

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

2022



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 2022 to 31 December 2022 (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.

The 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 2022 Annual Report.

The Report has disclosed all contents for the year ended 31 December 2022 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 28 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 and 2021.

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 devices.

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 Board of the Group take a leadership role with key responsibilities which 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. During the Reporting Period, the Board had studied and reviewed the Report twice and then considered and approved the 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. During the Reporting Period, the Working Committee conducted two briefings on its report for updating each goal attainment and risk management.

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. During the Reporting period, the Working Group conducted four briefings on the information prepared by it to the Working Committee and every department head, sharing its work progress and making recommendations on specific policies to improve efficiency.

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.

## CORPORATE GOVERNANCE STRUCTURE

In order to achieve the Group's ESG and sustainable development objectives and to optimize the existing ESG strategies, the Board will examine the internal and external ESG reports and consider external stakeholders' opinions for closely monitoring the effectiveness of the Group's daily management process operation. The Board will also participate in online seminars to acquire the knowledge and idea shared by experts on individual topics. 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.

Sustainability is one of the Group's strategic objectives. To us, it covers minimizing waste emissions, making good use of natural resources, protecting the environment, preventing natural disasters, establishing a sound risk management system, devoting resources to nurture employees and recruit talents, developing communities, attracting investors, enhancing product quality, striving to expand market share, acquiring a good reputation, establishing a mature sustainable development direction, creating a long-term value foundation for shareholders, and integrating the concept of sustainable development into business and management. The Group regularly reviews every initiative. The Board believes that good corporate governance, which upgrades and enhances the Group's business, is not only a prelude for managing the Group's environmental and social interactions, but also a cornerstone of managing environmental and social risks.



# 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 ESG 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

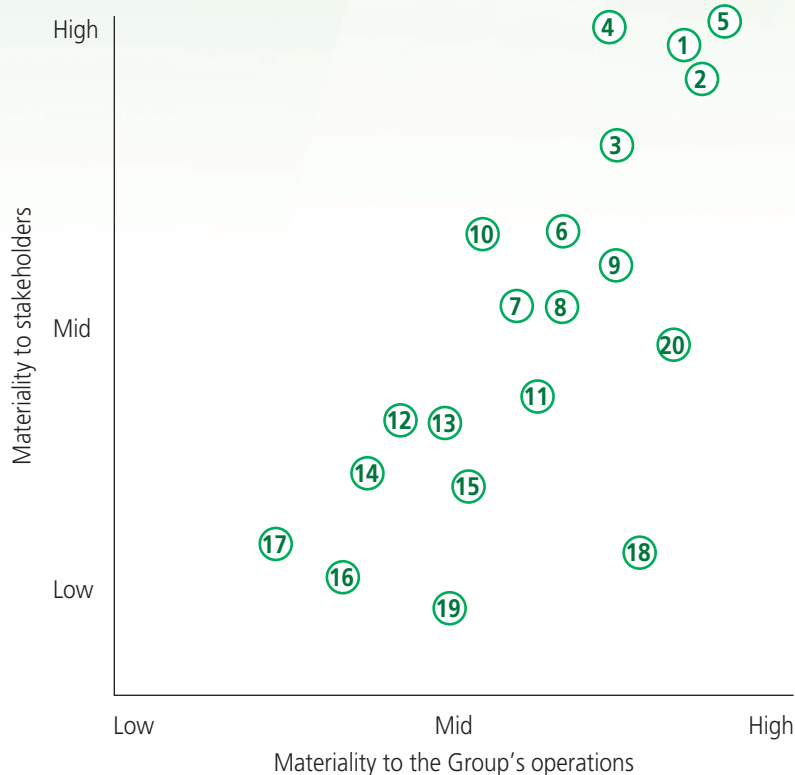
Types of stakeholders	Issues of concern	Channels of communication and means of feedback	Frequency of communications
Shareholders	Performance Management on ESG issues	General meetings Performance Meeting	Annual general meetings Extraordinary meetings for major events or special circumstances
	Compliant 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, working 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, physiotherapy equipments 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 2,830 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 0.11 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 63.8 tonnes, representing a decrease of approximately 6.2% when compared with the previous year. The decrease was mainly due to a decrease in production volume in 2022. 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 0.282 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 31 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 medical devices, Dong Di Xin requires approximately 2.43 million kWh of electricity and approximately 17,572 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 548 tonnes. The total consumption of packaging materials was 163 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 2022, 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 not be 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 status during meal time. 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 31 to 32 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 2022, the Group had a total of 1,037 employees. The pharmaceutical and healthcare products segment had 572 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 465 employees.

As at 31 December 2022, the Group employed a total of 1,037 employees, the overall gender ratio in the workforce for male to female was male 47.6% to female 52.4%.

Information in relation to employment is set out in "Social Performance Data" on page 33 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 "Social Performance Data" on page 34 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 "Social Performance Data" on page 34 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. If an employee feels being forced to work, he or she can report to his or her department head or employee representative. If the complaint is valid, the Group will immediately call an halt of the assignment 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 quality assurance 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 has full-time personnel responsible for supply chain management, and they have extensive experience in procurement, cost and quality control, logistics management, and so forth. 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. Suppliers are required to hold environmental certifications and have a common environmental philosophy with the Group. 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 "Social Performance Data" on page 34 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.

If the Group receives a complaint, it will immediately investigate the incident to obtain a thorough understanding of the complaint, and then make judgments and provide solutions in accordance with its internal guidelines. The Group did not received any complaint in relation to product and service quality in 2022.

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 place 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 2022.

For details of the product responsibility, please see “Social Performance Data” on page 34 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, the training department of the Group was responsible for organizing anti-corruption training for its employees on a monthly basis, while every department head assigned relevant employees to participate in the training courses. During the Reporting Period, no staff of the Group was prosecuted because of any corruption issue.

Information on anti-corruption is set out in “Social Performance Data” on page 34 of this Report.

## 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 continued to contribute to the community and fulfill its social responsibility with its Shenzhen Kingworld Healthcare Foundation. During the Year Under Review, a total of more than RMB7 million was donated mainly for fighting the Pandemic, caring for and helping each other, supporting environmental protection, poverty alleviation and disaster relief, such as:

Facing the changing domestic Pandemic prevention and control in 2022, the Group donated funds and anti-Pandemic medical supplies amounted to nearly RMB1 million such as Kingworld disposable medical masks, Pu Ji Kang Gan Granules (普濟抗感顆粒), Kingworld Imada Red Flower Oil, Nin Jiom Chuan Bei Pei Pa Koa, etc. to Shenzhen, Hong Kong, Yan’an, Guangdong, Guangxi, Yunnan and other areas. In particular, the Pandemic in Shenzhen and Hong Kong was severe in February and March 2022. Under the guidance and support of Shenzhen Overseas Friendship Association (深圳海外聯誼會), Shenzhen Municipal Committee of the Chinese People’s Political Consultative Conference (深圳市政協) and other units, Kingworld has cooperated with friendly organisations such as Friends of Hong Kong Association Ltd. (香港友好協進會), Federation of Hong Kong Chiu Chow Community Organisations (香港潮屬社團總會), Shenzhen Chaoshan Youth Association (深圳潮青會) and Shenzhen Golf Association (深圳高爾夫協會) to make multiple donations of funds and materials to Shenzhen and Hong Kong, among which, with the assistance of the Group, iHealth (Hong Kong) Labs Limited donated COVID-19 Rapid Test for Antigen of more than RMB10 million to Hong Kong. Tang Yingnian, President of Friends of Hong Kong Association Ltd., attended the donation ceremony and presented a certificate of appreciation to the Group.

During the Reporting Period, the Group actively helped the poor and students by donating RMB108,000 to the Jieyang University Student Development Foundation (揭陽市大學生發展基金會) for helping students with their studies, and donating RMB100,000 to Chidu Village, Yujiao Town, Jiedong District, Jiedong City for the construction of the Party Culture Park and Chidu Village Committee and the Party General Branch also presented a pennant to the Group’s foundation to express their gratitude.

During the Reporting Period, the Group, with the support of the Shenzhen Veterans Affairs Bureau (深圳市退役軍人事務局), organised the “Caring for Veterans – Shenzhen Tuohuangniu Health Care Season” campaign (“關愛老兵紅動鵬城”之深圳市拓荒牛健康關愛季活動) in collaboration with the Shenzhen Caring Action Charity Foundation (深圳市關愛行動公益基金). The event consisted of 8 ancillary activities, which paid tribute to the veterans who built a better Shenzhen and provided health care for the pioneer cattle and veterans by forming volunteer teams, disseminating health concepts, and giving health care gift packages. The event was also selected as one of the “Top Ten Caring Activities for the Elderly” in the Chongyang Festival of Elderly Care in Shenzhen.

During the Reporting Period, as a member of the Greater China Council of The Nature Conservancy (TNC大自然協會) and a member of the Paradise Foundation (桃花源基金會), the Group continued to participate in environmental protection support with many well-known enterprises. To build beautiful nature and protect green mountains and rivers together, we participated in environmental protection projects such as donating to the construction of sponge cities and protecting the most beautiful habitat in East China (Jiulong Peak).

## B. SOCIAL AREAS

During the Reporting Period, “2021 Shenzhen Charity Donation Ranking” issued by the Shenzhen Civil Affairs Bureau, SZ Kingworld Medicine Company Limited, a subsidiary of the Group, ranked 52nd in the donation enterprise ranking with RMB5.03 million. Meanwhile, Kingworld Health Care Foundation of the Group ranked 92nd in the social organisation donation ranking with RMB7.53 million.

## HONOURS AND REWARDS

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

- In May 2022, Kingworld Medicines was awarded two honorary awards of “Fighting Pandemic-Love Contribution Award (抗擊疫情愛心貢獻獎)” and “Outstanding Member (傑出會員)”;
- In May 2022, the Group’s Shenzhen Kingworld Healthcare Foundation (深圳市金活關愛健康基金會) was awarded “Tax-free Eligibility of Non-profit Organisations (2021-2025) (非營利組織免稅資格)”;
- In June 2022, Shenzhen Kingworld Healthcare Foundation was awarded the 3A-level Social organisation;
- In June 2022, the Group’s Imada Red Flower Oil has become the official designated external use medicated oil of Mind Sports Games in Zhejiang Province;
- In June 2022, Mr. Zhao Li Sheng (趙利生), Chairman of the Board of Directors of the Company, was appointed as the Honorary Chairman of the 18th Committee of Shantou Overseas Chinese Federation (汕頭市僑聯第十八屆委員會);
- In July 2022, Mr. Zhao Kin Wai (趙鍵璋), Assistant to the Chairman of the Company, as a representative of outstanding young people of Inheritance of Chinese Medicine (優秀中醫藥傳承青年代表), was featured on CCTV’s CGTN channel feature film “I speak for Chinese medicine 《我為中藥代言》”;
- In July 2022, the Group was awarded a plaque written “Key Logistics Company of Shenzhen” promulgated by the Transport Bureau of Shenzhen Municipality (深圳市交通運輸局);
- In July 2022, Nin Jiom has been included in lists, such as “Chinese Medicine-Brand List (中國醫藥•品牌榜)”, “Top 100 Chinese Traditional Medicine Enterprises (中國中藥企業TOP100)” and “The Most Valuable Items of Chinese Chain Pharmacies (中國連鎖藥店最具合作價值單品)”;
- In August 2022, Mr. Zhao Li Sheng, Chairman of the Board of Directors of the Company, was awarded a commemorative medal by the Paradise International Foundation;
- In August 2022, Shenzhen Kingworld Medicine Company Limited was awarded the Most Valuable Core Supplier Award of Jointown Pharmaceutical Group (九州通醫藥集團核心供應商最具價值獎);
- In August 2022, Culturelle probiotics was on the list again after 2021 and continue to win “the Grand Prize of the Most Popular Brand Among Pharmacies in Hong Kong 《最受香港藥房歡迎品牌大獎》”;
- In September 2022, categorised as a gastrointestinal drug, Taiko Seriogan was awarded “Top Brands of China’s Household Medicine”;
- In November 2022, in “2021 Shenzhen Charitable Donation Ranking 《2021年度深圳慈善捐贈榜》” announcement issued by the Shenzhen Municipality Bureau, the Group’s Shenzhen Kingworld Medicine Company Limited ranked 52nd in the Donation enterprise ranking with RMB5.0278 million. Meanwhile, the Group’s Kingworld Health Care Foundation ranked 92nd in the social organization donation ranking with RMB7.5303 million;

## HONOURS AND REWARDS

- In November 2022, Nin Jiom has ranked first in the Healthcare Industry Brand List of Cipu Society (西普會健康產業品牌榜) for 14 consecutive years, and ranked 21st in the 2022 Healthcare Industry Brand Value List (2022年健康產業品牌價值榜); and
- In December 2022, Kingworld Medicines passed the review of “Shenzhen Time-Honored Brand Corporation (深圳老字號大小企業)”, which is effective till December 2025.



# 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		2022	2021
	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	2,055	2,234
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	2,055	2,234
– 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)	0.282	0.300
– 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)	63.8	68.0
– 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	2,430,000	2,670,000
– In terms of total volume		kWh	2,430,000	2,670,000
– In terms of density		kWh/per RMB'0,000 revenue	31.27	31.51

# CORPORATE PERFORMANCE AND DATA

## ENVIRONMENTAL PERFORMANCE DATA *(Continued)*

Project	Hong Kong Stock Exchange Key Performance Indicators		2022	2021
	Indicators	Unit		
Water consumption	A2.2			
– In terms of total volume		cubic metre	17,572	19,100
– In terms of density		cubic metre/per RMB'0,000 revenue	0.22	0.23
Packaging materials	A2.5			
– In terms of total volume		Tonne(s)	163	181
– In terms of density		Tonne(s)/per RMB'0,000 revenue	0.002	0.002

### 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 RMB957,701,000 for the year of 2022 (2021: RMB847,386,000).

# CORPORATE PERFORMANCE AND DATA

## SOCIAL PERFORMANCE DATA

Project	Hong Kong Stock Exchange Key Performance Indicators	2022	2021
<b>Employees</b>	B1.1		
Total number of employees		1,037	1,032
By gender			
Male		494	491
Female		543	541
By type of employment			
Full time		1,023	1,015
Part time		14	17
By category of employees			
Senior management		45	44
Middle management		126	124
General and technical staff		866	864
By age groups			
Below age 30		649	645
Age 31 – 40		239	238
Age 41 – 50		117	115
Age 51 and above		32	34
By geographical region			
Mainland China		1,020	1,016
Other regions		17	16
<b>Employee turnover number and rate (%)</b>	B1.2		
By gender			
Male		137 (27.7%)	158 (32.2%)
Female		141 (26.0%)	160 (29.6%)
By age groups			
Below age 30		192 (29.6%)	218 (33.8%)
Age 31 – 40		57 (23.8%)	59 (24.8%)
Age 41 – 50		18 (15.4%)	22 (19.1%)
Age 51 and above		11 (34.4%)	19 (55.9%)
By geographical region			
Mainland China		277 (27.2%)	315 (31.0%)
Other regions		1 (5.9%)	3 (18.8%)

# CORPORATE PERFORMANCE AND DATA

## SOCIAL PERFORMANCE DATA (continued)

Project	Hong Kong Stock		
	Exchange Key	2022	2021
<b>Health and Safety</b>			
Work-related fatality number and rate	B2.1	0 (0%)	0 (0%)
Work injury loss days	B2.2	4	0
<b>Development and Training</b>			
Percentage of total number of trained employees	B3.1		
By gender			
Male		413 (48.1%)	392 (47.3%)
Female		445 (51.9%)	437 (52.7%)
By category of employees			
Senior management		14 (1.6%)	13 (1.6%)
Middle management		89 (10.4%)	86 (10.4%)
General and technical staff		755 (88.0%)	730 (88.0%)
Average hours of training completed by each employee	B3.2		
Male		20.5	20.3
Female		20.9	20.8
Average hours of training completed by each employee			
by category of employees			
Senior management		3.5	3.6
Middle management		7.8	7.5
General and technical staff		21.7	21.3
<b>Number of suppliers by geographical region</b>			
	B5.1		
Mainland China		149	138
Other regions		23	19
<b>Number of suppliers appointed by customary practice</b>			
	B5.2	0	0
<b>Product responsibility</b>			
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
<b>Anti-corruption</b>			
Commenced / concluded cases of corruption litigation	B7	0	0

# CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE HONG KONG STOCK EXCHANGE

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

Aspect	Disclosure	Reference, Notes
<b>Mandatory disclosure requirements</b>	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
<b>Reporting principles</b>	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 6-10
	(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 6-10
	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 11
	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 11

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Aspect	Disclosure	Reference, Notes
<b>Reporting scope</b>	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 12
<b>Comply or explain</b>		
<b>A. Environmental</b>		
<b>Aspect A1: Emissions</b>	<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<sub>x</sub>, SO<sub>x</sub> 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 13
	KPI: A1.1 The types of emissions and respective emissions data.	Pages 13-14
	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 31
	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 31
	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 31

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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 13-14
	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 13-14
<b>Aspect A2: Use of Resources</b>	General disclosure: Policies on the efficient use of resources, including energy, water and other raw materials.	Page 14
	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 31
	KPI: A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Performance Data Page 32
	KPI: A2.3 Description of the energy use efficiency targets and the initiatives adopted to achieve such targets.	Pages 14-15
	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 14-15
	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 32
<b>Aspect A3: Environment and Natural Resources</b>	General disclosure: Policies on minimizing the issuer's significant impact on the environment and natural resources.	Page 16
	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 16

# CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE OF THE HONG KONG STOCK EXCHANGE

Aspect	Disclosure	Reference, Notes
<b>Aspect A4 : Climate Change</b>	General disclosure: Policies to identify and respond to significant climate related issues that have or may have impact on the issuer.	Pages 16-17
	KPI: A4.1 Description of the significant climate related issues that have or may have impact on the issuer and the responsive actions.	Pages 16-17
<b>B. Social</b>		
<b>Employment and Labour Practices</b>		
<b>Aspect B1: Employment</b>	General disclosure: Information on (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Pages 18-19
	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 33
	KPI: B1.2 Employee turnover rate by gender, age group and geographical region.	Social Performance Data Page 33
	<b>Aspect B2: Health and Safety</b>	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 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 34
	KPI: B2.2 Lost working days due to work injury.	Social Performance Data Page 34
	KPI: B2.3 Description of occupational health and safety measures adopted, and the relevant law enforcement and monitoring methods.	Pages 19-20



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Aspect	Disclosure	Reference, Notes
<b>Aspect B3: Development and Training</b>	General disclosure: Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Pages 20-21
	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 34
	KPI: B3.2 The average training hours completed per employee by gender and employee category	Social Performance Data Page 34
<b>Aspect B4: Labour Standards</b>	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 21
	KPI: B4.1 Description of measures to review recruitment and employment practices to avoid child and forced labour.	Page 21
	KPI: B4.2 Description of steps taken to eliminate such non-compliance practices when discovered.	Page 21
<b>Operating Practices</b>		
<b>Aspect B5: Supply Chain Management</b>	General disclosure: Policies on managing environmental and social risks of the supply chain.	Page 22
	KPI: B5.1 Number of suppliers by geographical region.	Social Performance Data Page 34
	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 34
	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 22

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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 22
<b>Aspect B6: Product Responsibility</b>	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 23
	KPI: B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Social Performance Data Page 34
	KPI: B6.2 Number of product- and service-related complaints received and how they are dealt with.	Social Performance Data Page 34
	KPI: B6.3 Description of practices relating to observing and protecting intellectual property rights.	Page 23
	KPI: B6.4 Description of quality assurance process and recall procedures.	Pages 24-25
	KPI: B6.5 Description of consumer data protection and privacy policies, and the relevant enforcement and monitoring methods.	Page 23
<b>Aspect B7: Anti-corruption</b>	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 26
	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 34

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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 26
	KPI: B7.3 Description of anti-corruption training provided to the Board and the employees.	Page 26
<b>Community</b>		
<b>Aspect B8: Community Investment</b>	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 27
	KPI: B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Page 27
	KPI: B8.2 Resources contributed (e.g. money or time) to the focus area.	Page 27