

Guanze Medical Information Industry (Holding) Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2427

2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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ABOUT THIS REPORT

Guanze Medical Information Industry (Holding) Co., Ltd. (the “**Company**” together with its subsidiaries, hereinafter referred to as the “**Group**”) is pleased to present our first annual Environmental, Social and Governance Report for the year ended 31 December 2022 (the “**ESG Report**”) to provide an overview of the Group’s management of significant issues affecting the operation, including environmental, social and governance (“**ESG**”) matters. The board of directors of the Company (the “**Board**”) has overall responsibility for the Group’s ESG strategy and reporting.

The Board is responsible for evaluating and determining the Group’s ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Board reviews the Group’s progress against ESG-related goals and targets on an annual basis in tandem with the annual report period of the Company.

REPORTING PERIOD

The ESG Report illustrates the Group’s initiative and performance regarding the environmental and social aspects during the reporting period from 1 January 2022 to 31 December 2022 (the “**Reporting Period**”).

REPORTING SCOPE

The ESG Report covers all subsidiaries of the Group in the People’s Republic of China (the “**PRC**”), core business of which were principally engaged in sales of medical imaging film products and provision of medical imaging cloud services. The Group will continue to assess the impacts of its business on the major ESG aspects and to include in the ESG Report.

REPORTING BASIS

The ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The Group has complied with the disclosure requirements of the “comply or explain” provisions set out in the ESG Reporting Guide. During the process of preparation of this ESG Report, we summarized the Group’s performance in corporate and social responsibilities based on the principles of “Materiality, Quantitative, Balance and Consistency”. Please refer to the table below for our understanding and response to such reporting principles.

Reporting Principles	Definitions	Our Response
Materiality	The issues covered in this ESG Report should reflect the significant impacts of the Group on the economy, environment and society, or the scope of assessments and decisions of stakeholders being affected.	Through continuous communication with stakeholders, combined with the Group’s strategic development and business operations, we can identify current material sustainable development issues.
Quantitative	The ESG Report should disclose key performance indicators (“ KPIs ”) in a measurable manner.	The Group quantitatively discloses its environmental and social KPIs, and provides textual explanations on quantitative resources.
Balance	The Report should reflect fairly the overall sustainability performance of the Group.	The Group has explained in detail the sustainable development issues that have a significant impact in the business, including the results achieved and the challenges it faces.
Consistency	The Group should use consistent disclosure principles for the preparation of the ESG Report.	The Group will ensure that the disclosure scope and reporting methods of the ESG Report are consistent every year.

SOURCES OF INFORMATION

The information disclosed in this ESG Report is derived from the Group’s formal documents, statistics or public information. The Board is responsible for the truthfulness, accuracy and completeness of its contents.

ACCESS TO THIS REPORT

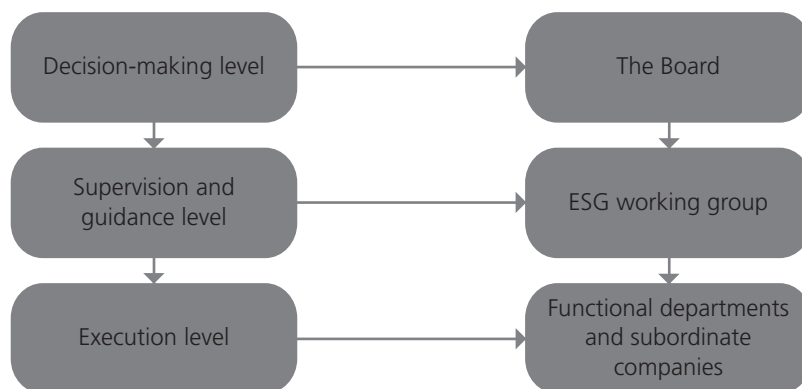
The ESG Report is available in Chinese and English versions. In case of any discrepancy between the Chinese and English versions of the Report, the English version shall prevail. You may access the Group’s official website at www.guanzegroup.com or the website of the Stock Exchange at <http://www.hkex.com.hk> for an electronic copy of the ESG Report.

CONTACT INFORMATION

The Group welcomes your feedback on the ESG Report for our sustainability initiatives. Please contact us through the Company website www.guanzegroup.com.

SUSTAINABILITY GOVERNANCE

The Group has established an ESG framework to promote and implement the Group’s sustainability strategy. To ensure effective ESG management, our ESG governance structure, composed of the Board, ESG working group, respective functional departments and subordinate companies, was established to promote ESG management and disclosure. The Board, the ultimate decision-making body of the Group, is responsible for the Group’s ESG governance. The Board steers the Group’s sustainable development forward and bears the overall responsibility of its ESG efforts. In the future, the Board will continue to strengthen ESG risk management and improve ESG working mechanism and regulatory processes to enhance its ESG governance standard. Our Board has established an ESG working group that comprises of various heads of department, including but not limited to our management department, accounting and finance department and technical department. The ESG working group serves a supportive role to the Board in implementing the agreed ESG policy, targets and strategies; taking involvement into the annual enterprise risk assessment; conducting materiality assessments of ESG areas and assess how our Group adapts its business in light of climate change; collecting ESG data from different parties while preparing for the ESG report; and continuous monitoring of the implementation of measures to address our Group’s ESG related risks. The ESG working group is also responsible for the investigation of deviation from targets and liaise with the relevant functional department to take prompt rectification actions for such deviation. The ESG working group has to report to our Board on a semi-annually basis via board meetings on the ESG performance of our Group and the effectiveness of the ESG systems. Each functional department and subordinate company, serving on the execution level, is responsible for rolling out initiatives set up by the ESG working group and reporting relevant work progress and data.



STAKEHOLDERS ENGAGEMENT

We identified the key stakeholders of our business operations and interacted with our stakeholders regularly through various communication channels. The following table illustrates the issues of concern of our major stakeholders and the ways we communicate with them:

Stakeholder	Expectation	Engagement channel	Measures
Government	<ul style="list-style-type: none"> — To comply with the laws and regulations — Proper tax payment — Promote regional economic development and employment — To align with local government requirement on daily safety management 	<ul style="list-style-type: none"> — On-site inspections and checks by different government departments — Research and discussion through work conferences — Work reports preparation and submission for approval — Follow up government regular audit findings and submit corrective report, implement/monitor corrective actions 	<ul style="list-style-type: none"> — Strengthen safety management — Cooperate fully with government's supervision, inspection and evaluation — Operate, manage and pay taxes according to laws and regulations — Actively undertake social responsibilities — Fully comply with government verbal or paper confirmation on the corrective actions
Shareholders and Investors	<ul style="list-style-type: none"> — Low risk — Return on the investment — Information disclosure and transparency — Protection of interests and fair treatment of shareholders 	<ul style="list-style-type: none"> — Annual General Meeting ("AGM") — Extraordinary General Meeting ("EGM") — Interim Reports and Annual Reports — Website — Announcements 	<ul style="list-style-type: none"> — Issue notices of general meeting and proposed resolutions according to regulations — Disclose the Company's information by holding AGM, EGM, and publishing Interim Reports and Annual Reports — Disclose the Company's contact details on website and in reports to ensure all communication channels are available and effective
Employees	<ul style="list-style-type: none"> — Safeguard the rights and interests of employees — Healthy and safety working environment — Career development opportunities — Self-actualisation — Health and safety 	<ul style="list-style-type: none"> — Conferences — Training, seminars, briefing sessions — Cultural and sport activities — Emails — Company policy announcement — Face to face meeting/discussion/communication when needed 	<ul style="list-style-type: none"> — Provide a healthy and safe working environment — Maintain a fair mechanism for promotion — Care for employees by helping those in need and organizing employee activities — Minimize employees grievances/complaints and target no legal case on employee relationship — Minimize employee turnover to keep talents within the Group
Customers	<ul style="list-style-type: none"> — Safe and high-quality products — Stable relationship — Information transparency — Integrity — Business ethics 	<ul style="list-style-type: none"> — Website, catalogue and leaflet — Interim Reports and Annual Reports — Email — Regular meeting — Phone calls 	<ul style="list-style-type: none"> — Strengthen quality management to ensure stable production and smooth transportation — Enter into long-term strategic cooperation agreements
Suppliers/Partners	<ul style="list-style-type: none"> — Long-term partnership — Honest cooperation — Fair and open attitude — Information resources sharing — Risk reduction 	<ul style="list-style-type: none"> — Business meetings, supplier conferences, phone calls, interviews — Review and assessment — Quotation comparison 	<ul style="list-style-type: none"> — Collect quotations from more suppliers for comparison when needed and selected the most suitable suppliers and contractors — Perform contracts according to agreements — Enhance daily communication, and established long-term cooperation with quality suppliers

STAKEHOLDERS ENGAGEMENT *(continued)*

Stakeholder	Expectation	Engagement channel	Measures
Peer/Industry associations	<ul style="list-style-type: none"> — Experience sharing — Corporations — Fair competition 	<ul style="list-style-type: none"> — Seminars and courses — Site visits 	<ul style="list-style-type: none"> — Ensure fair play, cooperate with peers to achieve win-win — Attend seminars or courses organized by industry association so as to intake most updated knowledge related to the industry, the market or operations
Financial Institution	<ul style="list-style-type: none"> — Compliance with laws and regulations — Disclosure information 	<ul style="list-style-type: none"> — Consulting — Information disclosure — Reports 	<ul style="list-style-type: none"> — Comply with regulatory requirements in a strict manner — Disclose and report true information in a timely and accurate manner according to laws and regulations
Media	<ul style="list-style-type: none"> — Transparent information — Communication with media 	<ul style="list-style-type: none"> — Website — Interviews 	<ul style="list-style-type: none"> — Organize conferences, media gatherings and site visits to enhance the communication with media
Public and communities	<ul style="list-style-type: none"> — Community involvement — Social responsibilities 	<ul style="list-style-type: none"> — Charity — Annual Reports 	<ul style="list-style-type: none"> — Give priority to local people seeking jobs from the Company so as to promote community building and development — Make donations

MATERIALITY ASSESSMENT

The Group attaches importance to the materiality assessment of ESG issues for the purpose of timely and comprehensive understanding of the materiality of each ESG issue to the business development of the Group and the expectation of stakeholders, in order to facilitate the Group's effective disclosure of ESG information and continuous improvement in the management level of relevant issues. The materiality assessment on ESG issues of the Group during the Reporting Period covers the following steps:

- Step 1 The Group identified the following 21 issues in accordance with the disclosure requirements set out in the ESG Reporting Guide and based on the business characteristics and daily operation of the Group. These issues are considered to have impacts on the environment and the society during our operation.
- Step 2 Based on the understanding of the demands and expectations of stakeholder during the daily operation, the Group determined the materiality of ESG issues by benchmarking the key points and the trend of ESG works of industry peers.
- Step 3 Based on the result of the materiality assessment, the Group discussed and determined the key disclosure of the ESG Report for the Reporting Period and the key points for improvement in the future ESG work of the Group.

MATERIALITY ASSESSMENT (continued)

Social Aspects				Environmental Aspects	
1. Equal opportunity	5. Prevention of child labor and forced labor	9. Complaint handling	13. Community investment	14. Exhaust emissions	18. Water consumption
2. Employment and employee benefits	6. Selection and evaluation of suppliers	10. Protection of intellectual property rights		15. Greenhouse gas emissions	19. Paper consumption
3. Occupational health and safety	7. Control and management on environmental and social risks along the supply chain	11. Customer data privacy and data security		16. Waste management	20. Management of risks associated with Environmental and Natural Resources
4. Employee development and training	8. Product quality	12. Anti-corruption and money laundering		17. Energy consumption	21. Climate change

According to the results of materiality assessment, 9 material topics (Note) are regarded as the most significant for stakeholder and the Group. While taking into account environmental and social responsibilities, the Group will pay more attention to the above areas, and strive to achieve continuous improvement and sustainable business development.

Note: Presented in bold.

A. ENVIRONMENTAL ASPECTS

Aspect A1: EMISSIONS

Our operations are subject to the relevant environmental protection laws and regulations promulgated by the PRC government including the Environmental Protection Law of the PRC (中華人民共和國環境保護法). Given the nature of our business, our operational activities do not directly generate industrial pollutants and thus our operational activities do not significantly pose negative impact to the environment and the Group is not aware of any material environmental liability risk or compliance costs during the Reporting Period. Accordingly, we will not incur significant costs for the compliance with applicable environmental protection rules and regulations in the future. However, as a supporter of the Paris agreement with aims for environment protection, we advocate for green office practices to reduce our carbon footprint, constantly raise the awareness of environmental protection among our employees and take account of the resources and materials we uses in daily operation. We have obtained ISO 14001:2015 environmental management system standard during the Reporting Period as evidence of our efforts spent for environmental protection.

Greenhouse gas (“GHG”) emissions

GHG emissions are closely related to climate change, which presents businesses with both long-term risks and opportunities. To better understand, quantify and manage the carbon and climate change related impacts, risks, and opportunities in our operation, it is integral to measure and disclose our carbon footprint as a first step in our ESG journey. GHG emissions mainly consists of scope 1 direct emissions and scope 2 indirect emissions that arise from our use of vehicles and electricity consumption in offices and warehouse during our daily operation, respectively.

Waste management

Our medical imaging film products are mainly made of plastic (such as polyethylene terephthalate (“PET”)) and silver materials that are generally not harmful to the user under normal usage. However, inappropriate disposal and treatment of PET may lead to adverse effect to our environment such as air, water and land. Expired medical imaging films (i.e wasted films) are classified as hazardous waste under the National Hazardous Waste Catalogue (國家危險廢物名錄) and required to be sorted and disposed in specific garbage bin according to the local garbage classification requirements. Those materials used are recyclable and can pose minimal negative impact to our environment by way of recycling our wasted films instead of disposing. Thus, in case when medical imaging films are expired, per our internal manual, we will re-allocate those expired products to a specific area in our warehouse for proper classification and then engage qualified third party service providers to collect, process and recycle our waste generated. Non-hazardous waste mainly includes routine domestic waste generated from the daily operation which is stored according to the local garbage classification requirements and then will be transferred to waste treatment plant by the local environment and hygiene authority.

A. ENVIRONMENTAL ASPECTS *(continued)*

Aspect A1: EMISSIONS *(continued)*

Waste management *(continued)*

During the Reporting Period, there was no generation of such hazardous waste as no related product was expired and we are not aware of any material breach of or non-compliance with the applicable laws and regulations related to environmental protection in the PRC. Thus, we believe that our environmental protection measures are adequate to comply with all applicable current local and national PRC regulations.

Aspect A2: USE OF RESOURCES

Our energy consumption is mainly derived from electricity consumption in offices and warehouse during our daily operation. We endeavour to proactively conserve energy in response to the government's initiatives and thus we have implemented measures to increase energy efficiency in our operations to fulfil our environmental and social responsibilities. For usage of water, the Group did not encounter any problems in sourcing water that is fit for purpose. The Group strives to improve the efficient use of natural resources, such as minimizing waste/emissions and implementing effective recycling program. Practical measures are implemented as follows.

- Switching off lights and turning off unnecessary energy-consuming devices such as air-conditioning system when staff leaves the office;
- Adopting LED lighting in some part of warehouse and offices;
- Promoting environmental protection such as saving water and electricity by slogan or poster in offices and warehouse;
- Monitoring usage of water and electricity by designated department and checking for variance with past records;
- Encouraging the use of paper by printing or photocopying on both sides of paper, where applicable;
- Encouraging the employees to use suitable font size/shrinkage mode to minimize pages, if possible;
- Using online office system to minimize the use of paper;
- Utilizing materials that facilitate clean production environment to effectively reduce the consumption of detergents and running water;
- Bringing our own cups to avoid using paper cups;
- Improving product packaging forms to lower the consumption of carton materials;
- Collection of carton box for recycling purpose;
- Setting air-conditioning system at temperatures over 25°C;
- Adopting "one vehicle one card" policy so as to monitor the usage of fuel by each vehicle and to avoid wastage by private usage;
- Regular maintenance of machineries and vehicles for operational efficiency;
- Strictly following the procurement plan in order to avoid duplication of purchase and idle resources;

A. ENVIRONMENTAL ASPECTS *(continued)*

Aspect A2: USE OF RESOURCES *(continued)*

- Preference will be given to office equipment with higher energy efficiency;
- Focusing on quality management so as to reduce wastage and scrap for less pollution resulted; and
- Enhancing the monitoring for the use of food in canteen to reduce wastage

During the Reporting Period, there was no material usage of water noted.

The emission targets of our Group include (i) 100% compliance rate on local laws and regulations relating to environmental protection and (ii) zero complaint regarding emissions of the Group. Going forward, we plan to control the consumption of energy and GHG emissions and aim to maintain relevant levels at 90% to 110% compared to that of 2021 over the next three years. During the Reporting Period, the aggregate total of energy consumed and the resulting total emissions and total GHG emissions increased by approximately 16%, 7% and 16%, respectively, as compared to those in 2021 was mainly due to increase in usage of vehicles for local delivery per customer's request. Our management department will monitor our environmental protection measures regularly and our accounting and finance department will continue to keep record for monitoring purpose.

Aspect A3: THE ENVIRONMENT AND NATURAL RESOURCES

The Group raises staff's awareness on environmental issues through education and training; enlist employees' support in improving the Group's performance; promote environmental awareness amongst the customers, business partners and shareholders; support community activities in relation to environmental protection and sustainability; and evaluate regularly and monitor past and present business activities impacting upon health, safety and environmental matters. With the integration of policies mentioned in the sections "A1: Emissions" and "A2: Use of Resource", the Group strives to minimize the impacts to the environment and natural resources.

Aspect A4: CLIMATE CHANGE

In terms of major climate change related impact that may affect us, we make reference to the Task Force on Climate-Related Financial Disclosures ("TCFD") framework to evaluate the magnitude of the climate impact. The potential climate change risks can be categorized into (a) transition risks: being the risks arising from compliance with the applicable environmental laws and regulations and the stringent environmental protection standards; and (b) physical risks: being the risks of the damages arising from acute weather-related events and longer-term chronic shifts in climate patterns. The Group is committed to mitigating the climate change and enhancing its resilience to adapt to the increasing threat of climate-related consequences.

We will conduct enterprise risk assessment at least once a year to cover the current and potential risks faced by our Group, including, but not limited to the risks arising from the ESG aspects and strategic risk around disruptive forces such as climate change. Our Board will assess the risks and review our Group's existing strategy, target and internal controls, and necessary improvement will be implemented to mitigate the risks. Our Board, Audit Committee and the ESG working group will maintain oversight of our Group's approach to risk management, including climate-related risks and risks are monitored as part of the standard operating processes to ensure the appropriate mitigations are in place as part of the regular management reviews. The decision to mitigate, transfer, accept or avoid a risk is resulted after our enterprise risk assessment process and directly influence the mitigating steps for those identified risks. Our Group will incorporate climate-related issues, including physical and transition risk analysis, into our risk assessment processes and risk appetite setting. If the risk and opportunities are considered to be material, our Group will make reference to them in the course of the strategy and financial planning process. Upon annual review of the ESG-related risks, and our Group's performance in addressing the risks, we may revise and adjust the ESG strategies as appropriate.

A. ENVIRONMENTAL ASPECTS *(continued)*

Aspect A4: CLIMATE CHANGE *(continued)*

As a result of above risk management process, set forth below is a summary of the climate-related risks our Group identified over the short and long term.

	Risks	Sources	Potential Impacts
Short term	Physical risks	— Extreme weather conditions such as typhoon and snow storms	— Reduced revenue from damage to assets and disruption to supply chain — Increased operating expenses
Long term	Transition risks	— Change in climate-related regulations — Shifts in customer preferences	— Increased cost of products due to changes in regulations — Reduced demand for our products

Regarding physical risks, we have implemented contingency plans and purchased adequate insurance to safeguard us and our employees against any climate change or extreme weather conditions like typhoon and snow storm that would materially and adversely affect our business and operations.

In response to transition risks, particularly (i) the evolving environmental and climate regulatory requirements and (ii) the shifts in customer preferences that could lead to negative financial impact such as increase our environmental compliance costs and decrease in revenue due to reduced demand for our products, we have adopted a series of measures to minimize the risks of environment pollution and non-compliance with the applicable environmental laws and regulations. For details, please refer to sections “A1: Emissions” and “A2: Use of Resource”. Climate change is also an opportunity for our medical imaging cloud services as medical practitioners will be able to access the patients’ medical image data anytime anywhere with his/her electronic devices whenever there is an internet connection, thus it can not only provide a paperless business environment but can also save extra energy consumption for logistics of medical data transfer.

B. SOCIAL ASPECTS

Aspect B1: EMPLOYMENT

The Group believes that our key to success is our ability to recruit, retain, motivate and develop talented and experienced staff members. We endeavour to attract and retain appropriate and suitable personnel to serve the Group. The Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of the Group. The Group’s employment handbook and human resources related internal manual sets out our standards for compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, anti discrimination, and other benefits and welfare.

We enter into a standard employment contract with each employee. Compensation for the employees includes basic wages, performance wages, bonus and other benefits. We recruit new employees based on specific job requirements, our resources and needs from time to time. We consider a number of factors in selecting and recruiting new employees, including relevant work experience, educational background, skills and knowledge. We value our employees and provide them with internal training programs. In addition, we promote equal opportunity and diversity in the workplace and we do not tolerate discrimination based on race, colour, religion, sex, marital status, age, national origin, or any other considerations deemed inappropriate by local labour laws. We believe this will increase the overall competitiveness of our workforce.

In compliance with applicable PRC laws and regulations, we are required to make contributions to various PRC Government sponsored employee benefit funds, including pension plans, basic medical insurance (including maternity insurance), unemployment insurance and work-related injury insurance.

B. SOCIAL ASPECTS *(continued)*

Aspect B1: EMPLOYMENT *(continued)*

We have devised an appraisal system for our employees and we consider the appraisal result in conducting our salary reviews and making promotion decisions. Our staff members undergo performance appraisal at a quarterly and annually basis. The appraisal provides us with an opportunity to assess each individual staff's strengths and areas for improvement, thereby enabling us to effectively train and develop each individual staff.

In light of the above, we consider that we have maintained good relationship with our employees with evidence that the average length of service of our employees in recent years has been over four years on average.

During the Reporting Period, we are not aware of any breach of or non-compliance with the applicable laws and regulations related to employments.

Aspect B2: HEALTH AND SAFETY

We are committed to providing a safe working environment for our employees. Various safety policies and control systems are implemented to promote safety on work sites. All of our employees received safety-related training regularly during their employment with us. The Group have implemented measures in the following aspects:

- Lighting: Good lighting conditions in the workplace enable staff to see comfortably and avoid possible danger. Necessary lighting are required to be turned on during working hour.
- Indoor Air Quality and Ventilation: Smoking is prohibited in all workplace and indoor area of the office. Air outlets to be cleaned regularly in the offices and warehouse to reduce the dust level of indoor air and to increase efficiency of the ventilation system.
- Office Furniture/Working Posture: Staff are provided with adjustable chairs to allow them to adjust the seat height. To enable staff having a comfortable working condition, staff should assume correct seated posture so as to avoid musculoskeletal injury.
- Manual handling: Heavy-duty manual handling involves lifting, lowering, carrying, pushing or pulling heavy items and should be reduced. Risks should be assessed before starting unavoidable manual handling. The Group provides employees with portable carts for transporting heavy objects such as equipment and inventories.
- Other safety measures: All fire-fighting equipment is regularly inspected complying with regulations on office firefighting. First aid kits are available in offices and warehouse and contain necessary items for emergency use.

Head of logistics department and administration department are responsible to monitor the above measures are in place within offices and warehouse regularly.

During the past three years (including the Reporting Period), the Group did not record any work-related fatality of employees.

During the Reporting Period, there was no case involving work related injuries. There was no case of non-compliance noted in relation to laws and regulations for health and safety.

Aspect B3: DEVELOPMENT AND TRAINING

The Group recognizes the importance of training for the development of our employees as well as the Group. We provide various types of trainings to our employees and sponsor our employees to attend training courses as mentioned in aspect "B2: Health and Safety" in this ESG Report. In-house training such as on-the-job training for senior to junior staff are available in our Group. External training can be applied by staff which is subject to approval by department head. We believe it is a win-win approach for achieving both employee and corporate goals as a whole.

B. SOCIAL ASPECTS *(continued)*

Aspect B4: LABOUR STANDARDS

The Group is fully aware that child labour and forced labour violate fundamental human rights and also pose threat to sustainable social and economic development. The Group strictly complies with relevant labour laws in the PRC and prohibits the use of child labour and forced labour. The Group strictly complies with relevant labour laws and regulations during recruitment. In the recruitment processes, the human resources department takes effective procedures to verify applicants' age and inspects their identification documents and valid proof of identity before hiring any of them. Employment contracts and other records documenting all relevant details of the employees (including age) are properly maintained for verification by relevant statutory body upon request.

If forced labour/child labour is discovered, such issue will be reported to the Board and disciplinary action would be taken against relevant staff for recruitment. Also the Group will promptly terminate the employment relationship with the person concerned.

During the Reporting Period, we did not identify any issue related to child labour or forced labour within the Group.

Aspect B5: SUPPLY CHAIN MANAGEMENT

Our suppliers primarily comprise distributors of international medical imaging film products, OEM medical imaging film products manufacturers and software companies. The Group works closely with its customer and suppliers who are committed to high quality, environmental, health and safety standards. Our procurement department is mainly responsible for selecting supplier and ensuring that the related supplier selection are in place and monitored. As stipulated in our internal policy, we select our suppliers based on a number of criteria, including their reputation and qualification, product quality, scale of production, market share, financial strength and certification and qualification related to environmental protection. We will review and update our list of suppliers annually.

For our distribution business, the major materials procured from suppliers are mainly medical imaging films and medical imaging printers. The major materials procured from suppliers for our self branded film products business include medical imaging films, medical imaging printers, accessories, packaging materials and equipment components such as shell. For our medical imaging cloud services, we procure the software from our software suppliers. We purchased all of our raw materials mainly in the PRC. We have dedicated procurement staff responsible for the selection of suppliers and the purchase of materials. The procurement staff possesses certain procurement experience and has adequate technical knowledge about our products, services and raw materials. Our procurement staff devises our procurement plans on a monthly and quarterly basis, respectively, by taking into account, among others, our actual and expected sales volume, inventory level and delivery lead time. The procurement staff then makes purchases in accordance with the procurement plan. Generally, the materials will be delivered to us within one month after our procurement department places a purchase order.

During the Reporting Period, all suppliers have passed the said processes.

Aspect B6: PRODUCT RESPONSIBILITY

Quality control and assurance

We recognize the importance of maintaining a satisfactory and consistent level of quality throughout our provision of services and products and believe that an effective quality management system is critical to ensure the quality of our products and services and hence maintain our reputation and success. We have adopted comprehensive quality control procedures during packaging and labelling process, assembly process, from procurement of raw materials to delivery of products. A quality control inspector is designated to be specifically responsible for the inspection, quality control and overseeing the quality of our raw materials and finished products. With our stringent quality assurance in place, we have been accredited with, among others, ISO 9001:2015 certification for quality management system in respect of the production and sales of Class I medical devices (medical printing film, thermal film), ISO 13485:2016 certification for medical device quality management system for the production and sales of medical printing film and thermal film, ISO 20000-1:2018 certification for information technology service management system in respect of providing medical image information management software operation and maintenance services to external customers, and ISO 27001:2013 certification for information security management system relating to the production and sales of medical printing film and thermal film.

B. SOCIAL ASPECTS *(continued)*

Aspect B6: PRODUCT RESPONSIBILITY *(continued)*

Distribution business

We fully comply with all relevant PRC laws and regulations to ensure the quality of our operations. Further, we only use suppliers that have excellent credentials and product quality track records.

When we receive products from our suppliers, we conduct selective spot inspections on the packaging, checkings on the quantity, serial numbers and qualification of the products. If such products are qualified, we will store them in our warehouse for distribution. If such products do not pass the examination, we will notify the supplier immediately for exchange of products.

Self-branded products business

We have established quality control systems in accordance with all relevant national or industry guidelines. In addition, we also adhere to our internal quality control guidelines. We can replace any OEM manufacturer that fails to pass such inspections with suitable alternatives.

In particular, we implement stringent product quality requirements for our OEM manufacturers. In accordance with the applicable laws and regulations, we are liable to our customers for the obligations of our OEM manufacturers. Therefore, we observe the whole production process during onsite visits and conduct inspections and tests on the works of our OEM manufacturers to ensure they comply with the relevant laws and regulations before we place orders with them.

During the Reporting Period, we did not encounter any disruptions to our business due to material non-compliance, counterparty default or business interruption by OEM manufacturers.

Product return policy, product recall, warranty and after-sales

If we determine the quality of our medical imaging film products to be defective and such defects are not caused by our customers, we allow our customers to exchange the defective medical imaging film products for new items as part of our product return policy. We generally provide warranty to our customers in relation to the maintenance and repair of the medical imaging printers procured from us for generally a year. For the medical imaging cloud services, our Group normally provides remote technical support or conducts on-site maintenance and repair work if requested by our customers during the warranty period, which is generally one year, and also carries out upgrading work for the cloud services from time to time. If we experience any quality or safety problems in relation to our raw materials and that our product quality is adversely affected, we may recall our products from the market.

Intellectual property

We rely on our Group's technical department to protect our trademark, software copyrights and other intellectual property rights. The Group's technical department is the department responsible for the work related to intellectual property rights, responsible for the acquisition, modification, renewal, licensing, pledge, transfer, logout, and monitoring of intellectual property of all units including trademarks, functional variable names, copyrights, patents, responsible for guiding, supervising, and managing the intellectual property rights maintenance and rights protection and anti-counterfeiting of all units. The Group requires our staff to endeavor to guarantee and develop intellectual property rights of the Group while thoroughly respecting the legal intellectual property rights of third parties. In addition, the Group would also sign confidentiality agreements and competition prohibition agreements with its staff and suppliers to prevent the infringement of intellectual property rights. Employees who are suspected of violating relevant rules of intellectual property rights of the Group shall be under investigation and the Group would take appropriate actions to this.

Customer data protection and privacy

The Group is committed to safeguarding the privacy of customers and their intellectual property rights. We generally do not collect or use the data of customers or patients during our provision of medical imaging cloud services. The medical data and information in our digital medical imaging cloud storage platform are stored and archived in the virtual storage drive operated by our cloud storage provider which has security measures in place to protect such data and information, and hence the cloud storage provider is responsible for the protection of such data and information.

B. SOCIAL ASPECTS *(continued)*

Aspect B6: PRODUCT RESPONSIBILITY *(continued)*

Customer data protection and privacy *(continued)*

We procured software, which is connected to the virtual storage drive, from our software supplier to provide medical imaging cloud services to our customers and the data of customers or patients will be stored and archived in the virtual storage drive in the course of using the software. Accordingly, in any event of data leakage due to technical issues of the software, our software supplier shall bear the primary responsibility for any losses or damages resulting from the leakage as confirmed by the software supplier.

However, any improper or unauthorized use or disclosure of such medical data by us, our employees or our business partners could subject us to reputational, financial, legal and operational consequences. If an actual or perceived breach of security occurs, the market perception of the effectiveness of our security measures could be harmed, we could lose customers and we may be exposed to significant legal and financial risks, including legal claims and regulatory fines and penalties.

In light of the potential material consequence of data leakage, the Group has formulated the “Measures for the Management of Commercial Secrets” 《(商業秘密管理辦法)》, which clearly stipulates the scope of our commercial secrets, confirmation and decryption of confidential information, ownership rights of confidential information, confidentiality obligations of employees, etc. The Group’s customer information is attended by specified personnel and can only be accessed by authorized personnel. Classified paper documents are properly placed in the storage room to avoid data breaches. Additionally, the Group provides regular training for employees to enhance their awareness in personal data security, and to prevent employees from using, leaking, and selling customers’ personal information illegally.

Aspect B7: ANTI-CORRUPTION

To ensure operation efficiency and employees’ development in a fair and honest working environment, the Group has formulated formally established a set of internal policies in relation to bribery and corruption and fraudulent activities, which strictly prohibit paying or receiving bribes and kickbacks in commercial transactions. The following measures have been implemented in order to prevent such illegal practices:

- we have formally adopted an employee handbook to standardize our employees’ code of conduct which strictly forbids paying or receiving bribes. Upon signing the employment contracts, our employees agree to abide by the terms and conditions of the employee handbook. We also have in place an employee code of ethics to prohibit illegal practices such as bribery and corruption and fraudulent activities. Our employees have signed anti-bribery and corruption agreement to undertake not to participate in such illegal practices. Employees who violate any of the terms of the employee handbook, employee code of ethics or antibribery and corruption agreement are subject to disciplinary measures, including termination of employment;
- we have implemented a policy on reporting on conflict of interest setting out the procedures to manage transactions or events involving any conflict of interest of employees; and
- we have in place an anti-fraud management policy setting out the responsibility of the Board of Directors and audit committee to cultivate an anti-fraud culture within our Group which includes the procedures for the reporting, receiving information relating to and investigation of fraud cases, setting out responsibilities and penalties for fraud, and established channels for reporting fraud cases.

Besides, anti-corruption training was provided to management and staff through internal training during the Reporting Period.

The Group has been in strict compliance with laws and regulations related to anti-corruption. During the Reporting Period, there was no legal case regarding corrupt practices, extortion and money laundering brought against the Group or its employees.

Aspect B8: COMMUNITY INVESTMENT

As a socially responsible company, the Group is committed to understanding the needs of the communities in which we operate. The Group strives to develop long-term relationship with our stakeholders and seek to make contributions to programmes that have a positive impact on community development.

APPENDIX I OVERVIEW OF KEY PERFORMANCE INDICATORS

1. Environmental Aspects ^(Note 1)

No. of KPIs	KPIs	Unit	2022	2021
A1.1 Emissions	Sulphur Dioxide (Sox)	kg	0.44	0.37
	Nitrogen Oxides (Nox)	kg	138.59	129.38
	Particulate Matter (PM)	kg	13.21	12.35
A1.2 Greenhouse gas emissions	Scope 1 Direct emissions	tons of equivalent CO ₂ emission	76.45	65.11
	Scope 2 Indirect emissions	tons of equivalent CO ₂ emission	12.93	11.96
	Total	tons of equivalent CO ₂ emission	89.38	77.07
	Intensity	tons of equivalent CO ₂ emission/ Revenue RMB'000	0.00050	0.00037
A1.4 Non-hazardous waste	Total non-hazardous waste	tons	1.80	1.51
	Intensity	tons/Revenue RMB'000	0.00001	0.00001
A2.1 Energy consumption	Unleaded petrol	kWh	76,251.67	47,293.86
	Diesel	kWh	212,887.51	200,364.72
	Purchased electricity	kWh	21,200.00	19,600.00
	Total	kWh	310,339.18	267,258.58
	Intensity	kWh/Revenue RMB'000	1.75	1.27
A2.5 Packaging material	Paper	tons	8.00	9.00
	Plastic	tons	0.20	0.15

Note

- The calculation of environmental KPIs are with reference to the "How to prepare an ESG Report — Appendix 2: Reporting Guidance on Environmental KPIs" issued by the HKEx.

APPENDIX I OVERVIEW OF KEY PERFORMANCE INDICATORS *(continued)*

2. Social Aspects

No. of KPIs	KPIs	Unit	2022	2021
B1.1 Total number of employees	By gender			
	Male	person	32	23
	Female	person	11	12
	By employment type			
	Full-time	person	43	35
	Part-time	person	Nil	Nil
	By age group			
	30 or below	person	8	3
	31-40	person	22	19
	41-50	person	11	11
	51 or above	person	2	2
	By geographical region			
	PRC	person	43	35
B1.2 Employee turnover rate	Turnover rate by gender			
	Male	%	13	39
	Female	%	45	42
	Turnover rate by age group			
	30 or below	%	38	100
	31-40	%	14	Nil
	41-50	%	18	73
	51 or above	%	50	100
	By geographical region			
PRC	%	21	40	
B2.1 Number and rate of work-related fatalities ^(Note 1)	Number of work-related fatalities	person	Nil	Nil
	Rate of work-related fatalities	%	Nil	Nil
B2.2 Number of working days lost due to work injury	Number of working days lost due to work injury	day	Nil	Nil
B3.1 Percentage of trained employees	Percentage of trained employees	%	100	100
	By gender			
	Male	%	100	100
	Female	%	100	100
	By rank			
	General	%	100	100
	Senior management	%	100	100

APPENDIX I OVERVIEW OF KEY PERFORMANCE INDICATORS (continued)

2. Social Aspects (continued)

No. of KPIs	KPIs	Unit	2022	2021
B3.2 Average training hours completed per employee	Average training hours completed per employee	hour	23.72	23.43
	By gender			
	Male	hour	23.63	23.30
	Female	hour	24.00	23.67
	By rank			
	General	hour	24.00	23.75
	Middle management	hour	24.00	24.00
	Senior management	hour	12.00	12.00
B5.1 Number of suppliers	Number of suppliers by geographical region			
	PRC	supplier	67	66
	Total	supplier	67	66
B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	case	Nil	Nil
B6.2 Number of complaints about products and services	Number of complaints about products and service received	case	Nil	Nil
B7.1 Legal cases in relation to corruption	Number of legal cases in relation to corruption filed and concluded	case	Nil	Nil

Notes:

1. During the past three years (including the Reporting Period), the Group did not record any work-related fatality of employees.
2. As of 31 December 2022, all of the Group's employees worked full-time in PRC.

APPENDIX II ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX

Subject areas, aspects, general disclosures and KPIs	Section/Statement
A. Environmental	
Aspect A1: Emissions	
<p>General Disclosure Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. 	A1: Emissions
KPI A1.1 The types of emissions and respective emissions data.	Appendix I: Overview of KPIs
KPI A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total and, where appropriate, intensity.	Appendix I: Overview of KPIs
KPI A1.3 Total hazardous waste produced and, where appropriate, intensity.	There was no hazardous waste generated during the Reporting Period.
KPI A1.4 Total non-hazardous waste produced and, where appropriate, intensity.	Appendix I: Overview of KPIs
KPI A1.5 Description of emission targets set and steps taken to achieve them.	A2: Use of Resources
KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction targets set and steps taken to achieve them.	A1: Emissions
Aspect A2: Use of Resources	
<p>General Disclosure Policies on the efficient use of resources including energy, water and other raw materials.</p>	A2: Use of Resources
KPI A2.1 Direct and indirect energy consumption by type in total.	Appendix I: Overview of KPIs
KPI A2.2 Water consumption in total and intensity.	There was no material usage of water during the Reporting Period.
KPI A2.3 Description of energy use efficiency and a description of targets set and steps taken to achieve them.	A2: Use of Resources
KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency and a description of targets set and steps taken to achieve them.	A2: Use of Resources
KPI A2.5 Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Appendix I: Overview of KPIs
Aspect A3: The Environmental and Natural Resources	
<p>General Disclosure Policies on minimising the issuer's significant impact on the environment and natural sources.</p>	A3: The Environmental and Natural Resources
KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Group's operational activities do not directly generate industrial pollutants and thus do not significantly pose negative impact to the environment.

APPENDIX II ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE CONTENT INDEX *(continued)*

Subject areas, aspects, general disclosures and KPIs	Section/Statement
<p>Aspect A4: Climate Change</p> <p>General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.</p> <p>KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact the issuer, and the actions taken to manage them.</p>	<p>A4: Climate Change</p> <p>A4: Climate Change</p>
<p>B. Social</p> <p>Employment and Labour Practices</p>	
<p>Aspect B1: Employment</p> <p>General Disclosure Information on:</p> <ul style="list-style-type: none"> (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. <p>KPI B1.1 Total workforce by gender, employment type, age group and geographical region.</p> <p>KPI B1.2 Employee turnover rate by gender, age group and geographical region.</p>	<p>B1: Employment</p> <p>Appendix I: Overview of KPIs</p> <p>Appendix I: Overview of KPIs</p>
<p>Aspect B2: Health and safety</p> <p>General Disclosure Information on:</p> <ul style="list-style-type: none"> (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. <p>KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.</p> <p>KPI B2.2 Lost days due to work injury.</p> <p>KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.</p>	<p>B2: Health and safety</p> <p>Appendix I: Overview of KPIs</p> <p>Appendix I: Overview of KPIs</p> <p>B2: Health and safety</p>
<p>Aspect B3: Development and Training</p> <p>General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.</p> <p>KPI B3.1 The percentage of employee trained by gender and employee category.</p> <p>KPI B3.2 The average training hours completed per employee by gender and employee category.</p>	<p>B3: Development and Training</p> <p>Appendix I: Overview of KPIs</p> <p>Appendix I: Overview of KPIs</p>

APPENDIX II ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

CONTENT INDEX *(continued)*

Subject areas, aspects, general disclosures and KPIs	Section/Statement
Aspect B4: Labour Standards	
<p>General Disclosure Information on:</p> <ul style="list-style-type: none"> (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issue relating to providing child and forced labour. 	B4: Labour Standards
KPI B4.1 Description of measures to review employment practices to avoid child and forced labour.	B4: Labour Standards
KPI B4.2 Description of steps taken to eliminate such practices when discovered.	B4: Labour Standards
Operating Practices	
Aspect B5: Supply Chain Management	
<p>General Disclosure Policies on managing environmental and social risks of the supply chain.</p>	B5: Supply Chain Management
KPI B5.1 Number of suppliers by region.	Appendix I: Overview of KPIs
KPI B5.2 Description of practices relating to engaging supplies, number of supplies where the practices are being implemented, how they are implemented and monitored.	B5: Supply Chain Management
KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored .	B5: Supply Chain Management
KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, how they are implemented and monitored.	B5: Supply Chain Management
Aspect B6: Product Responsibility	
<p>General Disclosure Information on:</p> <ul style="list-style-type: none"> (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, labeling and privacy matters relating to products and services provided and methods of redress. 	B6: Product Responsibility
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Appendix I: Overview of KPIs
KPI B6.2 Number of products and service related complaints received and how they are dealt with.	Appendix I: Overview of KPIs
KPI B6.3 Description and practices relating to observing and protecting intellectual property rights.	B6: Product Responsibility
KPI B6.4 Description of quality assurance process and recall procedures .	B6: Product Responsibility
KPI B6.5 Description of customer data protection and privacy policies, how they are implemented and monitored.	B6: Product Responsibility

APPENDIX II ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

CONTENT INDEX *(continued)*

Subject areas, aspects, general disclosures and KPIs	Section/Statement
<p>Aspect B7: Anti-corruption</p> <p>General Disclosure Information on:</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 bribery, extortion, fraud and money laundering.</p> <p>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 case.</p> <p>KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.</p> <p>KPI B7.3 Description of anti-corruption training provided to directors and staff.</p>	<p>B7: Anti-corruption</p> <p>Appendix I: Overview of KPIs</p> <p>B7: Anti-corruption</p> <p>B7: Anti-corruption</p>
<p>Aspect B8: Community Investment</p> <p>General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.</p> <p>KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).</p> <p>KPI B8.2 Resources contributed (e.g. money or time) to the focus area.</p>	<p>B8: Community Investment</p> <p>During the Reporting Period, the focus area of contribution to community investment was still under consideration and therefore there was no resources contributed to focus area. The Company will aim to determine the focus area and contribute to such focus area in the future.</p> <p>During the Reporting Period, the focus area of contribution to community investment was still under consideration and therefore there was no resources contributed to focus area. The Company will aim to determine the focus area and contribute to such focus area in the future.</p>