of the Group’s overall ESG performance.
Consistency	As far as practicable and unless stated otherwise, the Group applies consistent measurement methodology to allow for meaningful comparison of ESG performance over time. Any changes in methods or KPIs used will be disclosed.

Introduction

Stakeholder engagement

Ongoing communication with stakeholders is crucial to the success of the Group's operations. By communicating with stakeholders, the Group will better position itself to understand and meet their needs, concerns and expectations relevant to our business operation for formulating the ESG strategies and identify improvement opportunities in ESG management. Taking consideration into stakeholders' opinions allows the Group to contribute to a more sustainable future. During the Reporting Period, the Group engaged its key stakeholders via several communication channels to gauge their opinions and feedback and strive to improve constantly.

Stakeholders Group	Mode of Engagement
Employees	The Group communicates with employees through performance appraisal to support employees' career development, whereas employees are encouraged to communicate with their supervisors regarding their job duties and support needed.
Customers	Frontline employees engage dialogue with customers on a daily basis to obtain feedback on their services. Customer service and hotline have also been established for customers to express their concerns and feedback.
Investors and Shareholders	Shareholders' meetings are held regularly to provide investors and shareholders with updates and performance of the Group. The Group gathers their feedback and holds meetings, workshops and other communicative events across daily operation. Important information is disseminated through financial reports, ESG reports, company's website, press releases, announcements and other disclosure documents.
Suppliers	The Group performs suppliers' capability assessment through tender selection and evaluation system. The Group also communicates with suppliers in order to strengthen partnership.
Government and Regulators	The Group keeps close communication with relevant government departments. The Group periodically fills in questionnaires and submits back to the relevant government departments. When there is any breach or non-compliance with relevant laws and regulations, the Group will immediately report to the relevant government departments.
Community	The Group participates in community events to better understand the needs of the community and to support in community development.

Environmental Sustainability

Emissions and use of resources

The adverse impact on the environment due to greenhouse gas emissions is multifaceted. The impacts due to the climate-change caused by the emissions had already been evidenced in the changing precipitation patterns in Hong Kong. Policies were in place to ensure that we did not violate the National Environmental Policy Act of the USA.

The Group adopted low carbon growth path by reducing specific energy consumption and to enhance use of clean energy sources while enlarging carbon footprint through increased carbon sequestration. We developed effective measurement system to record and to report of relevant data in line with our internal policies. We rolled out our developed tools for energy conservation such as energy audit, benchmarking and target setting in order to reduce specific energy consumption.

As a commercial enterprise specializing in investment holding, the provision of hospitality related services, securities and fund investment, money lending and related business and healthcare business, our operations did not generate any production waste or any production-related pollution. We are aware that there were associated indirect emissions, e.g. carbon dioxide emission, being released from using electricity in daily operation both in offices or the hotel.

Disposal of paper, consumption of water and use of transportation for business travel produced limited non-hazardous waste. The hazardous waste produced during the operations was handled in accordance with the applicable regulations and our internal procedures. As the volume of hazardous waste and non-hazardous waste produced was minimal, we did not record the volume of the hazardous and non-hazardous waste during the Reporting Period.

During the Reporting Period, the Group reduced emissions by various policies, which include without limitation:

- promoting the use of cleaner energy and renewable energy;
- improving energy efficiency;
- encouraging greening and raising guests and employee awareness;
- promoting the utilization of teleconference and video conference technology to participate in meetings, as well as adhering to the ESG reporting principles of materiality, quantitative, balance and consistency; and
- reducing the usage of transportations.

During the Reporting Period, we are not aware of any activities which were not in compliance with the relevant laws and regulations that have a significant impact on the Group concerning air and greenhouse gas emissions, discharges into water and land or generation of hazardous and non-hazardous waste.

The air emissions produced by consumption of natural gas, mainly consumed for generating heat in the hotel and offices during the Reporting Period, were shown as follow:

Sulfur Dioxide (SO _x)	9
Nitrogen Oxide (NO _x)	7
Particulate Matter (PM)	483
	36

Environmental Sustainability

The total greenhouse gases produced by energy indirect emission were mainly consumed for the use of vehicle. The below diagram shows the total greenhouse gas produced for the Reporting Period.

	kg
Carbon Dioxide (CO ₂)	845
Methane (CH ₄)	3
Nitrous Oxide (N ₂ O)	173
<hr/>	
Total greenhouse gases	1,021

Consumption of electricity is the major source of indirect emission of greenhouse gas ("GHG"). The Group's carbon dioxide ("CO₂") produced from electricity consumption was approximately 4,887 kg in 2019.

The other indirect emission produced for processing fresh water and sewage by government departments are minimal and therefore we did not take any record.

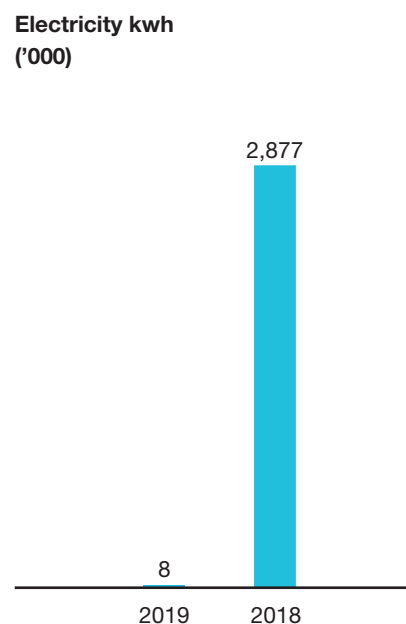
Polices are in place to integrate the environmental considerations into daily operation. The measures employed for reducing emissions are disclosed in the following section — "Electricity".

Electricity

The diagram shows the total consumption of electricity, for the year 2019 and 2018 respectively:

Electricity was mainly consumed for operating our hotel business in the USA. The usage of electricity was decreased largely as shown in the diagram due to the exclusion of USA operations which were disposed during 2019.

The Group continued to provide different trainings in order to raise the employee's awareness on environmental protection and continued to adopt energy saving policy in the office and other working place.



Environmental Sustainability

The Group reduced the energy consumption by adopting various policies, which include without limitation:

- turning off electric items when they are not in use to save energy;
- unplugging devices whenever possible to limit the flow of electricity;
- adjusting the temperature settings in your house;
- switching to LED light bulbs from halogen lightening;
- trading in electric dryer for a good old-fashioned clothesline;
- using of solar energy was encouraged for common area when applicable.

Water

The consumption of water for the year 2019 is too minimal after disposal our major operation of hotel business during 2019. Therefore, we do not keep the record of the consumption of water. The management of the Group is not aware of any issue in sourcing water.

During the Reporting Period, we have reviewed the programs implemented to reduce water consumption, which include without limitation:

- installing lower flow faucet and toilet fixtures and self-closing taps;
- installing low-flow shower heads and toilets and more efficient laundry and dish washing facilities;
- installing equipment and applying innovative water treatment chemicals to optimize the water treatment in the hotels' chillers and cooling towers;
- washing only full loads of laundry in the washing machine;
- running the dishwasher only when it is completely full;
- using a pool cover in our outdoor swimming pool.

Environmental Sustainability

Waste

The management of the Group is committed to reducing material inputs and associated output to ensure to be a responsible service provider. We managed the waste with collaborating with partners and suppliers and selected recycled products to minimize the impact in this area. The main natural resource that the Group consumed was paper. We promote paperless operation by going digital and reducing traditional printing. Moreover, the Group continued to select paper based packaging materials and requested our suppliers to provide us with the safe packaging products which comply with the relevant regulations such as Poison Prevention Packaging Act of 1970 of the USA.

Due to the business nature, the Group's operations do not involve packaging materials for finished products.

Environment and Natural Resources

Apart from emissions and use of resources, the Group's business operations do not have a significant direct impact on the environment and natural resources.

Social Sustainability

The management of the Group believe that our culture unleashes strong drivers for achieving development with social equity. To embed the Group's spirit — "Serve and Give Back" in our business activities enable us to deliver stakeholder value through innovative models that create livelihood opportunities and positive environmental footprint.

Caring community is an integral part of sustainability strategy. The Corporate citizenship program was developed to combine our collective resources and leverage our skills to make a sustainable change to communities in need.



Giving our employees the opportunity to volunteer in their communities fosters a sense of greater purpose and instills a deeper level of friendliness, which translates into a richer guest experience.

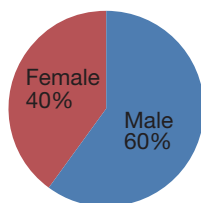
The management of the Group also recognize that the human capital is a vital element in preparing the Group for the future to enable ourselves to meet tomorrow opportunities and response the challenge. We strive to maintain a caring, fair and inclusive work place for retaining our employees. The events we organized for our employees during the year 2019:

- Birthday and Anniversary Celebrations;
- Christmas party.

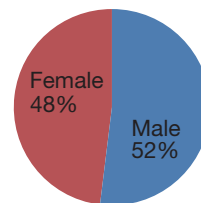
Employment

As at 31 December 2019, the Group had a total of 41 employees (2018: 84 employees). The management of the Group places high emphasis on the diversity of our employees that allows us to connect with our customers efficiently. The following diagrams show the percentage of employees by gender for the year 2019 and 2018 respectively:

Gender 2019

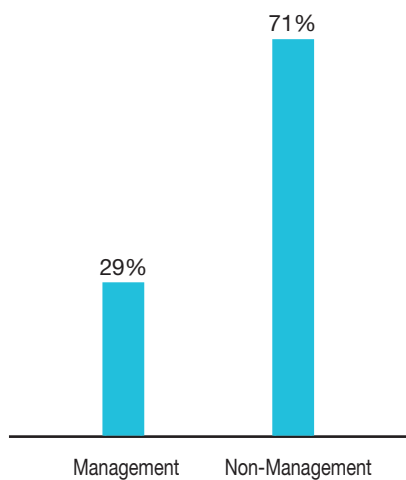


Gender 2018

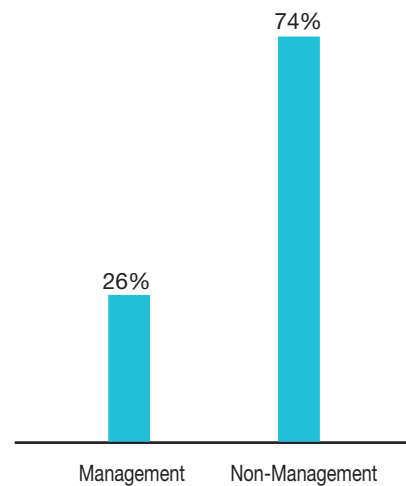


The following diagrams show the percentage of the employment type of the employee for the year 2019 and 2018 respectively:

Employment Type 2019

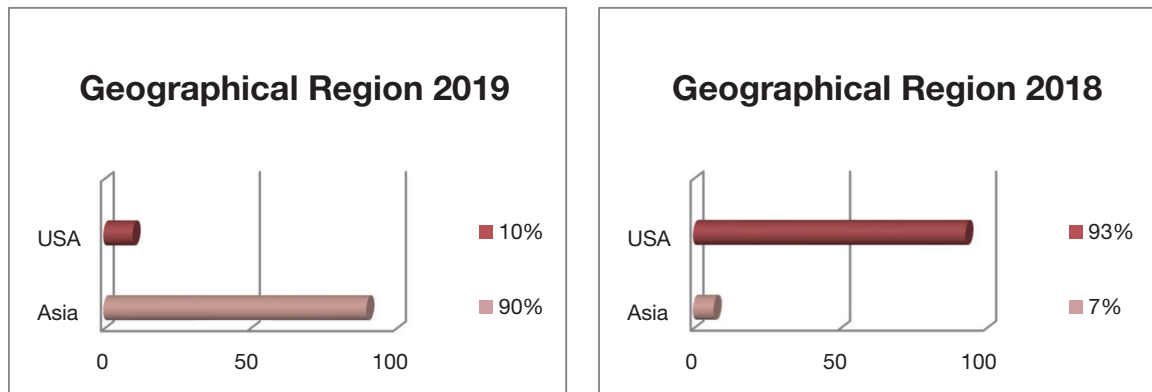


Employment Type 2018



Employment

The following diagrams show the percentage of employees by geographical region for the year 2019 and 2018 respectively:



The management of the Group reviewed the policies to ensure the Group complies with Fair Labour Standards Act and Employment Act of the USA and other relevant applicable laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare. The policies providing guidance for employment termination were reviewed. The compensation scheme of short notice dismissal was implemented to ensure that we strictly comply with the relevant regulations.

The management of the Group plays an active role to develop a comprehensive learning and development programs including the provision of tailored-made training programs for the specific departments and employees. The training record is one of the key references of the appraisal system. We conducted an annual talent and succession review focused on the identification of the employees with the potential to take on roles in the future.

Policies were imposed to ensure that the Group complies with Fair Employment Act of the USA. The Group's Policy on Diversity and Equal Opportunity, focused on fostering meritocracy in the Group which promotes diversity and offers equal opportunity. The aim is to ensure that the practices are free from discrimination of applicant's race, color, religion, sex, national origin, marital status, sexual orientation, age, disability or any other characteristic. The recruitment and selection process are geared towards enabling representation from across different social strata.

Health and Safety

The management of the Group regard health and safety of our customers and employees as a top priority. Moreover, nurturing quality employees and caring for the well-being of the employees are integral to our culture. Our approach focuses on creating conducive work environment that combine the needs to focus on performance with a caring and compassionate to work ethos to deliver performance.

The program — “AboutME”, which promotes the concept “work-life balance”, was designed for caring our employees in terms of their health, wellness and continuing education, providing other support services and providing support whenever possible. Different types of health care plans are available such as periodic preventive health check-ups, medical insurance, accident insurance and etc.



In addition to caring the health of our employees, we are committed to providing a safety environment for our employees. The management of the Group provides regular emergency evacuation drills ensuring that they can manage any safety risks arising from emergency situation. We also regularly review the safety rules to ensure safety environment of working was provided. We strictly follow the local government guidelines to deal with the bad weather. During the Reporting Period, the Group did not recognise any non-compliance with the relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

The Safety and Security Committee continuously monitor that the policies adopted by the Group were executed effectively which including but not limited to:

- Reviewing our safety policies adopted that can fulfill the requirements in the Occupational Safety and Health Act of 1970 of the USA (“OSHA”);
- Providing overall guidance and direction for the Group’s safety and loss control program;
- Evaluating, analyzing and correcting safety and security problems;
- Monitoring inspection reports to ensure corrective action is taken;
- Promoting and implementing safety awareness and training programs for employees;
- Evaluating new and existing facilities, equipment and procedures related to safety and security; and
- Maintaining accurate and complete meeting and activity records and reports.

We strive to enhance the injury and illness prevention through more robust post-incident investigations. Work injury handling procedures were reviewed during the Reporting Period to ensure the injury case can be handled properly. We recorded none of lost work days due to work injury and there were no work-related fatalities.

During the Reporting Period, we did not recognise any non-compliance with relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.

Development and Training

A vital element in preparing the Group for the future is to cultivate the employee's capabilities to enable the best response to tomorrow's market opportunities. Different training programmes were designed to deliver training for enhancing both of the technical skills and ethical mindset. Acquiring extra qualifications is considered as favorable factors for employer's promotion in appraisal.

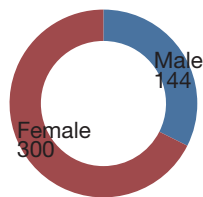
We promote "The Spirit of Care" through the training programs for each level of employees concerning how their behavior conveys our promise to care for others. The management of the Group place high emphasis on the code of conduct of the employees. Code of conduct training was provided on a rolling basis to ensure that we adhere to the legal and ethical standards consistently.

Leadership development is important for future development. Other training programs were arranged including but not limited to the following:

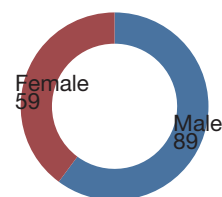
- Safe Lifting and Back Safety
- General Facility Housekeeping
- Fire Safety and Evacuation
- OSHA/Accident Prevention

The following diagrams demonstrate the training hours completed per employee by gender for the year 2019 and 2018 respectively:

Training hours by gender in 2019



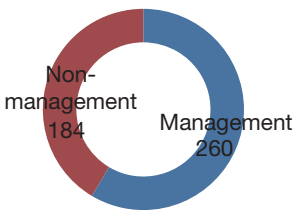
Training hours by gender in 2018



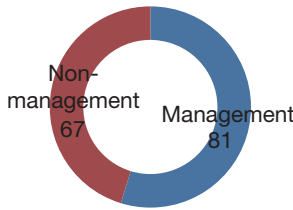
Development and Training

The following diagrams demonstrate the training hours completed per employee by employee category for the year 2019 and 2018 respectively:

Training hours by employee type in 2019



Training hours by employee type in 2018



Labour Standards

Policies implemented and reviewed during the Reporting Period for the compliance with the Fair Labor Standards Act, Child Labor Laws of the USA and Employment Ordinance (Cap. 57, Laws of Hong Kong) and other relevant laws and regulations. The management of the Group ensure the terms of employment contracts were formulated in compliance with the relevant regulations. We denounce all forms of child exploitation, forced or bonded labour and recognizing the right of workers. An independent whistle blowing channel was set up allowing anyone to raise concerns and seek guidance on a broad range of issues. Neither child labor employment nor forced labour practice was found during the Reporting Period.

During the Reporting Period, we did not recognise any non-compliance with relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.

Supply Chain Management

The management of the Group believe that with an diversified portfolio of businesses, the actualisation of its vision of sustainable development is necessary to take into account the environmental impact within supply chain. In order to formalize the sustainable procurement process, the Procurement Conduct Guide was put in place and was reviewed by the management of the Group during the Reporting Period. The main guidelines are outlined below:

- Respecting the principles of human rights;
- Complying with all applicable local and national labor laws especially in relation to discrimination, minimum wage, overtime and maximum working hours;
- Ensure all work is out of one's volition and workers should be free to terminate employment with reasonable notice;
- Complying with applicable labor law, in particular in connection with child labor;
- Upholding a safe and healthy work environment;
- Minimizing the impact of their operations on the environment and obtaining all necessary environmental permits and registrations;
- Following all applicable laws regarding prohibition of specific substances and/or ingredients and regulations for handling, recycling and disposal of all waste types;
- Undertaking ongoing efforts to reduce their operational impact on the environment;
- Performing due diligence on new suppliers;
- Performing yearly review on the existing suppliers.

Preference will be given to the suppliers:

- Indicating preference for use of eco-friendly recycled materials and products;
- Indicating preference for ISO 14001 certified vendors;
- Declaring the use of eco-friendly/recycled paper unprinted materials.

Product Responsibility

We committed to provide first-class products and services to our guests on a consistent basis is rooted in respecting our guests. We placed high emphasis on gathering information of quality of service through customer feedback and mystery guest program and internal monthly meeting. Customers are provided several communication channels such as telephone, e-mail and website to enable themselves to contact the management of the Group. The outcome and insights from the information gathered drive the guest's engagement and service delivery improvement initiatives.

Policies and mechanism of complaint handling was reviewed during the Reporting Period. All of the employees are requested to handle the complaints in accordance with the internal guidelines. The Group did not receive any complaint nor recall of services and products during the Reporting Period. Policies are in place to deal with the product or service recalls such as offering compensation coupon, refund of deposit and etc.

Moreover, policies imposed to ensure the compliance of the Product and Safety Act of the USA, such as strictly selecting of suppliers, procuring the reputable products which comply with the related legislation of safety, were reviewed. Procurement team performed their duties to maintain a high level food quality. Our procurement policies requested the products provided were properly labeled.

Policies were in place for the Group to ensure the compliance of Little FTC Acts of the USA for our marketing activities. During the Reporting Period, we do not recognize any non-compliance with laws and regulations of marketing and advertising practices.

During the Reporting Period, we did not recognise any non-compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.

Privacy policy

The Group is committed to protecting the privacy of all individuals. We imposed strict procedures in dealing with collecting, retaining, and disclosing personal information. The Group formulated information security policies with reference to ISO27001 ISMS framework in line with the Privacy Act of the USA.

The Group also put in place measures at various control areas to ensure the personal data is handled properly and is safeguarded. An authorized employee who is eligible to access confidential information is requested to sign the non-disclosure agreement.

Product Responsibility

Intellectual property rights

The policies for protecting the intellectual property rights were reviewed during the Reporting Period including but not limited to:

- maintaining an effective system of Internet Protocol asset management, including maintaining an inventory and records of IP-related assets and agreements;
- Prohibiting the infringement of a third party's intellectual property rights in its products and services; and
- Prohibiting the use of counterfeit or other infringing goods and services.

The effectiveness of the policies was measured through internal audit review. We did not discover any infringement of intellectual property rights during the Reporting Period.

Anti-Corruption

It is vital to us that we are a responsible organisation whose employees act with integrity and in accordance with our standards of business conduct. We have embedded a culture with ethical behaviour at the forefront. Our Code of Conduct is paramount. The Code of Conduct is anchored in good corporate governance and exemplary personal conduct. Our business spells out the guidelines to deal with the issues related to antitrust, unfair competition, political contributions, abuse of purchasing power, commercial and political bribery. Our Anti-Bribery and Corruption Policy clearly specifies the meaning of bribery and corruption and our position on facilitation payments and gifts.

Any violation of Code of Conduct will render the employee liable for disciplinary action. Specific training program was introduced in respect of the updated and relevant regulations in relation to anti-bribery and corruption.

Whistle Blowing Policy

The whistle blowing policy was reviewed by the management of the Group during the Reporting Period. The launch of the policy aims to set up a reporting channel for all parties to raise concerns, in confidence, about misconduct, malpractice, impropriety, statutory non-compliance or wrongdoing by staff in the course of their work in any language. Our objectives include but not limited to:

- encourage timely report of any misconduct;
- respond timely to such misconduct;
- serve as a means of avoiding misconduct; and
- promote a culture of integrity.

Policies were imposed to ensure the Group to comply with the following laws and regulations:

- Money Laundering Control Act of 1986 of the USA;
- US Foreign Corrupt Practices Act 1977 of the USA;
- Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615 Laws of Hong Kong);
- Companies Ordinance (Cap. 622 of the Laws of Hong Kong).

Anti-Corruption

The whistle blowing policies were posted on employee notice boards, the intranet and the Employee Handbook for transparency and ease of access by employees. During the Reporting Period, there is no legal case regarding corruption, bribery, extortion, fraud and money laundering practice brought against the Group and our employees.

In terms of the Code of Conduct, all of the employees in all level should avoid situations in which their personal interests could conflict with the interest of the Group. All of the employees work in management level are required to submit a Conflict of Interest Questionnaire and Confirmation letter to disclose any potential conflict of interest. All of the related parties transactions must comply with the internal guidelines and the relevant external regulations. For an employee who becomes involved in a situation where his or her personal interest is perceived to be in conflict with that of the Group, disclosure procedures must be strictly complied with in accordance with the guideline set out in Anti-Bribery and Corruption Policy. Any employee who violates the Anti-Bribery and Corruption Policy will be subject to disciplinary action or even possible termination of employment and legal action.

Once the conflict of interest has been identified, the management of the Group will perform the following procedure in accordance with the guideline including but not limited to:

- withdrawing the employee from the situation leading to conflict;
- prohibiting the employee from further involvement in the transaction; and
- considering remedies to reduce the impact.

Going forward, the Group will formulate a long-term sustainability roadmap, where it presents the focus areas, goals and targets for all its operations to monitor its ESG performance. The Group will also focus more on customer engagement in order to better understand their needs and opinions.

