

KINGWORLD MEDICINES GROUP LIMITED

金活醫藥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 01110

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

2021



买跨境好药 就上金活健康之家

香港直邮-进口医药-品质好货



扫一扫 立即购买



京东旗舰店



天猫旗舰店

Healthy Life with KINGWORLD



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INTRODUCTION

The Group (“**defined below**”) has prepared the Environmental, Social and Governance Report (the “**Report**”) for the period from 1 January 2021 to 31 December 2021 (the “**Reporting Period**”) in accordance with the Environmental, Social and Governance Reporting Guide (the “**Guide**”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Hong Kong Stock Exchange**”) effective for the financial year commencing on or after 1 July 2020. The purpose of the Report is to report on the effectiveness of the Group’s environmental, social and governance risk management and internal control systems to the investors and other stakeholders of the Group.

This Report is divided into two main areas, namely the environmental and social areas, each of which relates to the Group’s management strategies, objectives and relevance to the Group’s business, and will discuss, among other things, the Group’s effectiveness in measuring and monitoring the environmental, social and governance aspects. The Report will report under the principles of materiality, quantification, balance and consistency. The Group recommends that all stakeholders shall read this report together with the Corporate Governance Report published in the 2021 Annual Report.

The Report has disclosed all contents for the year ended 31 December 2021 in accordance with the requirements of the Guide.

The Group is committed to becoming a world-class excellent enterprise in the pharmaceutical and health industry, providing safe and effective pharmaceutical and health products and services to customers around the world through continuous technological innovations. Adhering to the business philosophy of proactive and sincere altruism, the Group has won the trust of customers, continued expanding the market, developing steadily and healthily, helping employees to grow, generating returns to shareholders, undertaking social responsibilities, and striving to build a harmonious and good living community.

PROFILE OF THE GROUP

Kingworld Medicines Group Limited (the “**Company**” and its subsidiaries, the “**Group**”, “**we**”, “**our**”, “**us**” or “**Kingworld**”) has been striving to build a comprehensive upstream and downstream supply chain system in the medical and healthcare industry for 27 years, with existing business covering more than 34 provinces and cities across China. From 2009 to 2014, the Group was ranking among the top 100 importers of pharmaceuticals and healthcare products in the PRC for 6 consecutive years. It was named among the top 5 in terms of sales of imported proprietary Chinese medicine in 2013 and was named a contract-abiding and trustworthy enterprise in Guangdong Province for 5 consecutive years. It was also ranking among the top 500 enterprises in Shenzhen in 2018, 2019 and 2020, as well as being named a “Time-honoured Brand in Shenzhen” for a consecutive year in 2019 and a “Well-known Brand in Shenzhen” for a consecutive year in 2020.

As a global leading and well-known omni-channel supply chain enterprise of healthcare products and services in China, the Group is a global leading core pharmaceutical and healthcare supplier, manufacturer and distributor in the pharmaceutical and healthcare industry, providing, among other things, high-end logistics management service, B2C trading service and data services. It is a pharmaceutical and healthcare supply chain management service enterprise integrating logistics, merchandise and information flows.

The Group’s three major business segments in the pharmaceutical and healthcare industry include:

Pharmaceutical segment: It is the agency and distributor of overseas high-quality and well-known pharmaceutical products, including the star-rated product series of King To Nin Jiom, Taiko Seirogan pills, and enalapril maleate and folic acid tablets. The Group established Kingworld Healthhome, the overseas pharmaceutical flagship store, in 2021, it is one of the first batch of retail-type pharmaceutical flagship stores authorized by Tmall International and the first batch of cross-border pharmaceutical e-commerce pilot platforms in China, boosting the sales of dozens of well-known pharmaceutical products in Hong Kong such as Wong To Yick, KAWAI, Weisen-U and Eu Yan Sang, with nearly one hundred SKUs.

Healthcare product segment: It is a distributor of overseas high-quality and well-known healthcare products, including best-seller products such as the Culturelle probiotic product series, Life’s DHA algae oil series, the Carmex lip balm series from US and medicated oil series for external use.

Medical devices segment: It is engaged in the research and development, production and sales of medical equipment.

Talented persons play a crucial role in the growth and development of an enterprise. Therefore, the Group attaches great importance to human resources management, strengthens the leadership building of corporate executives, and focuses on cultivating composite quality talents with global vision and cross-cultural management capabilities, knowledge in technology and good management skills. We are committed to building a high-end talent team commensurate with the international market, improving the quality of leadership and the structure of the senior management team continuously, and establishing a learning organization to meet the needs of future development and cope with future challenges.

The Group is committed to undertaking social responsibility and promote the sustainable development of the enterprise, society and the environment. During the pandemic, the Group actively responded to the government’s urge in fighting the pandemic together and received thankful commendations.

PROFILE OF THE GROUP

Kingworld operates in good faith, meticulously establishes its business, actively contributes to the society and it is committed to undertaking corporate social responsibilities. The Group cares about not only the health of the public, but also believes that healthy environment, community and employees are equally important.

Kingworld's core value is "everything is possible with good spirit", adheres to the management philosophy of "human orientation" and emphasises on cultivating talents. Sustainable development of an enterprise is not only the result accumulated from the past, but also the cornerstone of future development. During the Reporting Period, the Group actively improved the working environment, strengthened staff training and team building exchanges, promoted various environmental protection measures and corporate governance plans, and was keen on various public welfare undertakings to share the fruits of our operations with all walks of life. In the future, the Group will continue to uphold the corporate mission of "Serving community and benefiting the world" (效力世人·潤澤蒼生), and build Kingworld into a renowned branded enterprise that distributes branded and high-quality products around the world to provide consumers with continuous supply of high-quality health products, and build up a caring network to safeguard the health of general citizens.

CORPORATE GOVERNANCE STRUCTURE

The Group attaches great importance to environmental, social and governance (ESG) issues, while carrying out daily operation and management and fulfilling social responsibilities, as both of them are the Group's strategic development goals realizing the coordinated development of economy and environment. In order to ensure the effective results of ESG measures and further safeguard the Group's operational activities, we have developed a top-down ESG framework. The ESG framework comprises bodies at three levels, namely the Board, the ESG Working Committee (the "**Working Committee**") and the ESG Working Group (the "**Working Group**"), while each of them assumes clear responsibilities but acts in a coordinated and unified manner.

The key responsibilities of the Board of the Group include formulating and monitoring ESG objectives and policies, establishing and monitoring the reporting process, controlling relevant risks and allocating resources, reviewing the effectiveness of the policies, reviewing the relevant policies and reports, and appointing chairpersons and members of the Working Committee and the Working Group. The Board assumes full responsibility for the Group's ESG report.

The Working Committee of the Group consists of heads of various departments, with key responsibilities including implementation of ESG policies, providing analysis and advice, updating topics, applying resources effectively, coordinating and guiding the Working Group to carry out its work and reporting to the Board.

The Working Group of the Group works in concert with various functions and departments as well as the subsidiaries. The key responsibilities of the Working Group include the daily work for ESG, consolidation of information and preparation of reports and reporting to the Working Committee.

The Working Group shall, based on routine inspections on ESG issues on a weekly basis, prepare the timetable for improvements, refinements or enhancement under the blueprints designed with reference to the objectives set by the Board, and report to the Working Committee. The Working Committee shall provide suggestions and assistance in connection with the reports, so as to facilitate all departments to act in line with the Group's objectives in all aspects. Through regular or irregular communications with stakeholders, the Board will have a better understanding on issues of concern, so as to formulate and initiate working strategies, monitor and check with the progress of the work, and make amendments when necessary, thereby achieving the Group's objectives in an efficient manner. The Company strictly complies with relevant laws and regulations through making monitoring reports on emissions and discharge of wastewater, exhaust gas, hazardous wastes and non-hazardous waste on a monthly basis. ESG issues and the Company's operations are closely related and entwined with each other. Meeting the standards of the Group for ESG issues is vital if we are to enhance environmental awareness across the Group and ensure orderly production of the Company, in bringing long-term benefits for the Group and creating value for the stakeholders.

REPORTING PRINCIPLES

The content of this report is determined according to a systematic process. The process includes: identifying, arranging and prioritising major stakeholders; identifying and prioritizing ESG issues on the importance of these issues; determining the scope of ESG issues in this report; and collecting relevant materials and data for the preparation of this report. These procedures are based on the following:

MATERIALITY:

The Working Group of the Group is at the front line in identifying the material factors that affect the ESG issues. The Working Group identifies the material factors that affect the ESD issues in its daily operation, so as to coordinate work, collect relevant information and make reports to the Working Committee. The Working Committee performs reviews and analysis on the reports, makes amendments and follow-up suggestions, and makes reports to the Board. Upon receiving the reports, the Board will perform review and assessment, provide sufficient resources to address the relevant issues and monitor the progress and effectiveness thereof.

The Group has better understanding of the expectation of the stakeholders through communications with internal and external stakeholders. The Group holds regular and irregular meetings for discussing key issues, assessing and prioritising these issues on materiality in a systematic manner. Taking into account opinions from all sides and based on the principles of materiality, relevancy and suitability, we will select the scope of disclosure and further collect and analysis the data, so as to identify the relevant key issues and ensure that these issues are included in the Group's policies.

In identifying the materiality of ESG issues, the Group will consider these issues in terms of scope and extent of their impacts on business operations and long-term development of the Group and internal and external stakeholders, and with reference to various factors such as the Group's planning for future sustainability efforts, determination of goals of sustainability and the audit of these goals. The Group performs effective assessment on the materiality of these relevant issues, identifies ESG issues that related to the business operation and future development of the Group and interests of the stakeholders, and performs assessment on materiality and priority of these issues with reference to the scope and extent of their impacts on the Group and the stakeholders.

During the Reporting Period, the Group allowed participation by stakeholders and shareholders in the procedures of important decision-making and other strategic adjustments through formal and informal online and offline meetings, and gained better understanding of their views and expectations, so as to facilitate the Group to perform decision-making in a more effective way. The follow table sets forth the details of the types of stakeholders who are material to the Group's business operations, the issues that are of concern to the stakeholders, channels of communication with and feedback to the Group, and the frequency of communications:

REPORTING PRINCIPLES

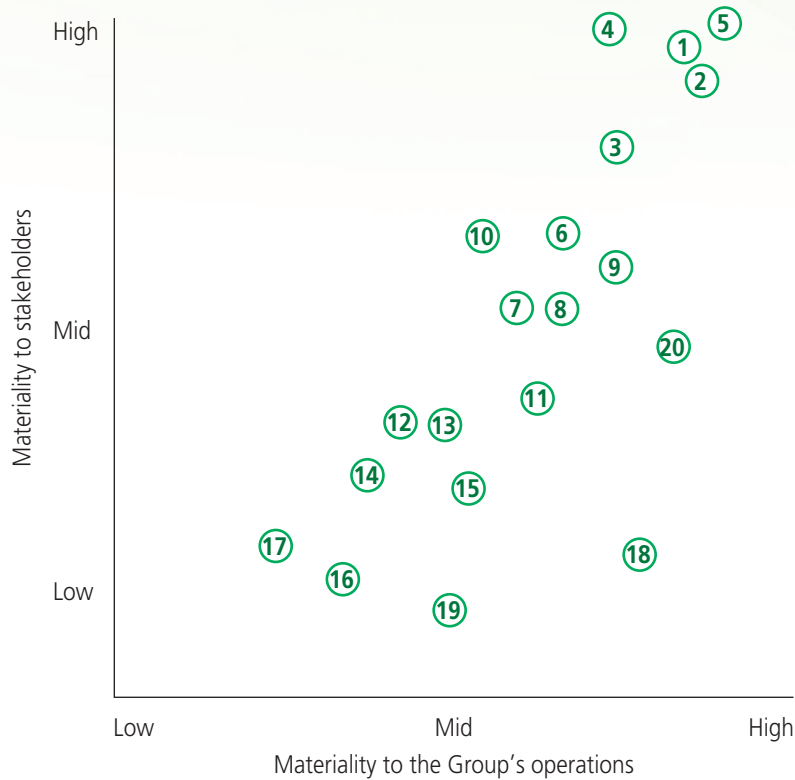
Types of stakeholders	Issues of concern	Channels of communication and means of feedback	Frequency of communications
Shareholders	Performance Management on ESG issues	General meetings Performance Meeting	Annual general meetings extraordinary meetings for major events or special circumstances
	Compliant operation	On-site investigations Roadshows and reverse roadshows Multi-channel meetings	Irregular roadshows and reverse roadshows
Investors	Corporate governance	Teleconference	Handle interviews with the Company
	Product safety and management Green products	Group teleconference Handle interviews between clients and the Company	Handle one-to-one teleconference Convene investors group meetings
	Intellectual property rights management	Domestic and overseas investment meetings Roadshows and reverse roadshows	Annual results meetings Irregular roadshows and reverse roadshows
Employees	Rights of employees	Employee training	Online and offline employee training
	Health and safety of employees	Events launched by labor unions and Party organizations	Irregular events launched by labor unions
	Remuneration and welfare	Employees' representatives conference	Events launched by Party organizations at least once a year
	Employee training and development	Solicitation of opinions and reasonable suggestions	Employees' representatives conference held at least once a year
	Inclusive working environment		Annual employee satisfaction survey event

REPORTING PRINCIPLES

Types of stakeholders	Issues of concern	Channels of communication and means of feedback	Frequency of communications
Suppliers	Supply chain management Product safety and quality Performance	On-site investigation Assessment on suppliers Communications on quality tele/written communications Public tender for procurement	Irregular suppliers meetings Annual suppliers evaluation Assessment on suppliers to be admitted
Customers and consumers	Product safety and quality Technology and innovation Green products Complaints and return Customer services and satisfaction Packaging material management	Online and offline promotion Market research Customer satisfaction survey Handling customer complaints	Non-scheduled and based on actual situations
Government departments	Pollutant Discharge management Compliant operation Integrity and clean operation Water resource management	On-site investigation Communications and negotiations Random onsite inspection Participation in research and formulation of policies, standards and planning	Non-scheduled and based on actual situations
Communities	Public welfare and charitable initiatives Contribution to communities	Community charity events Communications with communities Onsite investigation	Non-scheduled and based on actual situations
Media	Public welfare and charitable initiatives Consumer satisfaction	Press conference	Non-scheduled and based on actual situations

REPORTING PRINCIPLES

Through analysis, the Group will have better understanding of significance of internal and external stakeholders as a whole and the priority in this regard. It will provide accurate and clear guidelines to the Group in deciding its strategies and targets, conducting daily operations and exploring future visions. During the Reporting Period, the Group identified issues of concern to the stakeholders at high, mid and low levels, including 20 key issues, and illustrated its assessment on materiality of these issues to the Group and their priorities with the materiality matrix as set out below:



ESG	Sustainable operations	Employee care and their growth with the Group
6. "Three wastes" management	1. Product safety and quality	7. Rights and interests of employees
9. Energy consumption management	2. Legal compliance	8. Occupational health and safety of employees
16. Water resources management	3. Performance	13. Employee training and development
18. Packaging material management	4. Integrity and clean operation	17. Feeling of employees
20. Greenhouse gas emissions	5. Technology and innovation	19. Inclusive working environment
	10. Complaints and return	
	11. Customer services and satisfaction	
	12. Supply chain management	
	14. Community charity	
	15. Management of intellectual property rights	

REPORTING PRINCIPLES

QUANTIFICATION:

The KPIs for ESG issues were prepared with reference to the Guide issued by the Hong Kong Stock Exchange and were measured in terms of materiality, relevancy and suitability in accordance with the systematic assessment procedure and applicable parameters. References on the standards, methodologies, assumptions and/or calculation tools used for the historical KPIs are stated wherever appropriate, and comparative data are given where appropriate.

BALANCE:

The Group has prepared this report in a fair, reasonable and unbiased manner to provide shareholders, investors and stakeholders with all information required for making rational, objective and accurate assessment of the overall performance and performance of the Group in respect of ESG.

CONSISTENCY:

To facilitate comparability, we maintain consistency in the use of reporting standards and principles, methods used to calculate data, structure of the report, and explanations of methods and assumptions used to prepare information with those for preparing the historical data. We will provide explanation when changes occur to provide shareholders, investors and stakeholders with complete information for reference.

REPORTING SCOPE

The reporting scope of the Group is the same as that of previous reports, which has been determined based on the principles of materiality, quantification, balance and consistency, and endorsed through three tiers including the board of directors, committee and working group. According to the Guide, the Report covers the Group's distribution of branded imported pharmaceutical and healthcare products, and the manufacture and sale of electrotherapy and physiotherapy equipment and general medical devices in the PRC and Hong Kong.

A. ENVIRONMENTAL PROTECTION

A1. EMISSIONS

The Group is well aware that environmental protection is a global concern, and people's pursuit of a healthy life has become a trend that should not be ignored. Therefore, the Group pays special attention to the awareness of environmental protection in the execution of daily business and actively enhances the sense of environmental protection of the Group's employees. The Group has been in strict compliance with the relevant national environmental laws and regulations, including the Air Pollutant Emission Limits, the Water Pollutant Emission Limits, etc. and has established the internal Environmental and Resources Control Procedures in which the specifications and standards must be complied by the relevant businesses are set out in detail and sent to all units of the Group for implementation. During the Reporting Period, the Group has obtained the Pollutant Discharge Permit of Guangdong Province.

The Group's business in the segment of pharmaceutical and healthcare products is mainly agency and distribution, and therefore the greenhouse gas emissions are minimal. As the emissions did not have significant impact on the environment, the Group has not set emission reduction targets. However, Shenzhen Dong Di Xin Technology Co., Ltd. ("**Dong Di Xin**"), a medical devices division of the Group, emitted other exhaust gases of approximately 3,000 cubic meters per hour while performing the procedures such as soldering, heating, screen printing and injection moulding. The Group has set the emission reduction target for exhaust gas emissions, and the expected annual emission reduction volume when compared with the previous year is not less than 5%, we have installed the emission reduction equipment accordingly and have achieved certain results.

Wastewater is mainly generated from the screen printing process, and approximately 0.12 tonne of screen washing water is discharged every year. We have engaged with a qualified entity for recovering the waste water with remarkable result. The Group has set an emission reduction target for wastewater discharge, and the annual discharge reduction is expected to be not less than 5% when compared with the previous year.

The total volume of non-hazardous solid wastes from Dong Di Xin was 68.0 tonnes, representing a decrease of approximately 10% when compared with the previous year. The decrease was mainly due to a decrease in production volume in 2021. Non-hazardous solid wastes mainly include waste paper used in the packaging of finished products, waste plastic bags, plastic wastes such as ABS and PP generated in the production process such as injection moulding, assembly and lathe processing, scrap parts, scrap tin slag and aluminium scrap, and other non-hazardous solid wastes. The Group collects and sells such non-hazardous wastes to recycling firms so that the non-hazardous solid wastes can be recycled. The Group has set a discharge reduction target for the discharge of non-hazardous solid wastes, and the annual discharge reduction is expected to be not less than 5% when compared with the previous year.

Moreover, during the Reporting Period, approximately 0.300 tonne of dry battery wastes was generated during the assembly and testing process. As they are hazardous wastes, they are collected by qualified specialized agencies to ensure proper disposal. The Group has set a discharge reduction target for the discharge of hazardous wastes, and the annual discharge reduction is expected to be not less than 5% when compared with the previous year.

A. ENVIRONMENTAL PROTECTION

A1. EMISSIONS *(Continued)*

In addition, a comprehensive management system has also been established in our staff dormitories, which requires staff to clean the room every day and clean up the domestic waste in a timely manner. Since the discharge of domestic waste has not made any significant impact on the environment, the Group has not set any discharge reduction target.

The Group will continue to optimize the environmental protection measures and enhance environmental protection efficiency in the production process to achieve better environmental protection results.

The information on the discharge of wastes or emissions is set out in the Environmental Performance Data on page 36 of this report.

A2. USE OF RESOURCES

In the use of resources, the Group promotes the awareness of employees in proper use of resources by reducing usage, maximizing uses and recycling of resources, and adopting the principles of non-polluting and recyclable materials. The Group has been in strict compliance with the relevant national resource laws and regulations, including the Water Law of the People's Republic of China. The Group has established the Environmental and Resources Control Procedures in which regulations and guidelines on the use of resources are clearly to ensure that employees will make effective use of various resources and cherish valuable resources.

In respect of production of equipment, Dong Di Xin requires approximately 2.67 million kWh of electricity and approximately 19,100 tonnes of water consumption throughout the year. In addition, the total amount of materials used mainly in the production process, including plastic materials such as ABS and PP, tin wires and tin bars, aluminium bars and other materials was 602 tonnes. The total consumption of packaging materials was 181 tonnes. As packaging materials and plastic raw materials are essential for production, they cannot be reduced. Therefore, in order to reduce environmental pollution, the Group requires suppliers to provide products of environmentally friendly materials to ensure environmental sustainability. As a result of the decrease in production volume in 2021, the use of various resources also decreased.

The Group has set targets for the efficient use of electricity, water, ABS and PP materials and packaging materials, it is expected that the annual usage volume will increase by not more than 5% when compared with the previous year.

A. ENVIRONMENTAL PROTECTION

A2. USE OF RESOURCES *(Continued)*

During the Reporting Period, the Group proactively implemented the policy of optimizing the use of resources. In order to save electricity, the office air-conditioning was generally adjusted to 26 degrees Celsius. At the same time, employees were required to turn off all idle lights and equipment, and the injection moulding machine was adjusted to standby during meal time. Status. The Group has also changed all lighting to energy-saving lights, which save energy by 67% when compared with ordinary white lights and reduce the generation of greenhouse gases. In terms of water conservation, by adjusting the water outlet valve and closing the water valve at any time, we have greatly reduced excessive water consumption and saved costs and expenses. The Group has no problem in obtaining suitable sources of water.

We understand that we must motivate our employees to work together in order to effectively implement the environmental protection measures. Therefore, the internal guidelines have made detailed provisions to prohibit employees from dining in the office to reduce the discharge of a large amount of domestic waste and cleaning liquid sewage. In addition, signs are posted at prominent locations in the toilets and the pantry to remind employees to save water and paper. Moreover, similar signs are also displayed at the power switch to remind employees to save electricity. The Group has also implemented an incentive scheme to encourage employees to pay attention to energy conservation in the working environment, so as to focus on the big picture and start from the small details. Although the contribution of these measures in terms of energy saving is small, they are very significant in enhancing the environmental awareness of employees, and the results are also within the Group's expectations.

On the other hand, the Group has actively explored internet sales channels in the distribution agency business of healthcare products, and the relevant advantages of e-commerce business have been fully utilized, by concluding business deals through the internet between buyers and sellers, physical shopping and trading activities have been reduced and the consumption of human resources and natural resources has been avoided. In addition, the Group is gradually promoting and realizing "paperless trading", making a significant contribution to the environment. During the Reporting Period, the Group officially launched a market sales traceability management system (the "**SMART System**") equipped with product sales market traceability function. This is a sales management system based on direct data connection. Through actual and real-time sales data analysis, it conducts comprehensive analysis of customers, products, regions and personnel, formulates more precise marketing strategies, and makes operations more competitive. At the same time, it can also meet the national requirements on the traceability and safety supervision of pharmaceutical and food products. The Group makes full use of information technology to significantly reduce administrative costs and promote paperless transactions, thereby improving management efficiency.

Information on the use of resources is set out in the Environmental Performance Data on pages 36 to 37 of this Report.

A. ENVIRONMENTAL PROTECTION

A3. ENVIRONMENTAL AND NATURAL RESOURCES

The Group strictly complies with various relevant environmental laws and regulations in the PRC and Hong Kong. Although our business does not have significant impacts or risks on the environment and natural resources, the Group has also formulated relevant policies to reduce the potential impacts. Through the Environmental and Resources Control Procedures, clear guidelines are given to all management levels and employees to prevent non-compliance conduct.

The Group is committed to complying with all applicable local environmental laws and relevant requirements for natural resources protection, and is striving to promote green environmental protection by mobilizing all employees.

Observing the principle of environmental protection and following the market demand, the Group selects products that meet the needs of consumers while at the same time beneficial to the global environment in terms of energy saving and emission reduction, and has added Life's DHA algae oil products to our product portfolio.

A4. CLIMATE CHANGE

Climate change is a topic of global concern. In response to natural disasters brought by climate change, which may affect the Group's business, the Group has formulated the "Meteorological Disaster Prevention Work Plan", and the "Meteorological Disaster Emergency Plan", etc.

We are fully aware of the impact of various uncertainties that global warming and climate change will have on our business, including policies and laws, technology, market and reputation. Extreme weather may also cause the Group to incur additional legal, financial, tax, insurance and administrative expenses. The Group's financial performance may be affected to varying degrees by factors such as energy supply, water resources, labour market, employee safety, supply chain, productivity, customer demand and transportation network as a result of climate change. The severity of the impact will depend on the nature, speed and focus of such changes.

During the Reporting Period, the Group carried out the following natural disaster prevention and emergency responses for identified physical risks, including acute risks and chronic risks:

Acute risks

Typhoon

During the Reporting Period, the Group has formulated the "Emergency Rescue Plan" and has established an emergency rescue team consisting of employees and security personnel, equipped with emergency rescue materials such as sandbags, shovels, industrial salt and miniature fire stations, and has conducted regular natural disaster emergency drills. The normal operation of production and operation have been ensured effectively.

Flood

During the Reporting Period, the Group's equipment division has established a flood prevention emergency supplies warehouse for flood risks, so that it can be put into use at any time when major dangers occur. Meanwhile, regular checks are conducted on on-site flood control emergency supplies such as sandbags, and replenish sandbags timely for flood control on sand barriers, mountains, rivers and other places, and implements mountain treatment; regular cleaning of silt and sundries in drainage ditches, drainage wells and roof drainage gutters in the factory plant areas to ensure unobstructed drainage pipelines.

A. ENVIRONMENTAL PROTECTION

A4. CLIMATE CHANGE *(Continued)*

Chronic risks

Rising average temperature

As heatstroke is prone to occur during high-temperature work, the Group has formulated measures to prevent heatstroke in hot weather, including adjusting work arrangements, controlling work time, and providing heatstroke prevention and cooling supplies and medicines.

Heavy rainfall

During the Reporting Period, the Company has set up a warehouse for rainstorm risk emergency materials, which can be put into use at any time when major risks occur. At the same time, the Company regularly inspects on-site flood control supplies such as flood control sandboxes, and strengthens inspections at dikes, hillsides and other places, and invests in the treatment of the mountains next to the factories. The sludge and sundries in the drainage ditches, drainage wells and gutters of the factory plants are cleaned regularly to ensure the smooth flow of drainage pipelines.

B. SOCIAL AREAS

B1. EMPLOYMENT

Our employees are an important asset to the Group. The outstanding sustainable profitability, business creativity and growth potential of the Group is attributable to the concerted efforts of all employees. Therefore, the Group has been strictly abiding by the relevant national employment laws and regulations, the Group has formulated sound policies and systems to safeguard its employees' rights and interests, such as the administrative measures on remuneration and welfare of the Company's employees, and has strictly followed the provisions of relevant local labour laws and labour contract laws including the administrative measures on labour contracts of the Company's employees and the guidelines on administrative measures for employees' re-employment after retirement.

The Group offers employment benefits with market competitiveness to attract professionals to join and provide services to the Group. Apart from basic salary which is determined with reference to the market level of remuneration, we also provide job subsidies, transport and meal allowances, performance bonuses, merit bonuses, year-end double pay, etc. Also, "Annual Awards" are presented to our employees with due recognition based on their performance. The Group provides insurance and housing provident funds, high-temperature allowances for sales staff, employee parent-child education funds, employee mutual aid payments, ten-year service gold medals, etc., in order to encourage its employees to work proactively and develop their talents.

When there is a need for the Group to add a new position or fill a relevant vacancy, the relevant department must submit a personnel require form to the human resources centre specifying the job responsibilities and requirements for approval by the supervisors. For recruitment procedures, the Group follows the principle of giving priority to internal staff, and recruits the best persons based on fair and open procedures under the principle of equal opportunities. There is absolutely no bias or discrimination, meanwhile multiculturalism is widely supported. The Group encourages internal professional mobility among its employees. The human resources centre will publicise vacancies when the need arises, and employees can apply on their own and obtain job rotation or promotion through fair competition procedures. If there is no suitable person within the Group for the vacancy, the human resources centre will conduct an external recruitment exercise. When an employee resigns, his/her resignation approval form needs to be submitted to the Company. Upon the approval by the leader in charge, the director of the human resources centre and the general manager, both parties can proceed the resignation procedures and handover of duties according to the guidelines included in the employment contract. Meanwhile, employees with the intention to leave will be required to complete an interview questionnaire which enables us to understand their opinions regarding the management and culture of the Company for reference and improvement.

The Group treats all employees equally and has developed a comprehensive promotion system for them and greater opportunities are made available to employees with outstanding performance in order to maximise the full potential of their talents. Our employee promotion paths mainly include three aspects, that are internal position competitions, and the respective recommendations by the relevant department heads and the human resources centre. The Group will arrange exceptional employees to be included in its support talent team for key training. The Group has also established a department management team and succession system, and requires the person in charge of each department to train at least one or two reserve core personnel every year to ensure the sustainable development of its human resources. In addition, the Group has formulated a comprehensive appraisal system, and considers the performance as an important basis for employee promotion, salary adjustment, bonus distribution, year-end appraisal, and equity incentives. As our business becomes more internationalised, the Group will introduce a more diversified workforce to align with the Group's diversified business development and to explore a broader market.

B. SOCIAL AREAS

B1. EMPLOYMENT *(Continued)*

The headquarters of the Group has launched an initiative implementing an eight-hour day, five-day workweek. The working hours of employees stationed abroad are based on the working hours of the headquarters and each employee has at least one day off every week. Employees of the Group are entitled to statutory holidays according to local laws of their serving places, as well as paid casual leave, sick leave, marriage leave, maternity leave, care leave and bereavement leave. To protect the rights and interests of female employees, the Group pays full salary to employees on maternity leave, and breastfeeding employees are entitled to a one-hour break every day. The heads of the departments will also ensure that measures for proper compassion and care of these employees are taken during the maternity and lactation period.

The Group attaches great importance to employees' opinions and has established direct, effective and multiple channels of communication, including an office automation system (OA system), WeChat group, corporate WeChat group, general manager suggestion box, telephone calls, mails and regular forums. Management can leverage these channels to conduct brainstorming sessions and improve management efficiency. During the reporting period, all communication channels have been functioned smoothly, and the mutual trust has been well-maintained between the management and employees. As at 31 December 2021, the Group had a total of 1,032 employees. The pharmaceutical and healthcare products segment had 371 employees who mainly performed sales, marketing and logistics support and administrative work, etc. Being responsible for the medical devices segment, Dong Di Xin engaged in the research and development, manufacturing and production of medical devices, and had 661 employees.

Information in relation to employment is set out in "Data on Social Performance" on page 38 of this report.

B2. HEALTH AND SAFETY

The Group has attached great importance to the occupational safety of employees and their safety is a top priority. It strictly enforces the national occupational safety regulations and provides appropriate protection for employees in accordance with the Regulations on Worked-related Injury Insurance of the PRC. In addition to providing a safe working environment for employees, the Group has established emergency handling procedures for employees in the event of unexpected accidents in working in order to take precautions in advance.

In addition, in terms of the production of Dong Di Xin, as production work involves the operation of heavy machineries and threatens the safety of employees if not properly handled, we have informed employees in detail about the relevant risk factors and conducted rigorous training to ensure employees' competence. Meanwhile, the Group provides relevant occupational safety products and equipment to employees, distributes and prepares guidelines on the equipment operating instructions reviewed by the human resources centre on a regular basis in accordance with national policies to raise awareness of and protection for occupational safety. For certain positions exposed to hazards from occupational illnesses and injuries, apart from the Test on Hazardous Factors of Occupational Diseases carried out for environment of factories, the Group arranges medical checks for employees before taking the office, during the working period and before leaving the office.

B. SOCIAL AREAS

B2. HEALTH AND SAFETY *(Continued)*

Moreover, the Group regularly arranges staff at the headquarters to participate in the fire trainings of the local fire department and the fire drills of the property company every year, and requires the affiliates to conduct similar activities on an annual basis. During the Reporting Period, the Group did not have any industrial accidents. For employees who have business trips frequently, the Group has purchased the travel accident insurance, so that they are fully protected and work with peace of mind.

Giving respect and protection to rights and interests of employees is a top priority and the basic responsibility of the Group. The Group has always strengthened the awareness of workplace safety and safe development, and has always attached great significance to employees' lives and health. Through further investment, improved systems, stipulated responsibilities and close attention to the implementation of policies, the Group has committed to completely eradicating workplace accidents, instead of pursuing development of the Group at the cost of employees' lives and health. The Group did not record any work-related fatalities case in each of the last three years (the current year inclusive) (0%).

For details of health and safety, please see "Data on Social Performance" on page 39 of this report.

B3. DEVELOPMENT AND TRAINING

Employees are the key factor to boost the production in achieving our operating targets. The Group offers quality products and services to our customers, while nurturing talent. The Group adheres to its "people-oriented" management philosophy to guarantee employees' democratic right to participate in management and oversight and establish a rational and democratic system of centralized decision-making. The Group has been developing fair and rational employment mechanisms and promotion paths as far as possible, and has been promoting its vocational education and training courses. The Group has also been enriching employees' cultural lives and actively responding to employees' expectations and concerns. The Group has provided full support to meet intellectual and development needs of the employees in achieving their growth with the Group.

Talent is the foundation for the success of any enterprise. The Group encourages employees to pursue continuing studies and self-improvement, and works together with the Company to achieve excellence. Towards that end, the Group has developed a comprehensive management system for employee training and professional development. The Kingworld Business School is mainly responsible for related matters. The school will make assessments based on the strategic developments and operational management need of the Company, as well as employee qualifications and structure, thereby formulating plans and budgets for the general manager and vice chairman's approvals and further implementation. A post-training assessment will be performed to monitor employees' learning outcome. The Group has also formulated strict rules for assessment methods and standards to meet its business plan and marketing outlines. Trainings provided to employees consist of relevant examinations or assessments, which are related to their performance and promotion, the average passing rate of which exceeds 90%.

B. SOCIAL AREAS

B3. DEVELOPMENT AND TRAINING *(Continued)*

In addition, the Group also provides a staff handbook for its employees, which specifies their terms of reference based on their job responsibilities. New employees are required to participate in the online learning and testing about their knowledge of the Group's structure and operation, business scope, product function introductions, etc. This procedure enables employees to have access to information about the Group and get up to speed professionally. Employees must pass relevant appraisals and tests during the probation periods before they can be considered as formal employees and have a passing rate of 99%. During the Reporting Period, the Group has organised diverse and interactive team building activities including both online and offline, etc., accumulating a total of 829 participants. These exercises facilitate better communication and understanding between various departments, helping building team spirit, improve working efficiency, as well as increase employees' sense of belonging to the Company.

During the Reporting Period, the Group has organized diversified training courses for employees, which mainly included: a sales system performance improvement project, a new employee training programme, the Kingworld talent training project, a knowledge training for Enalapril's products, a documentation management training, procedural system improvement and a training programme for activity write-off. All of the expenses are borne by the Company.

For details of the development and training, please see "Data on Social Performance" on page 39 of this report.

B4. LABOUR STANDARDS

The Group strictly complies with the national laws on the protection of the rights and interests of juveniles. The staff handbook has clearly stated that any person under the age of 18 will not be employed. The Group conducts identity verification for applicants at the time of recruitment and check the validity of identity documents. If an employee under the age of 18 is found to have been employed, he or she is to be dismissed immediately and investigation of the incident would be conducted. If the person in charge of the department violates relevant regulations, he or she would be penalised.

The Group's contracts with employees are entered into based on the relevant provisions of the local labour law and labour contract law, such as the Labour Law of the PRC and the Labour Contract Law of the PRC, negotiated by both parties and protect the rights and interests of management and workers. Employees have the right to refuse any dangerous working arrangement. Forced labour is also prohibited by the Group, and once discovered, the Group will immediately stop related work and conduct follow-up investigations.

The Group has diligently implemented relevant laws and regulations issued by governments at both national and local levels. The Group has executed labor contracts in compliance with laws, established rational mechanisms of determining employees' remuneration and mechanisms that allow increase in employees' remuneration in line with corporate benefits, and raised the proportion of the initial distribution of labor compensation. The Group has also actively explored various incentive mechanisms including employee stock ownership plan, so as to align the interest of employees to that of the shareholders and allow the employees to share the fruit of its growth.

B. SOCIAL AREAS

B5. SUPPLY CHAIN MANAGEMENT

The Group strictly complies with the Civil Code of the People's Republic of China and the Administration Measures for Selection of Business Partners 《商務合作夥伴選擇管理制度》, which provide ways of acquiring information on supply chain security from raw material suppliers and business partners, evaluating supply chain security and effectively identifying secure and reliable business partners.

The Group has strict requirements on the creditworthiness of suppliers and the goods provided, and the guarantee for quality is especially important. Suppliers for the Group's pharmaceutical and healthcare products segment are mainly pharmaceutical companies. Raw materials of medical devices segment purchased by Dong Di Xin mainly include electronics products and plastics. The Group has established a comprehensive monitoring system to prevent its suppliers from negatively affecting the environment and society. The Group enters into warranty agreements with its suppliers, in which compliance by both parties is required. Relevant qualifications and compliance on the part of suppliers is periodically checked. Once problems are identified, we will terminate the purchasing and request for the return of products. During the Reporting Period, the Group strengthened the comprehensive quality review of medicine purchasing and through review, it has established an exit mechanism for enterprises with repeated quality problems and a bad reputation to ensure the quality of purchased medicines and the rights and interests of consumers.

The Group may only purchase pharmaceutical products from legal sources and sell them to entities with legal qualifications in accordance with relevant laws, regulations and rules.

The Group fully examines the qualifications of suppliers in upstream and downstream supply chains in terms of legality, validity and authenticity, as well as its capability of quality assurance, and obtains information on their legal compliance as required by laws. The Group verifies the publication of the annual corporate annual report of each cooperating enterprise in the supply chain and their performance in responsibilities related to environmental and social issues. The Group also requires undertakings for integrity from these suppliers, and will cease to work with them in the event of any issue related to impacts on environment or any other aspect.

In selecting suppliers, the Group urges the suppliers to use green products and services. The Group will seal the products in purchase and sales to minimize the use of packaging materials. The Group advocates the practice of paperless office, by which the Group and its business partners will communicate via internet, email or phone call unless it is necessary to use paper, so as to reduce paper waste.

For details of the supply chain management, please see "Data on Social Performance" on page 39 of this report.

B. SOCIAL AREAS

B6. PRODUCT RESPONSIBILITY

The Group has drawn up accountability policies for the products it distributes and sells, job descriptions for different positions, equipment and facilities management systems as well as health and personnel health management systems. It also follows the relevant laws and regulations concerning product safety, advertising and other aspects, such as the Medicine Management Law of the PRC, Food Safety Law of the PRC and Implementation Rules of the Food Safety Law of the PRC and also Administrative Provisions on Food Labelling as well as the Code of Practice for Quality of Pharmaceuticals.

Our Quality Control Department is responsible for health and safety related to our products as well as the legality of labelling. Our Marketing Department is responsible for advertising promotion and strictly abides by product specifications and governmental regulations. In terms of customer privacy, the Group has established a customer management and security database and set up a specialised department for management so as to regularly monitor the security system of data and privacy matters.

Medicine storage, maintenance and the sales processes are all carried out in accordance with relevant standards or specifications, to ensure the medicines are not deteriorated. Furthermore, all pharmaceutical products are sample-checked by the National Medical Products Administration, self-tested by the manufacturers and checked by a third party. Only after all test procedures are completed and the results found acceptable, the specific product will be approved and finally permitted to be released to the market. The Group has also developed systems for reporting and monitoring adverse responses to pharmaceutical products, managing medicine quality risks, controlling medicine quality, etc. During the Reporting Period, there was no incident of problems with products.

The Group has always attached importance to safeguarding and protecting our intellectual property rights and has imposed rigorous management in this regard. It has established an internal control system, including the management of trademarks and patents. In addition, the Group enters into a confidentiality agreement with its employees at the time of the signing of their employment contracts, with detailed specifications on the employees' scope, obligations and responsibilities with regards to confidentiality, as well as the relevant cessation-of-employment arrangements.

The Group conducts its business operations with a focus on its principal business in medicine and healthcare, and provides customers across the globe with safe and effective pharmaceutical and healthcare products and services, to meet the objective and standards of maintaining, improving and enhancing physical and mental health of our customers. Foremost among these is to ensure safety, ensuring that we are providing products and services to our customers without causing any harm to their physical and mental health and ensuring that our customers are always safe when they are receiving our products and services.

B. SOCIAL AREAS

B6. PRODUCT RESPONSIBILITY *(Continued)*

The Group has put in place the regulations on reporting and handling incidents caused by quality issues of pharmaceutical products in accordance with the Code of Practice for Quality of Pharmaceuticals:

The regulation on reporting incidents caused by quality issues:

Where there is any incident caused by quality issues arising from the operation of the Group's business of the pharmaceutical products segment, the Quality Control Department shall be informed within 8 hours; for serious incidents, the Quality Control Department shall inform the general manager of these incidents within 4 hours; for serious incidents caused by quality issues with casualties, of a grave nature or having a serious impact, the company shall report the incidents to the local medical products supervision departments within 24 hours and report the incidents to the Department of Safety Supervision of the National Medical Products Administration; for any other serious incidents caused by quality issues, the company shall report the incidents to the local medical products supervision departments within 3 days from the date of incident, and shall submit written reports following investigations and such reports shall generally be submitted within 15 days from the date of reporting such incidents; for other incidents caused by quality issues that are not serious in nature, reports shall be made to the supervision departments on the date of being informed of such incidents.

The regulation on handling incidents caused by quality issues:

Any incident within the Group shall be resolved as soon as possible. Where there is any incident caused by quality issues, such incident shall be resolved soon as possible, so as to get real and immediate images of the incident for mitigation of negative effects and economic losses caused by the incident as soon as and as far as possible. The general principles are set out below:

1. Incident investigation: From the occurrence of the incident, the Quality Control Department shall organise relevant personnel to form a working team of incident investigation, and shall take charge of and confirm the tasks to be performed; particulars of incident investigation: from the occurrence of the incident, the team shall identify the time and place of the incident and shall record details including relevant personnel and relevant departments, with whys and wherefores, for the purpose of creating a report to be submitted to the supervision departments in accordance with the regulations.
2. Organization and management for incident analysis: the general manager shall attend the meeting organised by the Quality Control Department. The attending persons shall include members of the working team of incident investigation and personnel from the department in the place where the incident so occurred. The attending persons shall also include heads of relevant departments; the Quality Control Department shall make a full incident analysis and take the minutes; the incident analysis shall be conducted based on the facts of the incident that have been verified in the investigation, during which relevant personnel will be organised to perform careful analysis to confirm the cause of the incident and ascertain relevant parties who shall be responsible. Evaluation of the occurrence of the incident will be conducted to confirm whether there is any defect in the management system and whether the management system is fully implemented and examined. Preventive measures shall be proposed to rectify or refine the system or effectively prevent the incidents from occurring again.

B. SOCIAL AREAS

B6. PRODUCT RESPONSIBILITY *(Continued)*

3. Handling incidents caused by quality issues: principles of handling: the Quality Control Department shall form a working team of incident investigation to conduct investigation on the cause of the incident, perform an analysis on the liabilities to be assumed by the relevant parties and the extent of involvement by these parties. Suggestions for addressing the incident shall be submitted to the general manager for approval and implementation. A written report on the results of handling serious incidents caused by quality issues shall be submitted to the local medical products supervision departments.

The Group did not have any complaint related to the quality of products and services in 2021.

The Group has established the Pharmaceutical Product Recalling Administrative Measures based on the Code of Practice for Quality of Pharmaceuticals in force and the Rules of Onsite Inspection. Pharmaceutical Product Recalling refers to recalling of marketed pharmaceutical products with hidden risks by pharmaceutical manufacturers (including overseas pharmaceutical manufacturers that import pharmaceutical products) in accordance with stipulated procedures.

1. To assist the pharmaceutical manufacturers in performing the obligation of recalling products by disseminating and returning the information on the pharmaceutical product subject to recall in accordance with the requirements as set forth in the recalling plan and in a timely manner, and controlling and recalling the pharmaceutical products with hidden risks.
2. For pharmaceutical products that have been found with hidden risks in the course of operation, sales or application of such pharmaceutical products shall be ceased immediately and these products shall be recalled by the Quality Control Department with a letter served to the purchaser. The sub-standard pharmaceutical products so recalled shall be placed in an area of sub-standard pharmaceutical products. Notices shall be given to pharmaceutical manufacturers or suppliers and reports shall be made to medical products supervision departments.
3. The company shall create and maintain complete purchase and sales records to ensure traceability of the sales of pharmaceutical products.
4. The company shall cooperate with pharmaceutical manufacturers or medical products supervision departments to conduct investigation on hidden risks of the pharmaceutical products and provide relevant information.
5. Request of recalling pharmaceutical products by overseas pharmaceutical manufacturers that import pharmaceutical products shall be promptly reported to the State Food and Drug Administration. The pharmaceutical products shall be recalled by the importing entities.
6. Pharmaceutical products to be recalled with notices given by pharmaceutical manufacturers or suppliers shall be recalled by the Quality Control Department with letters served to the purchasers. The sub-standard pharmaceutical products so recalled shall be placed in an area for sub-standard pharmaceutical products. The personnel from the purchasers shall complete the procedures of recalling with the suppliers. °

B. SOCIAL AREAS

B6. PRODUCT RESPONSIBILITY *(Continued)*

7. For pharmaceutical products subject to notices issued by the medical products supervision department in relation to orders for stopping the use of such products or recalling of such products, such products shall be recalled by the Quality Control Department with letters served to the purchasers. The sub-standard pharmaceutical products so recalled shall be placed in an area for sub-standard pharmaceutical products. Written reports shall be made to the local medical product supervision departments at or above the municipal level. The company shall dispose of these products in accordance with the requirements by the local medical products supervision departments at or above the municipal level.

The Group did not have any recalling of pharmaceutical products in 2021.

For details of the product responsibility, please see “Data on Social Performance” on page 39 of this report.

B7. ANTI-CORRUPTION

The Group has strictly complied with the relevant national laws and regulations on anti-corruption, including the Anti-Corruption Law of the People’s Republic of China and the Anti-Money Laundering Law of the People’s Republic of China, and actively responds to the government’s anti-corruption campaign. The Group’s internal guidelines have clearly stipulated that employees must not engage in activities involving conflicts of interest, abuse their powers to accept gifts from customers, or seek benefits or information in the name of the Group without authorization. The Group has established a sound benefit declaration mechanism and requires employees to voluntarily turn over to the Group the commissions, rebates or gifts provided by business affiliates as required. In addition, subordinates are not allowed to present gifts, red packets, etc. to their superiors, and superiors are not allowed to accept gifts, red packets, etc. from employees of subordinates. The Audit and Supervision Centre and the Human Resources Centre are responsible for joint supervision, if non-compliance cases are discovered, punishment will be imposed in accordance with the Group’s penalty system.

The Group has also established a comprehensive reporting mechanism. Employees are responsible for reporting suspected cases to their superiors, such reporting must be based on the principles of impartiality, fairness, objectiveness and in a down-to-earth manner, emphasis will be placed on evidence and investigation clues, the Audit and Supervision Division shall be responsible for follow-up action and investigation. The Group will conduct reviews from time to time and improve the relevant systems continuously.

In addition, the Group organizes the Board of Directors and the Company’s personnel to participate in studying national laws, regulations and policies from time to time, and conducts anti-corruption training by organizing centralized viewing the cases of patriotism, anti-corruption education or forwarding anti-corruption cases and warnings. The Group’s business school is responsible for anti-corruption education. Through online training and assessment, employees are instilled the right concept, and the employees are notified of violations of disciplines to alert them. During the Reporting Period, no staff of the Group was subject to corruption trials.

Information on anti-corruption is set out on page 39 of this Report (“Social Performance Data”).

B. SOCIAL AREAS

B8. COMMUNITY INVESTMENT

Under the guidance of the corporate mission of “Serving community and benefiting the world” (效力世人·潤澤蒼生), the Group, together with its Shenzhen Kingworld Caring and Health Foundation, have been working hard continuously to build a harmonious and good living community with its enthusiasm for public welfare undertakings, giving back to the society and fulfilling its social responsibilities. In 2021, the Group donated a total of over RMB7 million for charitable purposes and used mainly in fighting the pandemic, caring and helping each other, supporting environmental protection, poverty alleviation and disaster relief.

The Group has donated a total of several million disposable medical masks from Kingworld for distribution in several batches to domestic and overseas areas to support friendly organizations and overseas Chinese in foreign countries, frontline personnel fighting pandemic in China, and other activities such as the Dunhuang desert concerts. The Group has also received an honorary certificate for fighting pandemic issued by the Cambodia-China Buddhism Education Society and letters of appreciation from organizations such as the Reception Office of Shenzhen.

The Group provided caring support to special groups such as elderly people in Hong Kong, veterans in Shenzhen, families in need, flood victims in Henan, students from vocational education institutions, and Tibetan people in poverty. Donated supplies include anti-epidemic and household essential drugs such as Kingworld’s IMADA red flower oil, TRUMPET seirogan pills and Kingworld’s disposable medical masks. In September 2021, the Group’s poverty alleviation deeds were mentioned in “Epic of New Era – Illustrated Poverty Alleviation Stories”, a book published by Times Business Magazine.

In 2021, as a director of the Greater China Council of TNC Nature Association and a corporate director of the Peach Blossom Spring Ecological Protection Foundation, the Group continued to join hands with many well-known enterprises to participate in environmental protection support, shaping the beautiful nature and protecting the landscape of green waters and mountains together, such as the project of Taohuayuan – Jiangshan Xueling in Xunzhou, Zhejiang, and the TNC #99 Charity Days – Protecting Beautiful Prairie in Your Heart.

In September 2021, Shenzhen Kingworld Medicine Company Limited, a subsidiary of the Group, ranked 29th on the 2020 Shenzhen Charity Donation List issued by the Shenzhen Municipal Civil Affairs Bureau with a donation amount RMB4,407,300. Meanwhile, the Shenzhen Kingworld Caring and Health Foundation of the Group also ranked 85th in the ranking list of income donations to social organizations with a donated income amount of RMB6,734,900.

B. SOCIAL AREAS



The Group donated Seirogan Pills to the flood-stricken areas in Henan Province to protect citizens' gastrointestinal health.



Caring for the elderly in the community during the pandemic

B. SOCIAL AREAS



Caring for veterans



The Group cooperated with Taohuayuan Foundation to carry out joint party building activities.

B. SOCIAL AREAS



The Group donated masks to frontline grassroots organizations for fighting against the pandemic.

HONOURS AND REWARDS

During the Reporting Period, the Group received the following honours and achievements:

In February 2021, the “**Kingworld**” trademark used by the Group was admitted into the “Key Trademark Protection List of Guangdong Province in 2020”;

In March 2021, the Group received the “Outstanding Contribution Award in Industry-University-Research Cooperation” presented by the China Industry-University-Research Investment and Financing Alliance and Shenzhen Industry-University-Research Institute Collaboration Association;

In June 2021, the Group was honoured as the “Guangdong Province Enterprise of Observing Contract and Valuing Credit for Seven Consecutive Years 2014-2020” by the Shenzhen Municipal Administration for Market Regulation;

In June 2021, the Group was honoured as the Green Passage Enterprise by the Government of Nanshan District;

In June 2021, Culturelle Probiotics, a product distributed by the Group, won the Grand Prize of the Most Popular Brand Among Pharmacies in Hong Kong 2019-2021 presented by the Hong Kong General Chamber of Pharmacy;

In July 2021, King To Nin Jiom, a product distributed by the Group, was named as Top 100 Enterprises in the Pharmaceutical Industry of China (TOP 38 Chinese Medicine Enterprises) consecutively;

In September 2021, on the 2020 Shenzhen Charity Donation List issued by the Shenzhen Municipal Civil Affairs Bureau, Shenzhen Kingworld Medicine Company Limited of the Group, ranked 29th with a donation amount RMB4,407,300; meanwhile, the Kingworld Caring and Health Foundation also ranked 85th in the ranking list of income donations to social organizations with a donated income amount of RMB6,734,900;

In September 2021, Mr. Zhao Li Sheng, the Chairman of the Board of the Group, was invited to participate in a series of national dinner celebration activities for the 72th Anniversary of the Birth of the People’s Republic of China organized by the State Council and various ministries and commissions of the nation;

In October 2021, Mr. Zhao Kin Wai, an assistant to the Chairman of the Board of the Group was elected a member of the Chinese people’s political consultative conference of Nanshan District of Shenzhen;

In October 2021, Mr. Zhao Li Sheng, the Chairman of the Board of the Group, was awarded the honour of “Top 100 Industrial Leaders in Shenzhen” (Imported Proprietary Chinese Medicine) in the Fourth Session of the Award;

In November 2021, the Group was recognized as the Key Logistics Enterprise in Shenzhen in 2021 by the Shenzhen Municipal Traffic and Transportation Authority;

HONOURS AND REWARDS

In November 2021, the Group's Kingworld IMADA red flower oil was awarded the title of "Shenzhen Souvenir" at the official inauguration ceremony of the "Shenzhen Souvenir" Activity in 2021 and the Winner List Announcement Ceremony, the activity was organized under the guidance of the Shenzhen Municipal Administration for Market Regulation, initiated by the Consumer Council of Shenzhen and a total of over 1.24 million consumers were attracted to vote online;

In December 2021, the Group won the "Outstanding Contribution Award" again which was presented by the Shenzhen Industry-University-Research Institute Collaboration Association;

In December 2021, both Mr. Zhao Kin Wai and Ms. Zhao Wai Yan, the assistants to the Chairman of the Board of the Group, were named as candidates of the "Top 10 Outstanding Youth of Shenzhen", the campaign was jointly organized by the Shenzhen Municipal Committee of the Communist Youth League and the Shenzhen Talent Work Bureau, Cyberspace Administration of Shenzhen, Bureau of Industry and Information Technology of Shenzhen, Shenzhen Municipal Local Financial Regulatory and Administrative Bureau, XinhuaNet Guangdong Channel, Nanfang Daily Newspaper Group Co., Ltd., Shenzhen Press Group, Shenzhen Media Group and Shenzhen Youth Federation, going through multiple layers of screening and qualification review, only a few hundred persons in Shenzhen were eligible to be selected as candidates.



The Group won the Industry-University-Research Outstanding Contribution Award

HONOURS AND REWARDS



The Group was awarded the Green Passage Enterprise by the Government of Nanshan District



The Group was awarded the title of Guangdong Province Enterprise of Observing Contract and Valuing Credit for seven consecutive years

HONOURS AND REWARDS



The Group's Kingworld IMADA Red Flower Oil was awarded the honourable title of "Shenzhen Souvenir"



The trademark used by the Group was admitted into the Key Trademark Protection List of Guangdong Province

HONOURS AND REWARDS



Mr. Zhao Li Sheng, the Chairman of the Group was commended as Top 100 Industrial Leaders in Shenzhen



HONOURS AND REWARDS



Mr. Zhao Li Sheng, the Chairman of the Group, was invited to participate in a series of national dinner celebration activities for the 72th Anniversary of the National Day

深圳对青年更友好
青年在深圳更有为

the **Youths**
shenzhen 2021 **深圳十大杰出青年**
——>>> 推选活动 <<<——

2021“深圳十大杰出青年”推选活动

编号:403号

赵键玮
深圳市金活医药有限公司董事
长助理

长按识别二维码
请为TA点赞

深圳对青年更友好
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赵蔚恩
深圳市金活医药有限公司营运
督察

长按识别二维码
请为TA点赞

Both Mr. Zhao Kin Wai and Ms. Zhao Wai Yan, the assistants to the Chairman of the Group, have been nominated as candidates for the Top 10 Outstanding Youths of Shenzhen

CORPORATE PERFORMANCE AND DATA

The Group's Environmental Performance Data and Social Performance Data are as follows:

ENVIRONMENTAL PERFORMANCE DATA

Project	Hong Kong Stock Exchange Key Performance Indicators		2021	2020
	Indicators	Unit		
Greenhouse gas	A1.2			
Direct emissions of greenhouse gases (Scope 1)(Note 1)		Tonnes of carbon dioxide equivalent	–	–
Greenhouse gas reduction volume (Scope 1)		Tonnes of carbon dioxide equivalent	–	–
Indirect emissions (Scope 2)(Note 2)		Tonnes of carbon dioxide equivalent		2,485
Other indirect greenhouse gas emissions (Scope 3)(Note 3)			–	–
Direct and indirect emissions (Scope 1, 2 & 3)				
– In terms of total volume (Scope 1, 2 & 3)		Tonnes of carbon dioxide equivalent	2,234	2,485
– In terms of density (Scope 1,2 & 3)		Tonnes of carbon dioxide equivalent/per RMB'0,000 revenue	0.03	0.03
Hazardous waste	A1.3			
– In terms of total volume		Tonne(s)	0.300	0.332
– In terms of density		Tonne(s)/per RMB'0,000 revenue	0.000004	0.000004
Non-hazardous waste	A1.4			
– In terms of total volume		Tonne(s)	68.0	75.7
– In terms of density		Tonne(s)/per RMB'0,000 revenue	0.001	0.001
Energy Consumption	A2.1			
Combusted fuel for electricity purchased		kWh	2,670,000	2,970,000
– In terms of total volume		kWh	2,670,000	2,970,000
– In terms of density		kWh/per RMB'0,000 revenue	31.51	39.85

CORPORATE PERFORMANCE AND DATA

ENVIRONMENTAL PERFORMANCE DATA (Continued)

Project	Hong Kong Stock Exchange Key Performance Indicators		2021	2020
	Indicators	Unit		
Water consumption	A2.2			
– In terms of total volume		cubic metre	19,100	21,180
– In terms of density		cubic metre/per RMB'0,000 revenue	0.23	0.28
Packaging materials	A2.5			
– In terms of total volume		Tonne(s)	181	210
– In terms of density		Tonne(s)/per RMB'0,000 revenue	0.002	0.003

Notes:

1. Since the operation of the Group does not involve too much combustion of fuel, the Group has not generated large amount of Scope 1 greenhouse gas emissions.
2. Calculation is based on the emission factor in "Reporting Guidance on Environmental KPIs" set out in Appendix 2 published by The Hong Kong Stock Exchange.
3. Since there was not frequent travelling by employees of the Group, the Group has not generated large amount of Scope 3 greenhouse gas emissions.
4. Environmental Performance Data only include Dong Di Xin of the medical equipment segment for its production process, while the business of the segment of pharmaceutical and healthcare products is mainly agency and distribution services.
5. Calculation is based on the Group's revenue of RMB847,386,000 for the year of 2021 (2020: RMB745,383,000).

CORPORATE PERFORMANCE AND DATA

SOCIAL PERFORMANCE DATA

Project	Hong Kong Stock Exchange Key Performance Indicators	2021	2020
Employees	B1.1		
Total number of employees		1,032	1,002
By gender			
Male		491	479
Female		541	523
By type of employment			
Full time		1,015	990
Part time		17	12
By category of employees			
Senior management		44	39
Middle management		124	113
General and technical staff		864	850
By age groups			
Below age 30		645	632
Age 31 – 40		238	220
Age 41 – 50		115	114
Age 51 and above		34	36
By geographical region			
Mainland China		1,016	989
Other regions		16	13
Employee turnover number and rate (%)	B1.2		
By gender			
Male		158 (32.2%)	175 (36.5%)
Female		160 (29.6%)	168 (32.1%)
By age groups			
Below age 30		218 (33.8%)	242 (38.3%)
Age 31 – 40		59 (24.8%)	65 (29.5%)
Age 41 – 50		22 (19.1%)	25 (21.9%)
Age 51 and above		19 (55.9%)	11 (30.6%)
By geographical region			
Mainland China		315 (31.0%)	341 (34.5%)
Other regions		3 (18.8%)	2 (15.4%)

CORPORATE PERFORMANCE AND DATA

SOCIAL PERFORMANCE DATA *(continued)*

Project	Hong Kong Stock		
	Exchange Key Performance Indicators	2021	2020
Health and Safety			
Work-related fatality number and rate	B2.1	0 (0%)	0 (0%)
Work injury loss days	B2.2	0	0
Development and Training			
Percentage of total number of trained employees	B3.1		
By gender			
Male		392 (47.3%)	381 (47.8%)
Female		437 (52.7%)	416 (52.2%)
By category of employees			
Senior management		13 (1.6%)	12 (1.5%)
Middle management		86 (10.4%)	82 (10.3%)
General and technical staff		730 (88.0%)	703 (88.2%)
Average hours of training completed by each employee	B3.2		
Male		20.3	19.1
Female		20.8	19.3
Average hours of training completed by each employee by category of employees			
Senior management		3.6	3.4
Middle management		7.5	7.2
General and technical staff		21.3	20.8
Number of suppliers by geographical region			
	B5.1		
Mainland China		138	132
Other regions		19	17
Number of suppliers appointed by customary practice			
	B5.2	0	0
Product responsibility			
In total number of products sold or delivered			
– Recovery percentage due to safety and health reasons	B6.1	0%	0%
– Number of complaints received on products and services	B6.2	0	0
Anti-corruption			
Commenced / concluded cases of corruption litigation	B7	0	0

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KEY PERFORMANCE INDICATORS (“KPIs”) OF HONG KONG STOCK EXCHANGE

Aspect	Disclosure	Reference, Notes
Mandatory disclosure requirements	Governance structure	
	The statement issued by the Board shall contain the following contents:	
	(i) Disclosure on the regulatory supervision of environmental, social and governance issues by the Board;	Page 5
	(ii) The Board’s management objectives and strategies for environmental, social and governance issues, including the process of assessment, arrangement of priorities, and the management of important issues relating to environmental, social and governance (including business risks of the issuer); and	Page 5
	(iii) The Board will how to review the progress based the relevant environmental, social and governance objectives, and explain how these are connected to the issuer’s business.	Page 5
Reporting principles	Describe or explain how to apply the following reporting principles in preparing the environmental, social and governance report:	
	Materiality: the environmental, social and governance report shall disclose:	
	(i) the process of identifying important environmental, social and governance factors and the criteria for selecting such factors;	Pages 6-9
	(ii) If the issuer has engaged with stakeholders, description of the identified key stakeholders, the process and result of the issuer’s engagement with stakeholders.	Pages 6-9
	Quantification: The information on the criteria, methods, assumptions and/or calculation tools used for reporting emissions/energy consumption (if applicable) and the source of conversion factors used shall be disclosed.	Page 10
Consistency: The issuer shall disclose the changes in statistical methods or key performance indicators (if any) or any other relevant factors affecting meaningful comparison in the environmental, social and governance report.	Page 10	

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Aspect	Disclosure	Reference, Notes
Reporting scope	Explain the reporting scope of environmental, social and governance report, and describe the process of selecting which entities or businesses to be included in the environmental, social and governance report. If there is any change in the reporting scope, the issuer should explain the difference and the reason for such change.	Page 11
Comply or explain		
A. Environmental		
Aspect A1: Emissions	<p>General disclosure:</p> <p>(a) the policies; and</p> <p>(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.</p> <p>Note: Air emissions include NO_x, SO_x and other pollutants regulated under national laws and regulations.</p> <p>Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.</p> <p>Hazardous wastes are those defined by national regulations.</p>	Page 12
	KPI: A1.1 The types of emissions and respective emissions data.	Pages 12-13
	KPI: A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance Data Page 36
	KPI: A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance Data Page 36
	KPI: A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environmental Performance Data Page 36

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Aspect	Disclosure	Reference, Notes
	KPI: A1.5 Description of the emission targets and the initiatives adopted to achieve such targets.	Pages 12-13
	KPI: A1.6 Description of how hazardous and non-hazardous wastes are handled, description of the waste reduction targets and the initiatives adopted to achieve such targets.	Pages 12-13
Aspect A2: Use of Resources	General disclosure: Policies on the efficient use of resources, including energy, water and other raw materials.	Page 13
	Note: Resources may be used in production, storage, transportation, buildings, and electronic equipment, etc.	
	KPI: A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Performance Data Page 36
	KPI: A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Performance Data Page 37
	KPI: A2.3 Description of the energy use efficiency targets and the initiatives adopted to achieve such targets.	Pages 13-14
	KPI: A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, the water efficiency targets and the initiatives adopted to achieve such targets.	Pages 13-14
	KPI: A2.5 Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Environmental Performance Data Page 37
Aspect A3: Environment and Natural Resources	General disclosure: Policies on minimizing the issuer's significant impact on the environment and natural resources	Page 15
	KPI: A3.1 Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them.	Page 15

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Aspect	Disclosure	Reference, Notes
Aspect A4 : Climate Change	General disclosure: Policies to identify and respond to significant climate related issues that have or may have impact on the issuer.	Pages 15-16
	KPI: A4.1 Description of the significant climate related issues that have or may have impact on the issuer and the responsive actions.	Pages 15-16
B. Social		
Employment and Labour Practices		
Aspect B1: Employment	General disclosure: Information on	Pages 17-18
	(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.	
	KPI: B1.1 Total workforce by gender, employment type (e.g. full time or part time), age group and geographical region.	Social Performance Data Page 38
	KPI: B1.2 Employee turnover rate by gender, age group and geographical region.	Social Performance Data Page 38
Aspect B2: Health and Safety	General disclosure: Information on	Page 18
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	
	KPI: B2.1 The number and rate of work-related fatalities per annum during the past three years (including the reporting year).	Social Performance Data Page 39
	KPI: B2.2 Lost working days due to work injury.	Social Performance Data Page 39
	KPI: B2.3 Description of occupational health and safety measures adopted, and the relevant law enforcement and monitoring methods.	Pages 18-19

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Aspect	Disclosure	Reference, Notes
Aspect B3: Development and Training	General disclosure: Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Pages 19-20
	Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	
	KPI: B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Social Performance Data Page 39
	KPI: B3.2 The average training hours completed per employee by gender and employee category	Social Performance Data Page 39
Aspect 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.	Page 20
	KPI: B4.1 Description of measures to review recruitment and employment practices to avoid child and forced labour.	Page 20
	KPI: B4.2 Description of steps taken to eliminate such non-compliance practices when discovered.	Page 20
Operating Practices		
Aspect B5: Supply Chain Management	General disclosure: Policies on managing environmental and social risks of the supply chain.	Page 21
	KPI: B5.1 Number of suppliers by geographical region	Social Performance Data Page 39
	KPI: B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and the relevant enforcement and monitoring methods.	Social Performance Data Page 39
	KPI: B5.3 Description of practices relating to identifying the environmental and social risks of each segment of supply chain, and the relevant enforcement and monitoring methods.	Page 21

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Aspect	Disclosure	Reference, Notes
	KPI: B5.4 Description of practices facilitating more uses of environmental-friendly products and services in selecting suppliers, and the relevant enforcement and monitoring methods.	Page 21
Aspect 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.	Page 22
	KPI: B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Social Performance Data Page 39
	KPI: B6.2 Number of product- and service-related complaints received and how they are dealt with.	Social Performance Data Page 39
	KPI: B6.3 Description of practices relating to observing and protecting intellectual property rights.	Page 22
	KPI: B6.4 Description of quality assurance process and recall procedures.	Pages 23-25
	KPI: B6.5 Description of consumer data protection and privacy policies, and the relevant enforcement and monitoring methods.	Page 22
Aspect 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 prevention of bribery, extortion, fraud and money laundering.	Page 25
	KPI: B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Social Performance Data Page 39

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Aspect	Disclosure	Reference, Notes
	KPI: B7.2 Description of preventive measures and whistle-blowing procedures, and the relevant enforcement and monitoring methods.	Page 25
	KPI: B7.3 Description of anti-corruption training provided to the Board and the employees.	Page 25
Community		
Aspect B8: Community Investment	General disclosure: Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its business activities will take into consideration the interests communities.	Page 26
	KPI: B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Page 26
	KPI: B8.2 Resources contributed (e.g. money or time) to the focus area.	Page 26