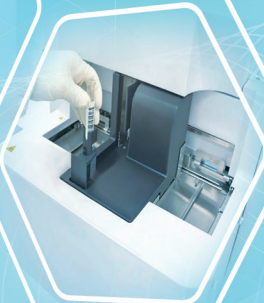




IVD MEDICAL HOLDING LIMITED 華檢醫療控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1931



2023

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

REPORTING OVERVIEW

This environmental, social and governance report (the “**ESG Report**” or “**Report**”) is a summary of the environmental, social and governance (“**ESG**”) initiatives, plans and performance of IVD Medical Holding Limited (the “**Company**”) together with its subsidiaries (the “**Group**” or “**we**”) and demonstrates our commitment to sustainable development. The Group adheres to sustainable development in line with the principles of environmental, social and governance management, which enables the Company constantly create value for stakeholders. The Group is committed to addressing its ESG issues in an effective and responsible manner, and has integrated it as a core component of its business strategy as we believe it is critical for our sustained success in the future.

REPORTING PERIOD

The ESG Report covers the detailed ESG activities, challenges and initiatives of the Group for the year ended 31 December 2023 (the “**Reporting Period**”).

SCOPE OF REPORTING

This ESG Report generally covers the core business of the Group in the PRC, including distribution business, maintenance services and self-branded products business. Data collection includes the core operating locations of some subsidiaries such as Vastec Medical Equipment (Shanghai) Co., Ltd. (“**Vastec (Shanghai)**”) and Dacheng Medical Equipments (Shanghai) Co., Ltd. (“**Dacheng**”), including the offices located in different regions of the PRC as well as the warehouse in Shanghai. The reporting scope of the ESG report was identified with reference to their ESG materiality to the Group, its core businesses and major revenue sources. Unless specify otherwise, the ESG key performance indicator (“**KPI**”) data is gathered and included under the Group’s operational control mechanism. The Group will continue to extend the scope of disclosures as its data collection system and sustainable strategies further evolves.

REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in the Appendix C2 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The ESG Report has complied with “mandatory disclosure requirements” and “comply or explain” provisions, as well as the reporting principles of materiality, quantitative, balance and consistency. While preparing the ESG Report, the Group has adopted the international standards and emission factors set out in the ESG Guide of the Stock Exchange to calculate the relevant key performance indicators (“**KPI**”). This ESG Report has used consistent methodologies as the previous year. The details of the application of materiality are set out in the Section headed “Materiality Assessment” of the ESG Report.

The Report has been prepared in accordance with the reporting principles under the ESG Reporting Guide of the Stock Exchange, namely “materiality”, “quantitative”, “balance” and “consistency”.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Materiality: During the Reporting Period, the Group conducted a materiality assessment to identify material issues, and has taken the identified material issues as the focus of the preparation of the ESG Report. The materiality of ESG issues has been reviewed and confirmed by the ESG taskforce. Please refer to the Sections headed “Stakeholder Communication” and “Materiality Assessment” for further details.

Quantitative: Quantitative data disclosed in the ESG Report have supplemented the notes to describe the standards, methodologies and source of key conversion factors used to calculate emissions and energy consumption.

Balance: The Report aims to provide a comprehensive and fair view of the sustainable development performance of the Group and does not omit any information relating to material ESG topics.

Consistency: The ESG Report has used consistent methodologies as the previous year and provided explanations in case of any change in the scope of disclosure and calculation method.

DATA SOURCE AND RESPONSIBILITY STATEMENT

The information disclosed in the ESG Report is excerpted from internal documents, statistical reports and relevant public information of the Group. The Group undertakes that the ESG Report does not contain any false information, misleading statements or material omissions, and assumes responsibility as to the authenticity, accuracy and completeness of its content.

FORWARD-LOOKING STATEMENT

The Report contains forward-looking statements, which are based on current expectations, estimates, projections, beliefs and assumptions of the Group in relation to the businesses of the Group and its subsidiaries and markets in which they operate. These forward-looking statements constitute no guarantees for future performance and are subject to market risks, uncertainties and factors beyond the control of the Group. Therefore, there may be material difference between the actual results and returns and the assumptions and statements set out in the Report.

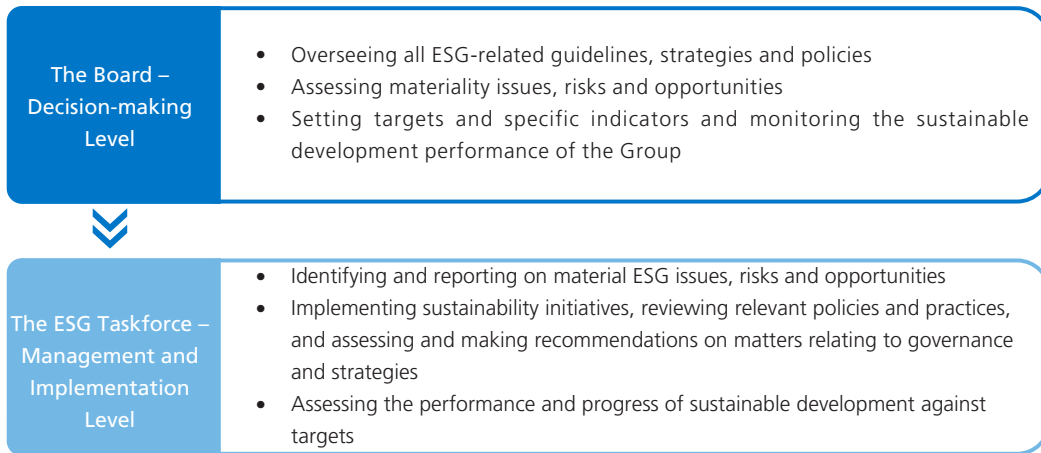
CONTACT US

The Group is committed to enhancing operational transparency, creating a positive impact on the environment and society where it operates, and maintaining sound communication with its stakeholders. We welcome stakeholders to provide valuable opinions and suggestions on the ESG Report or the Group’s performance on sustainable development via the following methods:

Address: Room 1703, Grandtech Centre, 8 On Ping Street, Shatin, Hong Kong
Telephone: (86)4008209809
Email: ivd@ivdholding.com

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The ESG Governance Structure



BOARD STATEMENT

We will address ESG issues of the Group in an effective and responsible manner, and has integrated it as a core component of its business strategy as we believe it is critical for our sustained success in the future. We strongly believe that environmental protection, low carbon footprint, resource conservation and sustainable development will be the key trends in society, hence we will continuously and steadily satisfy the needs of our customers, contribute to the society, and also stimulate long term development of the Group.

The Group will strictly comply with the principles of sustainable development and strive to achieve prescribed standards of each ESG scope, so as to create positive value for its stakeholders. In line with the carbon neutrality goal of the Hong Kong Government, the Group has set goals to improve its performance in greenhouse gas (“GHG”) emissions, waste management, energy management and water management. The Group believes that the formulation of ESG-related goals and targets promotes the Group to fulfill its commitments to corporate social responsibility and enables the stakeholders of the Group to better understand its ESG performance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG TASKFORCE

The Group has established an ESG governance framework to ensure the consistency between the ESG governance and our business strategy and to incorporate the ESG management into our business operation and decision-making process. In order to further improve its sustainable development governance structure, the Group has established the ESG taskforce (the “**Taskforce**”) under the Board. The Chief Finance Officer of the Company serves as the chairman of the Taskforce, and its key members comprise the heads of departments responsible for ESG affairs of the Group, in order to more effectively incorporate sustainable development considerations into the decision-making process of the Company.

In the governance structure, the Board takes overall responsibility for ESG matters of the Group, and conduct collective discussions on ESG-related matters at least once a year to provide directional guidance for the sustainable development strategy of the Group. The Board is also responsible for ensuring the effectiveness of risk management and internal control systems, examining and approving the ESG Report, and monitoring the progress of sustainable development work. Members of the Board have appropriate skills, experience, knowledge and insights to oversee the ESG matters of the Group. In ordinary operations, the Taskforce is responsible for collecting relevant information and data on ESG aspects for the preparation of the ESG reports. The Taskforce meets annually to report to the Board, assists in identifying the Group’s ESG risks, and assesses the effectiveness of the Group’s ESG internal control mechanism. The Taskforce also examines and evaluates the performance in different aspects such as environment, health and safety, labour standards, and product responsibility. The Taskforce reports to the Board at least once a year and makes recommendations when necessary. The Board will discuss material ESG issues as well as management strategies and policies of the Group, so as to continuously enhance the sustainable development performance of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

STAKEHOLDER COMMUNICATION

Stakeholder engagement is an essential part on continuously developing the sustainability performance of the Group, hence we value our stakeholders and their feedback regarding our businesses and ESG aspects. In order to understand and address their key concerns, we have maintained close communication with our key stakeholders, including but not limited to shareholders and investors, customers, business partners and suppliers, employees, as well as the community, non-governmental organisations and media.

In formulating our operational strategies and ESG measures, the Group takes into account the stakeholders’ expectations through different stakeholder engagement methods and communication channels. The Group’s communication channels with the key stakeholders and their respective expectations are as follows:

Stakeholders	How to Participate	Material Issues
Shareholders/Investors	<ul style="list-style-type: none"> • Annual general meeting and other shareholder meetings • Annual and interim reports • Circulars and announcements • Company website 	<ul style="list-style-type: none"> • Anti-corruption • Compliance and business ethics • Emissions management • Resources management
Employee	<ul style="list-style-type: none"> • Training courses • Performance appraisal • Social media 	<ul style="list-style-type: none"> • Trainings and development • Employee salaries and benefits • Occupational health and safety
Suppliers	<ul style="list-style-type: none"> • Qualification review • On-site inspection 	<ul style="list-style-type: none"> • Responsible supply chain management
Customers	<ul style="list-style-type: none"> • Customer service hotline • Product tracking system 	<ul style="list-style-type: none"> • Product quality control • Customer services
Government	<ul style="list-style-type: none"> • Emails and circulars • Tax payment in full and on time 	<ul style="list-style-type: none"> • Anti-corruption • Compliance and business ethics
Media and the public	<ul style="list-style-type: none"> • ESG report 	<ul style="list-style-type: none"> • Emissions management • Resources management • Participation of community activities

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

The Group values stakeholder's opinion, and identifies and determines material topics included in the ESG Report through feedback from relevant stakeholders. The Group's management and staff in major functions are involved in the preparation of the ESG Report, so to assist the Group in reviewing its operations and identifying the relevant ESG issues, and assess the importance of those relevant matters to our business and stakeholders. The Group conducts regular surveys on material issues to ensure that the importance of issues at various levels to different stakeholders can be accurately reflected in the materiality matrix.

The following is the matrix showing a summary of the Group's material ESG issues during the Reporting Period:



Environmental

1. Emissions Control
2. Waste Disposal
3. Use of Resources
4. Response to Climate Change

Social

5. Employment Practices
6. Employee Health Management
7. Training Management
8. Prevention of Child and Forced Labour
9. Supply Chain Management
10. Fair and Open Procurement

11. Quality Control
12. Customer Services
13. Privacy Protection
14. Intellectual Property Rights
15. Anti-corruption
16. Community Investment

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. ENVIRONMENT

The Group attaches great importance to good environmental management and strives to protect the environment so to fulfill social responsibilities of the Group. The Group strives to protect the environment through the implementation of control activities and monitoring measures in its business activities and workplace. We are committed to taking clear actions to achieve a low-carbon future. The strategic environmental measures of the Group aim to respect the environment and protect biodiversity, and we proactively promotes the circular economy to control and minimize our impact on the nature. The Group is aware that successful net zero transition depends on bold actions and economic and social transformation, so that it will continue to become an exemplary leader of environment management in the industry and communities.

A1. Emissions

Exhaust Gas Emissions

With a mission to promote a green environment, the Group integrates environmental protection concepts into its business operations, actively introduces environmental protection businesses, enhances the environmental awareness of employees and ensures their compliance with relevant laws and regulations, so as to mitigate adverse environmental impacts. Meantime, we continue to explore opportunities to enhance and implement environmental practices within our policy framework to improve our environmental performance. By adopting various means of energy conservation, emission reduction and efficient use of resources, we strive to adapt to evolving environmental challenges and contribute to sustainable development.

Given the nature of our business, the primary source of relevant exhaust gas emissions stems from vehicle emissions during our commercial operations. The Group strictly complied in all material respects with and did not violate the Environmental Protection Law of the PRC, Water Pollution Prevention and Control Law of the PRC, Prevention and Control of Atmospheric Pollution Law of the PRC, Prevention and Control of Pollution from Environmental Noise Law of the PRC, Prevention and Control of Environmental Pollution by Solid Wastes Law of the PRC and other laws and regulations related to environmental protection in the PRC during the Reporting Period. In addition, the Group has established environmental protection responsibility system, actively adopts environmental protection measures on the environmental pollution generated during business operations. In order to minimize the exhaust gas emitted from our business operation, the following are the emission reduction measures we have taken on vehicles emissions:

- Choose the shortest reasonable route when vehicles are travelling between the Group's operating locations and destinations to reduce consumption of gasoline and diesel;
- Turn off engines for idling vehicles; and
- Conduct regular vehicle maintenance to ensure efficient use of fuel.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations on exhaust gas and greenhouse gas emissions, discharges into water and land and generation of hazardous and non-hazardous waste, etc. that would have a significant impact on the Group. The exhaust gas emissions performance of the Group was as follows:

Indicator ¹	Unit	2023	2022
Nitrogen Oxides (NOx)	kg	16.48	160.90
Sulphur Oxides (SOx)	kg	0.36	2.99
Particulate Matter (PM)	kg	1.21	12.48

Note:

1. Exhaust gas emissions and related emission factors were calculated based on (including but not limited to) "How to prepare an ESG report-Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

GHG Emissions

The major sources of the Group's GHG emissions represent direct greenhouse gas emissions (Scope 1) generated from diesel and gasoline consumption of vehicles and indirect greenhouse gas emissions (Scope 2) generated from purchased electricity. The Group actively adopts electricity and energy conservation measures to reduce GHG emissions. Apart from the measures described above in the section headed "Exhaust Gas Emissions" under this Aspect, the Group has formulated Policy on Facilities and Equipment Maintenance, Verification and Calibration to ensure the normal operation of the equipment on detecting temperature and humidity in the warehouse, and control temperature and humidity of the warehouse through temperature and humidity records to control the use of energy in the warehouse. Besides, we actively adopt other environmental conservation measures, the corresponding measures are described in the sections headed "Energy Management".

During the Reporting Period, the GHG emissions performance of the Group was as follows:

Indicator ²	Unit	2023	2022
Direct GHG emissions (Scope 1)	tCO₂e	3,481.78	620.22
Petrol	tCO ₂ e	65.19	507.96
Diesel	tCO ₂ e	10.59	30.81
Refrigerants	tCO ₂ e	3,406	81.45
Indirect GHG emissions (Scope 2)	tCO₂e	377.33	345.71
Purchased electricity	tCO ₂ e	377.33	345.71
Total GHG emissions (Scope 1 and 2)	tCO₂e	3,859.11	965.93
Total GHG emissions intensity	tCO₂e/employee³	4.81	1.28
	tCO₂e/RMB million revenue⁴	1.25	0.35

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Notes:

2. GHG emissions data is presented in terms of carbon dioxide equivalent and are based on, including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by HKEx, the latest released emission factors of China's regional power grid basis, the "2022 Sustainability Report" published by HK Electric Investments and the "2022 Sustainability Report" published by the CLP Holdings Limited.
3. As of 31 December 2023, the Group had 803 employees (as of 31 December 2022: 755). These data are also used for calculating other intensity data.
4. During the Reporting Period, the Group achieved a revenue of approximately RMB3,088,387,000 (2022: RMB2,748,809,000). These data are also used for calculating other intensity data.

Sewage Discharge

We do not consume a significant volume of water in our business activities, hence our business activities did not generate material discharges into water during the Reporting Period. Since the sewage discharged by the Group will be discharged into the municipal sewage pipe network and then treated, and most of the water supply and discharge facilities are provided and managed by property management company. The amount of water consumption of the Group represents the wastewater discharge volume, and the relevant data and water conservation measures will be described in the section headed "Water Consumption" during the Reporting Period.

Waste Management

The Group adheres to the waste management principle and strives to properly manage and dispose wastes generated by its business activities. The Group maintains high standard in waste reduction, educates its employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development. The distribution business of the Group strictly complies with Prevention and Control of Environmental Pollution by Solid Wastes Law of the PRC, that regulates the generation, collection and disposal of waste.

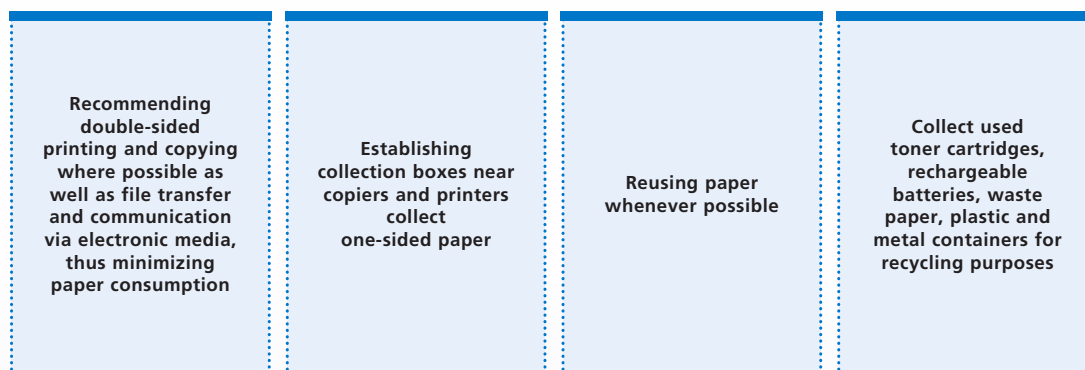
Hazardous Wastes

Due to the Group's business nature, the hazardous wastes we generated are mainly an insignificant amount of waste energy-saving lamps and waste batteries, thus we didn't set up relevant goals. For the disposal of hazardous wastes, we will ensure relevant environmental laws and regulations are complied with. In case any other hazardous chemical wastes are produced, we will engage a qualified chemical waste collector to handle such wastes to ensure its compliance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Non-hazardous Wastes

The primary non-hazardous waste generated in our business activities consists of office paper and other non-hazardous waste. To effectively manage and dispose of non-hazardous waste, we have adopted a series of measures. Firstly, we actively promote waste sorting and recycling, and encourage employees to incorporate recyclable waste paper and packaging paper into the recyclable waste process. We provide appropriate waste sorting facilities and guidance to ensure proper sorting and handling of waste. Meantime, we continue to reduce waste at its source, establish an electronic office environment to reduce the demand for paper, and encourage employees to utilize online systems and digital tools for file transfer and information sharing in the office, thereby minimizing the need for printing and copying documents to reduce paper consumption. In addition, we regularly organize trainings and publicity activities to enhance environmental awareness of employees, and encourage paper-saving practices in their daily work.



During the Reporting Period, the non-hazardous waste discharge performance of the Group was as follows:



Indicator	Unit	2023	2022
Paper	tonnes	6.77	3.91
General wastes	tonnes	14.91	0.04
Ink cartridge	tonnes	0.7	0.02
Total non-hazardous waste	tonnes	22.38	3.97
Total non-hazardous waste intensity	tonnes/employee³	0.028	0.005
	tonnes/RMB million revenue⁴	0.007	0.001

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



A2. Use of Resources

With an aim of actively promoting efficient use of resources, the Group monitors the potential impact on the environment caused by its business operation and promotes a green operational environment to minimize the impact of the Group’s operation on the environment. We insist on using resources reasonably and efficiently to conduct reasonable and effective control and management on the environment factors during the Group’s operation. The Group has formulated relevant policies and procedures to manage the efficient use of resources. The Group regulates the use of water and energy such as electricity, and focuses on managing energy intensive equipment, in order to standardizes procedures on operating equipment so as to enhance efficient use of resources. In addition, to achieve sustainable development on the environment, the Group has established green practice guidelines in office and regularly circulates environmental messages and practical suggestions on an environmentally friendly lifestyle to employees to reduce the impacts on environment caused by office operations.

The Group continuously implements various measures in order to introduce resource efficiency and environmental protection measures to the Group’s operations, and is committed to optimizing the use of resources in the process of business operations, the Group has set environmental related targets, including:

Environmental Aspects	Targets	Progress
 GHG Emissions	Starting from 2022, the Group will reduce GHG emission intensity by 5% by 2030.	Ongoing
 Waste Management	Starting from 2022, the Group will reduce solid waste by 5% by 2030.	Ongoing

Use of Energy and Resources

 Energy Management	Starting from 2022, the Group will reduce electricity consumption density by 5% by 2030.	Ongoing
 Water Consumption	Starting from 2022, the Group will reduce water consumption density by 5% by 2030.	Ongoing

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Energy Management

Energy consumption stands as a primary contributor to greenhouse gas emissions and climate change. In our ordinary business operations, our main energy consumption is diesel and gasoline consumed by vehicles, and electricity consumed in operations. The Group will conduct a comprehensive review and assessment of energy consumption to gain insights into energy usage and potential improvement opportunities. Through monitoring and analyzing energy source data, we can identify areas of energy wastage and inefficiency, and formulate corresponding improvement plans.

The Group optimizes and upgrades the facilities and equipment in its warehouses through Facilities and Equipment Maintenance, Verification and Calibration Policy. The Quality Management Department is responsible for organizing relevant department to verify and calibrate relevant facilities and equipment. Warehouse keeper of the Logistics Department is responsible for the daily maintenance on facilities and equipment in the warehouse, and to ensure the warehouse is equipped with facilities and equipment that have light protection, ventilation, dust-proof, damp-proof, pest control, lighting and fire protection that meets the IVD reagent storage requirement.

Also, the Group has implemented relevant energy use efficiency program to achieve the goal of energy saving and efficient use of energy, the relevant measures are as follows:

- Set all printers, copiers and computers to energy-saving mode where possible;
- Set the room temperature at between 20°C to 25.5°C, with the most suitable temperature at 25.5°C;
- Encourage employees to switch off idle equipment, computers and lightings when not in use or after work;
- Monitor monthly energy usage and investigate material differences;
- Use energy-saving office equipment and computers;
- Purchase energy-saving equipment only when it is necessary to replace old electrical appliances or for new business needs; and
- Post energy-saving slogans in visible area to infiltrate the awareness of energy conservation and environmental protection to the work and life of every employee.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group's energy consumption performance was as follows:

Types of energy	Unit	2023	2022
Direct energy consumption⁵	MWh	280.84	1,973.74
Diesel	MWh	43.32	122.99
Petrol	MWh	237.53	1,850.75
Indirect energy consumption	MWh	661.63	606.19
Electricity	MWh	661.63	606.19
Total energy consumption	MWh	942.47	2,579.93
Total energy consumption intensity	MWh/employee³	1.17	3.42
	MWh/per RMB million revenue⁴	0.31	0.94

Note:

- The unit conversion of energy consumption data is based on the Energy Statistics Manual published by the International Energy Agency.

Water Consumption

As extreme weather events such as droughts and floods continue to rise in frequency and intensity, it is imperative for enterprises to embrace sustainable practices and conserve water. The Group is committed to enhancing water resource efficiency and bolstering the resilience of ecosystems in which it operates. To mitigate the impact of pollution on local water sources, the Group complies with local regulatory requirements to ensure the safety of drainage practices. Benefiting from the geographical locations of our offices and warehouses, we encounter no challenges in securing suitable water sources, have no business using fresh water in water-scarce areas, and face no difficulties in obtaining water appropriate for our needs.

The Group's water consumption is mainly water consumed in office, with an insignificant amount of water consumed in warehouse. To enhance water efficiency of the Group, we have adopted the following measures:

- Use water-saving appliances in water facilities where possible;
- Turn off water-taps after using to avoid running, overflowing, dripping and leaking of water;
- Notify relevant department if problems are found to avoid wasting water resources; and
- Post environmental protection messages in pantry and toilets to remind employees on water conservation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group's water consumption was as follows:

Indicators	Unit	2023	2022
Water consumption	m ³	5,540.00	3,186.61
Water consumption intensity	m ³ /employee ³	6.90	4.22
	m ³ /RMB million revenue ⁴	1.79	1.16

Use of Packaging Material

Despite that the Group's business does not involve production process, we consume packaging material for transportation of products, which include cartons and wooden boxes. We have formulated guidelines for packaging material usage, and conduct annual review on packaging material consumption.

During the Reporting Period, the Group's packaging material consumption performance was as follows:

Types of packaging material	Unit	2023	2022
Carton	tonnes	112.78	86.32
Wooden box	tonnes	0.80	14.18

A3. The Environment and Natural Resources

Protecting the environment and natural resources is critical for the long-term sustainable development of the Group. As a responsible company, aside from abiding to the relevant environmental laws and regulations and properly protect the natural environment, the Group also finds ways to integrate the concepts of environmental protection into its internal management and daily operations, and establishes relevant policies to create long-term value for our stakeholders and the community. We continuously monitor whether our business operations have any potential impact on the environment, and minimize the impact of our operations on the environment by promoting green operation. If applicable, we will adopt green procurement strategy and the most practical technology to protect natural resources.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A4. Climate Change

The identification of future climate risks has emerged as a critical issue in current business operations. Climate change poses substantial challenges and risks to the society, the economy and the environment. To cope with these risks, the Group relies on climate science and related data to support risk identification, and fosters extensive communication and collaboration with its stakeholders. Through comprehensive climate risk assessments, we can more accurately predict and understand the impact of potential risks on our business and value chain. Relying on scientific information, stakeholder collaboration and risk assessments, the Group is able to better identify and understand the risks relating to climate change, and take appropriate measures to mitigate such risks and fortify our readiness for sustainable development.

Climate Risks and Opportunities	Potential Impact	Response Strategies
<p>Physical Risks</p> <p>Increasing frequency and intensity of extreme weathers, including strong typhoons and heavy rainfalls.</p>	<ul style="list-style-type: none"> • Declines in revenue due to reduced customer traffic and project delays caused by extreme weather • Increased capital expenditures to implement necessary mitigation measures • Increased operating costs due to more frequent health and safety incidents, and depreciation of asset values caused by ongoing climate risks 	<ul style="list-style-type: none"> • Taking precautionary measures for all employees and workers during typhoon and heavy rain seasons, such as developing operational continuity plans and conducting emergency drills • Providing clear work instructions to guide preventive measures and operating procedures • Conducting climate risk assessments and incorporating climate-resilient design into new projects • Promoting the application of energy-saving systems

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Climate Risks and Opportunities	Potential Impact	Response Strategies
<p>Transition Risks</p> <p>Tightening requirements and regulations on energy conservation and green standards of the industry</p> <p>Technology transformation and implementation</p> <p>Increased expectations from stakeholders (including banks and investors)</p>	<ul style="list-style-type: none"> Increased capital expenditures to purchase energy-saving equipment Elevating risks of non-compliance with standard requirements Increased capital expenditures to acquire new technologies and support research and development Capturing long-term opportunities to enhance efficiency with technology and bolster brand awareness Failure to govern and disclose climate risks may negatively impact share prices and investor demand Potential reduction in capital costs through green finance 	<ul style="list-style-type: none"> Implementing energy-saving measures and purchasing energy-saving equipment in alignment with government plans Setting targets in response to Hong Kong's Climate Action Plan 2050 Procuring and introducing technological application systems with less electricity consumption Disclosing climate-related risks and opportunities in ESG reports Maintaining active communication with stakeholders including government authorities, non-governmental organizations and professional institutions to understand their expectations on key sustainable development areas such as climate change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B. SOCIAL

B1. Employment

The Group values its employees as its foremost resources as well as most valuable assets and the cornerstone of its competitive edge. We adhere to the people-oriented business philosophy, prioritize the recruitment, absorbing and learning from outstanding talents, advanced technology and modern corporate management methods. While actively promoting sustainable development, the Group places significant emphasis on the legitimate rights and interests of employees, strictly abides by labour laws and regulations, fosters standard labour and employment relations, and ensures the occupational health and safety of employees. Meantime, we are committed to enhancing democratic management practices, protecting the vital interests of employees, and wholeheartedly respecting and fostering their enthusiasm, initiative and creativity. In line with the principles of transparency, fairness and responsibility, the Group concentrates on establishing a robust governance mechanism, ensuring the accuracy and transparency of information disclosure, and fostering harmonious labour relations with employees.

The Group strictly complied with and did not violate, in all material respects, the laws and regulations such as the Labour Contract Law of the PRC, the Social Insurance Law of the PRC and the Labour Law of PRC during the Reporting Period. The Group has formulated the policies on administration and human resources such as the Employees Handbook, so as to provide a healthy and pleasant working atmosphere for our employees, and to encourage employees to push forward the long-term development of the Group. During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations on compensation and dismissal, recruitment and promotion, working hours, holidays and rest periods, equal opportunities, diversity, anti-discrimination and other benefits and welfare that would have a significant impact on the Group.

Employment Ordinance

Adhering to the recruitment principle of “Merit selection; competitiveness in good faith”, the Group actively implements talents retain strategy, continuously establishes and improves talents recruitment policy. Our Vastec Human Resources Management Policy has detailly listed out the application, process, prohibited matters and responsibility of the recruitment process. Integrated Management Department is responsible for the human resources management of the Group, to comply with the national policies and regulations, and to formulate and implement the strategies and plans on human resources in accordance with the Group’s situation. When recruiting employees, the Group adheres to the recruitment principle of equality, adopts a recruitment process based on merit selection against the job criteria applied, which the job applicants are assessed based on their mindset, knowledge, morality, ability, experience and physique, etc, in order to continuously attract and recruit outstanding talents.

We uphold the attitudes of “Everyone is equal”, “Respect each other” and “Just, open and fair” for every employee and applicant, and are free from any discrimination against anyone regardless of race, religion, gender, sexual orientation, nationality, age and disability. The Group hopes that a well-developed management system provides every employee a competitive environment with good faith, that can attract and retain outstanding talents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As of 31 December 2023, the Group had a total of 803 employees (as of 31 December 2022: 755) with its composition shown by different categories as below:

	2023		2022	
	Number	Percentage (%)	Number	Percentage (%)
By employment type				
Full-time	798	76.21	749	99.21
Part-time	5	0.62	6	0.79
By gender				
Male	506	63.01	468	61.99
Female	297	36.99	287	38.01
By age group				
<30	236	29.39	233	30.86
30-50	535	66.63	492	65.17
>50	32	3.99	30	3.97
By geographical location				
Shanghai	160	19.93	181	23.97
Others (other than Shanghai)	643	80.07	574	76.03
By employee category				
Senior management	28	3.49	26	3.44
Middle management	75	9.34	52	6.89
General employees	700	87.17	677	89.67

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the employee turnover rate⁶ of the Group was approximately 6.85% (2022: 13.64%) with its composition shown as below:

	2023		2022	
	Number	Percentage ⁷ (%)	Number	Percentage ⁷ (%)
By gender				
Male	31	6.13	61	13.03
Female	24	8.08	42	14.63
By age group				
<30	24	10.17	50	21.46
30-50	29	5.42	50	10.16
>50	2	6.25	3	10.00
By geographical location				
Shanghai	8	5.00	20	11.05
Others (other than Shanghai)	47	7.31	83	14.46

Notes:

- The employee turnover rate of the Group is calculated by dividing the total number of turnovers during the Reporting Period by the total workforce at the end of the Reporting Period.
- The employee turnover rate by category of the Group is calculated by dividing the number of turnovers in a category during the Reporting Period by the total workforce in the category at the end of the Reporting Period.

Remuneration and Benefits

Based on the principles of fairness, competitiveness, motivation, reasonableness and legitimacy, the Group has established a fair, cyclical, reasonable and competitive remuneration system to ensure that employees are fairly rewarded for their work contributions. The Group provides a competitive salary structure, with key considerations of the Group's operating situation, socio-economic prosperity and employees' performance, ability and contribution to the Group's business are the major considerations on remuneration.

In addition to base salary, we also offer competitive performance bonuses and benefits packages as incentives for individual performance and teamwork of employees. We also issue year-end bonus, in which the amount is adjusted based on the employee's performance appraisal and the Group's operation situation. The Group pays "five social insurance and one housing fund" for its employees in compliance with the laws, namely endowment insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund to ensure employees are covered by social insurance.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

According to the requirements of national and regional laws and regulations such as the Labour Law of the PRC, the Group protects the rights and interests of its workers, respects employees' rights to rest and leave. We have regulate our staffs' working hours, paid annual leave and other leaves, such as paid marriage leave, paid maternity leave and paid funeral leave, etc., which are all established in accordance with the relevant national regulations.

We will continue to improve and evaluate our employee compensation and benefit policies to ensure its consistency with the development goals of the Company and the interests of our employees. Through these measures, we are committed to establishing an attractive, fair and sustainable employee compensation and benefits system, thereby creating a sound work experience and welfare benefits for our employees.

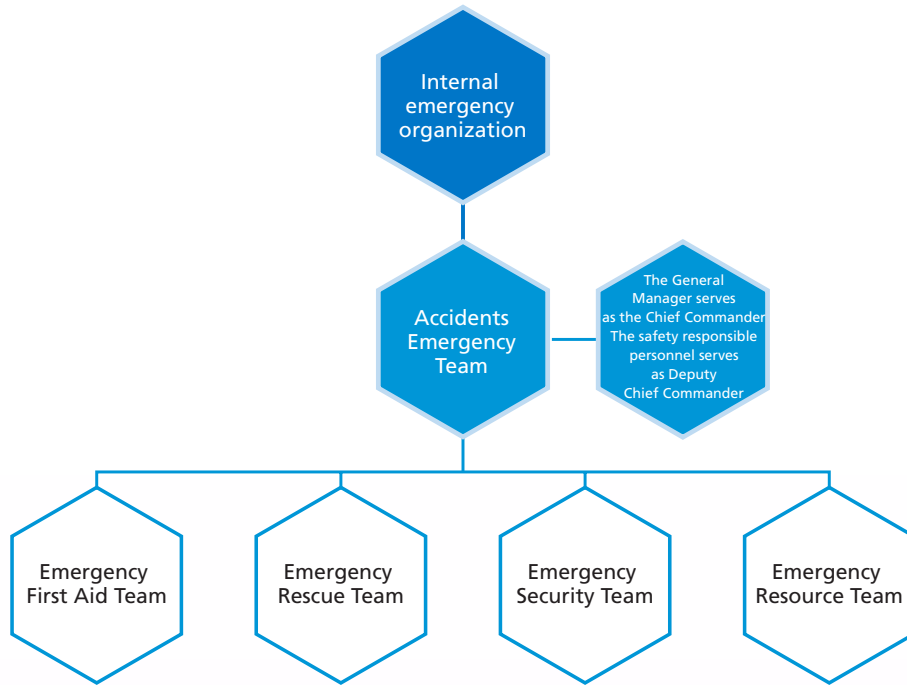
B2. Health and Safety

In line with the concept of "safety first" and with reference to the requirements of ISO 45001 Occupational Health and Safety Management System, the Group prioritizes the physical and mental well-being of all employees, and cooperates with various partners to fully protect the physical and mental health of our employees. At the same time, we also encourage employees to participate in health and safety management, and provide channels and opportunities for employees to offer improvement suggestions and feedback, thus facilitating scientific management practices.

In order to create a good working environment, we conduct safety inspection regularly to ensure the safety of equipment and facilities. For health management of employees, the Group has formulated Hygiene and Employees' Health Management Policy to closely monitor the health conditions of all employees through annual health check-ups. Warehouse responsible personnel should inspect the conditions and environment of warehouse regularly, and ensure the facilities and equipment for the prevention of fire, pollution, insects and rats are safe. In addition, for employees engaged in quality management, acceptance and warehouse management, etc. of medical device that have direct contact with medical device, they are required to undertake health check-ups from hospitals before performing their duty, with the items and results of the health check-ups meeting the needs of quality management. They should undertake at least one health check-ups every year, and conduct the health check-ups strictly according to the required health check-ups items.

To prevent occupational diseases and injuries caused by occupational hazards, the Group has also arranged occupational health check-ups for employees and established Employee Health File. The Administrative Department is responsible for arranging the health check-ups for all employees and archiving the medical files. The Group has expressly stipulated that the results of personal medical examinations and health information of its employees are personal and private information and shall not be disclosed or publicized to outsiders. In addition, in order to prevent emergencies, the Group has also established the Emergency Organizational System:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



The Group strictly complied with and did not violate, in all material respects, the relevant laws and regulations such as the Law of the PRC on the Prevention and Treatment of Occupational Diseases, the Production Safety Law of the PRC, the Labour Law of the PRC and the Fire Protection Regulation of the PRC during the Reporting Period. During the Reporting Period, the number of lost days due to work injury was 0 (2022: 120, 2021: 201). Over the past three years (including the Reporting Period), the Group has not recorded any major safety accidents and work-related fatalities, or paid any claims or compensations to its employees for such incidents. The Group has neither found any material violation of relevant local health and safety laws and regulations.

B3. Development and Training

The Group focuses on the establishment of the corporate’s internal training management and development system, encourages employees to conduct further education on business through organizing job training and other skills training, and implements policy of “Multi-ability in one position” to help with the Group’s sustainability development, and at the same time, the employees can be provided with opportunities to be empowered and mobilized.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Training Management

The Group has formulated Staff Training and Assessment Policy, and listed out relevant training process in Human Resources Management Policy to standardize staff training management. Training can be divided into internal and external training, individual and centralized training, expert visits and study tours. Through analyzing assessment results, we confirm the personnel need to be trained and training contents, and develop training plans accordingly with the approval of Integrated Management Department. The Group also arranges relevant personnel to undertake regular training and assessments on regulations related to national medical device management, administrative regulations, medical device knowledge and ethical knowledge, etc. The Group supports and encourages employees to participate in studies related to their professions and titles during their spare time. The Quality Management Department is responsible to keep relevant records on details of each training. The Group also values the good relationship established with suppliers, and receives their necessary technical support and training.

The Group's training includes three categories: pre-job training, on-the-job training and professional training. Every new employee must participate in pre-job training where Training Manager introduces the Company to every employee. The training contents include company introduction, explanation on Human Resources Management regulations, knowledge on corporate cultures, and the description of job requirements, procedures and responsibilities. On-the-job training is designed to enhance the skills of on-the-job employees, and help them improve skills to better cope with challenges and opportunities in the future. On-the-job training is organized by Training Manager that adopts the combination method of internal and external training, and form a fixed training material. Professional training is specifically for employees, that is tailored for the needs of the business. Professional training includes professional courses by training institutions, inviting experts for special lectures, off-the-job learning and study abroad. In addition, employees working on quality management are arranged by the Group to receive continuing education and training organized by Drug Supervision and Management Department.

During the Reporting Period, the percentage of trained employees⁸ of the Group was approximately 56.04%, and the average training hours per employee⁹ were approximately 13.26 hours. During the Reporting Period, the average training hours and the percentage of trained employees by gender and category were as follows:

	2023		2022	
	Average training hours ¹⁰	Percentage of trained employees ¹¹ (%)	Average training hours ¹⁰	Percentage of trained employees ¹¹ (%)
By gender				
Male	15.30	64.03	53.19	33.27
Female	9.77	42.42	47.67	25.23
By employee category				
Senior management	1.45	75.00	1.19	7.41
Middle management	15.18	88.00	14.32	73.68
General employees	13.53	51.86	55.52	27.78

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Notes:

8. The percentage of trained employees of the Group is calculated by dividing the total number of trained employees during the Reporting Period (including turnovers during the Reporting Period) by the total workforce at the end of the Reporting Period (including turnovers during the Reporting Period).
9. The average training hours of the Group is calculated by dividing the total number of training hours of employees during the Reporting Period by the total workforce at the end of the Reporting Period (including turnovers during the Reporting Period).
10. The percentage of trained employees in a category is calculated by dividing the number of trained employees in the category during the Reporting Period (including turnovers during the Reporting Period) by the total workforce in the category at the end of the Reporting Period (including turnovers during the Reporting Period).
11. The average training hours in a category is calculated by dividing the total number of training hours in the category employees during the Reporting Period (including turnovers during the Reporting Period) by the total workforce in the category at the end of the Reporting Period (including turnovers during the Reporting Period).

B4. Labour Standards

Prevention of Child and Forced Labour

The Group has complied in all material respects with relevant laws and regulations about labour employment during the Reporting Period, including but not limited to Labour Law of the PRC, Law of the PRC on the Protection of Minors, and Provisions on the Prohibition of Using Child Labour. During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour related laws and regulations that would have a significant impact to the Group.

The Group strictly prohibits our business in Mainland China from hiring any child and forced labour. The Group has clearly stated in the recruitment regulations of only recruiting employee with age above 16, and require recruits to provide true and accurate personal information at the beginning of employment. Recruitment staff will stringently verify their information including medical certificates, academic certificates, ID cards and hometown information, etc. The Group has established a comprehensive recruitment process that checks the candidates' background and a formal reporting procedure for handling any exceptions, as well as conducts regular inspections to prevent any child labour in its business operations. If any violations are found, the Group will immediately investigate, punish or dismiss the relevant employees. If necessary, the Group will further improve the labor mechanism for violations.

In addition, the Group's employees work overtime on a voluntary basis to avoid any violation of the labour standards. The Group prohibits any personnel in any department to detain employees' ID card, deposit or salary for any reasons, and will never use bonded labour. The Group also does not allow corporal punishment, mental abuse and fines, and prohibits punitive measures, management methods and behaviours in a form of abusive, corporal punishment, violence, mental stress, sexual harassment (including inappropriate language, posture and physical contact) and sexual abuse for any reasons. In addition, the Group also conducts self-reviews and inspections on a regular basis to prevent any child labor and illegal forced labor in its operations. If any violations are found, they will be dealt with in accordance with relevant internal regulations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B5. Supply Chain Management

The Group attaches great importance to supply chain management, carefully selects brands and products with great growth potential, and continuously explores suitable new brands or products and introduces them to customers. We evaluate the suppliers' performance on environmental and social aspects during procurement processes, and only purchase products which meet related standards. In addition, we evaluate the compliance level of suppliers on environmental and social aspects, in order to protect the environment, prevent social risks within the supply chain and ensure the responsibility and sustainability of the supply chain. The Group undertakes to continuously pay attention to and improve supply chain management to achieve sustainable development goals at the economic, environmental and social levels.

In addition, to ensure sustainable and responsible business practices, it is quite important to identify environmental and social risks in the supply chain. The Group conducts risk assessments of suppliers by identifying potential environmental and social risks, communicating with suppliers on a regular basis, and conducting onsite visits and supplier audits. By continuously monitoring and reviewing the performance of our suppliers, we understand the environmental and social risks associated with our supply chain and strive to mitigate these risks effectively.

Fair and Open Procurement

The Group also highly values the anti-corruption work of the procurement and other stages, and propagates active, fair, honest and legal competition behaviour. The Group's procurement process rigorously complies with the Tendering and Bidding Law of the PRC and other related regulations, and operates under an open, fair and impartial condition with no discrimination against any suppliers. Employees and other individuals who have interests with relevant suppliers will not be allowed to participate in related procurement activities. Each employee should treat suppliers fairly, and is not allowed to conduct improper statement of substantive event or any unfair trades or behaviours towards the substantive event through manipulation, concealment and misusing of information privilege. The Group also concerns about suppliers' and partners' integrity. We only select suppliers and partners who have good track records on operation with no serious violations on business ethics. We have zero tolerance for bribery and corruption, and strictly prohibit suppliers and partners from obtaining procurement contracts or partnerships through any forms of interest transfer.

Supplier Quality Management

The Group's suppliers are mainly IVD manufacturers. We insist on carefully selecting brands and products which have favourable growth potentials in the IVD product market. In line with the procurement principle of "making purchases based on the stock and sales demand, achieving no backlog and no out of stock to control stock reasonably", the Group has established a strict and standard procurement system, and has formulated the Procurement, Products Receiving and Quality Acceptance Check Policy based on procurement processes to control the procurement and acceptance checking processes so as to ensure purchased medical device products meeting the requirements. Our procurement officers in the logistic department are responsible for purchasing medical device products from qualified suppliers and the employees in warehouse are responsible for acceptance check on the purchased medical device products. According to the laws and regulations of medical devices, we require suppliers to provide Medical Devices Registration Certificates before purchasing medical devices so as to ensure the purchased medical devices are legally valid. In addition, the Group also fully considers the social, ethical and environmental performance of suppliers in the procurement process. The Group reviews the following contents during the regular audit of suppliers:

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- The supplier understands the environmental, social and ethical issues related to its business and has established minimum standards for these issues;
- Try to minimize discrimination against SMEs or local suppliers on the premise of meeting the needs of the Group; and
- When other conditions are equivalent, the Group will give priority to selecting suppliers who are responsible for the environment and society, or those who promote products and services that are beneficial to the environment.

During the Reporting Period, the Group had a total of three (2022: five) major suppliers, all of which are located in Shanghai. All major suppliers have been reviewed through the above practices during the Reporting Period. In 2023 and 2022, the Group has not found any of its major suppliers having significant negative impact on business ethics, environmental protection, human rights and labor practices.

New Supplier Management

In order to strengthen the corporate operation quality control and ensure the medical device products with reliable quality are purchased from legally qualified corporations, the Group has formulated New Suppliers and New Variety Review Policy to regulate the reviewing work towards the new suppliers' legal qualification, quality reputation and the new varieties' validity and quality reliability. Such departments including the commerce department and the sales department are responsible for analyzing market outlook and operating benefits. The Group has strict and mature endorsement process for new suppliers, including collecting licenses, site visiting and conducting high spot review on whether quality control system can satisfy the requirement on medical devices' quality. Before conducting procurement activities, the Group provides each department materials of the new variety for a strict verification and reviews whether the medical devices fulfill the production scope regulated by the "Permit for the Medical Device Production" of the supplier, in order to ensure the legality and quality reliability of the supplier, and grasp the quality status of the new medical device products comprehensively.

B6. Product Responsibility

The Group attaches great importance to product quality and corporate reputation, actively ensures our product and service quality through internal controls, and is committed to selling quality products that meet the international standards with the aim of "Providing high cost-performance ratio product and service to the inspection industry". We also maintain communication with customers to ensure we understand and meet their needs and expectation. We hope to continuously improve our products and services, so as to achieve 100% customer satisfaction. We firmly believe that quality is the core competitiveness of the Company. Through improving product quality and meeting customer needs, we will ensure the sustainable development of the Company and secure the trust of customers.

The Group has complied in all material respects with and has not violated relevant laws and regulations related to products and services during the Reporting Period, including but not limited to the Regulation on the Supervision and Administration of Medical Devices, Product Quality Law of the PRC, Advertising Law of the PRC, Law of the PRC on the Protection of Consumer Rights and Interests, Trademark Law of the PRC and Patent Law of the PRC.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations related to health and safety, advertising, labelling and privacy matters relating to products and services provided that would have a significant impact on the Group. Also, during the Reporting Period, the Group did not have any recalled products due to safety and health reasons and did not receive any complaints in relation to product and services, which our customer satisfaction also meets the expectation.

Quality Management System

The Group has formulated Inspection and Evaluation for the Implementation of Quality Management Policy to strictly control the quality of its products. The policy requires that the relevant departments shall organize at least one inspection on the implementation of quality management system annually to ensure the effective implementation of each quality management system, standards and operating procedures, so as to promote continuous improvement on the quality management system. The Quality Management Department is responsible for managing the execution of the policy, inspecting every execution, implementation and record standardization of the quality management policy, position management standard and operating procedures. A Quality Management Policy Self-examination Report points out the potential problem and reports to major responsible person of the corporate and responsible person of quality management to seek approval on the proposed rewards and penalties method and corrective measures.

In addition, we have set the Quality Management Self-examination Policy to regulate the self-examination of quality management, and carry out annual self-examination on quality management system in year end to ensure the quality management system is continuously in compliance with the requirements of the Medical Device Operation Quality Management Specifications and the documents of the Group's management system. The self-examination is carried out by the Quality Management Department of the Group through reviewing documents and records, on-site inspection etc., in order to examine the compliance and evaluate the effectiveness of the quality management system. The Quality Management System Self-examination Report is formulated, which is reviewed by the management representative of the Group, and is reported to Food and Drug Administration after being approved by the General Manager.

We have formulated Quality Management Documents Management Policy in order to facilitate the documentation, modification, review, approval, revocation, release and storage control procedure of quality management documents. We have set Document Issue and Retrieve Registration Form, Document Modification Request Form and Document Directory Listing, etc., to ensure the valid versions of documents are available at all locations of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The following are the relevant internal policies established by the Group to strictly control quality:

Management of Dispatch

Products

– Medical Device Dispatch and Review Management Policy

- Following the principle of “First in, first out”, the warehouse keeper of the Logistics Department is responsible for the review of the delivery products, and the detailed review and inspection of the product entity according to the purchase order, and is required to complete the Dispatch Review and Delivery Record, according to which the record should be kept until effective date or two years after expiry.
- Any inconsistency with customer’s purchase order or unqualified appearance found must be corrected, to ensure the quantity is accurate, quality is satisfying and packaging is firm.
- If problems are discovered, such as abnormal sound or liquid leakage are found inside the packaging of medical device, the outer packaging is damaged, contaminated, the seal is not strong enough and damaged or the gasket is broken, the delivery must be terminated and reported to Quality Management Department.

Management of Medical Device Expiry

– Expiry Management Policy

- Logistics Department is responsible for arranging and summarizing the inventory of the medical devices that are soon expired, and urging the Sales Department to adopt some quick sales measures and reporting the inventory situation to the Quality Management Department and Sales Department regularly.
- The selling of the medical devices should issue invoice according to the principle of “First produce, first out; soon expire, first out; dispatch by batch”. The products should be clearly marked and stored according to their batch number.
- The Group can only sell products with expiration date more than six months, products with close expiry date cannot be purchased and accepted to the warehouse.
- Logistics Department will timely report to Quality Management Department of the IVD reagents with less than six months expiration to ensure the medical device sold are safe and effective.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Management of Product Storage and Maintenance

– Warehouse Storage and Maintenance Management Policy

- The warehouse keeper of Logistics Department is responsible for the storage and maintenance management after purchasing the medical devices to ensure the medical devices are safe and effective.
- Quality inspection is carried out on all products in stock every three months to examine if there is any unusual situation on the appearance, packaging and expiry date of the products in stock, where extra care is needed on products with long storage, close expiry date and new products.
- It is necessary to monitor the temperature and humidity of the room temperature warehouse at least two times in every morning and afternoon, in order to ensure the temperature and humidity of the warehouse meets the requirement. When the temperature and humidity of the warehouse exceed the standardized range, the warehouse keeper will adopt corresponding adjustment and control measures and record on the Product Warehouse Temperature and Humidity Record which will be kept for two years.
- Refrigerated warehouse is equipped with automatic record alarm device on temperature and humidity to perform real-time monitoring. When the temperature and humidity exceed or fall below the range of the refrigerated warehouse, the system will automatically send emergency message to the mobile phone of the quality management personnel and facilitate them to take timely emergency measures.

Management of Medical Device Delivery

– Medical Device Delivery Management Policy

- The warehouse delivery staff of the Logistics Department who is responsible for product distribution and delivery strictly follow the delivery procedures, including correct loading in accordance to the packaging to prevent damage to medical device and adopt waterproof, heatproof and shock-proof measures to reduce damages during delivery.
- Using refrigerated trucks or insulated containers for delivery of refrigerated medical devices to real-time monitor and record the temperature data of the refrigerated medical equipment.
- Complying with delivery operation regulations and transit time limit, delivery upon receipt, product return etc., as well as delivery on time and shorten storage time to ensure the quality and safety during delivery.
- Collecting, tracking, reporting and managing medical device adverse event information for medical devices operated by the Group, in order to implement effective monitoring, and understand the use of medical devices.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Unqualified Products Handling

The Group takes a serious and responsible attitude towards unqualified products to ensure the interests and safety of consumers, for procedures for the identification, labelling, isolation and disposal of unqualified products, the Group has formulated the Unqualified Medical Devices Management Policy, in order to ensure that all unqualified medical devices are under control and to avoid any misuse. The Quality Management Department is responsible for the confirmation of unqualified products, handling procedures of the confirmation, and filing of relevant records. Personnel in charge of quality is responsible for the decision of disposal of unqualified products. Warehouse keeper is responsible for identification and labelling of unqualified products, and processed by relevant department. We will identify, record and isolate any unqualified products found during the inspection process, including medical devices with quality problem and the identified model announced by Medical Devices Monitoring Management Department. We will reject the unqualified products found during inspection and return to the supplier. For the unqualified products found during maintenance inspection in warehouse and dispatch review, Logistics Department will immediately stop the selling system to achieve the control management of unqualified products.

If we receive notification on recalling products from medical device manufacturer, the Quality Management Department will immediately stop selling the product in accordance with Medical Device Product Recall Policy, assist the medical device manufacturer to control and recall the defective medical devices, communicate and provide feedback on recalling messages to medical device manufacturer in a timely manner, as well as document and keep the recall record of medical device.

Customer Services and Complaints Handling Procedure

The Group highly values the importance of customer services, and believes that customer satisfaction is one of the key factors for the sustainable development of the Group's business. To provide customers with better services, meet customer needs and enhance market competitiveness, the Group has formulated the After-sales Services and Quality Tracking Management Policy and established a management system to manage the after-sales services and quality tracking of all medical devices. The Group has also established the Product Return Management Policy to strengthen the management of returned products and to prevent errors and losses. After-sales service personnel is responsible for organizing and implementing the Group's after-sales services, receiving and processing customers' feedback so as to timely report users' opinions and suggestions to the Quality Management Department and provide feedback to manufacturer, with the aim of achieving "Enthusiastic and openminded attitude; prompt and fair handling". The Quality Management Department is responsible for collecting and sorting out the opinions and suggestions put forward by customers, as well as investigating and handling the complaint products. To ensure that our customers are satisfied with our services, we accept returns or exchanges for defective products. In addition, if it is found that the product has quality problems, the packaging is damaged or the serial number of the product does not match the number listed on the delivery note, we will be responsible for recalling the products and all relevant expenses. If the quality problem is caused by suppliers, we can seek indemnification from the supplier for all the recalling expenses we incurred.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has formulated the Quality Problems and Complaints Handling Management Policy to regulate all complaints filed by users regarding the devices and reagents. The after-sales service personnel or any other employees are required to notify the Quality Management Department within 3 working days after receiving the complaint. The Quality Management Department should investigate and understand the user's complaint, analyse the cause and contact manufacturer or supplier in a timely manner. We require joint investigation for accidents, remedial measures, resolution process follow-up and timely report to user on the results. The Group promises to provide results and solutions on complaints within three working days in order to maintain the Group's reputation and to establish a first-class image and to effectively establish a user feedback system.

Data and Privacy Protection

The Group attaches great importance to the protection of its internal information to ensure the security and confidentiality of customer information, business secrets and other sensitive information. We strictly and carefully manages customers' documents to avoid leakage of customer privacy. Customers' information and data are part of the Group's resources, in which no one can sell, share or disclose for any purpose. Every employee must protect customers' information and data in accordance with the Group's regulations. We strictly complied in all material respects with and did not violate laws and regulations related to privacy during the Reporting Period, including but not limited to the Law of the PRC on the Protection of Consumer Rights and Interests, the Data Security Law of the People's Republic of China, and the Personal Information Protection Law of the People's Republic of China and other laws, regulations and supervisory requirements. Our conversations with customers, transaction history, documents and reports provided by customers (if not public) will be kept confidential, and disclosure of customer data to third parties without customer's consent is strictly prohibited. At the same time, customers have the rights to review and modify their data and choose not to participate in any direct marketing activities. We are committed to protecting customers' privacy, thereby winning their trust and confidence.

IP Rights Protection

The Group understands the importance of IP rights protection, therefore we are committed to protecting the Group's own IP and the IP of our customers. The Group's IP policy aims to protect the IP rights of third parties and does not infringe the interests of any third parties (especially in terms of IP). According to the relevant regulations of Contract Law of the People's Republic of China, Trademark Law of the PRC and Regulation for the Implementation of the Trademark Law of the PRC, we obtained trademark registration certificate for the Vastec trademark which is used in the Group's business operations. In addition, we will closely monitor infringements in the market and halt any infringement such as counterfeiting trademarks. When infringements on the Group's IP are found, such as malicious registration and imitation of the Group's trademark etc., the Group will consult relevant lawyers and professional consultants to protect the Group's IP under their guidance. We will take action such as filling lawsuit against infringer according to Article 213 of the Criminal Law of the PRC to protect the legitimate rights of the IP held by the Group. In addition, we also avoid infringing the IP rights of others by not using similar or identical wordings, graphics or their combinations on products and services with same nature. We will conduct patent search regularly to analyze the technical functions and patent rights of similar products to avoid IP infringement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Advertising and Labelling

To ensure the labels of the Group's products conform to the actual conditions of the products, the Group has formulated Medical Device Labelling Management Policy to standardize the use of the Group's medical device labels and to ensure the product meets relevant national requirements. At the same time, the Legal Department pays close attention to the latest relevant national laws and regulations in order to ensure that the Group's medical device product labels comply with regulations. Labels in Chinese are formulated according to relevant information in the Registration Certificate, which includes the name of product, specification, name and address of the manufacturer, etc., while the product manual has to be submitted for the label registration. For the labels of all the Group's medical device products, the Marketing Department is responsible for the production of the labels on the product outer packaging in accordance with the laws and regulations. The Commerce Department follows up the registration and recording work of the registration companies, while the Legal Department is responsible to review the content of the label samples on the outer packaging of the products. The labels on the outer packaging of the product shall be affixed by the personnel of the designated relevant department in accordance with the product requirements. We have established a strict monitoring procedure to ensure the labels of the medical devices consist of the contents required by the Provisions on the Administration of Instructions and Labels of Medical Device under the China Food and Drug Administration Order No. 6, and do not contain prohibited content such as description on cure rates or efficiency, and the comparison of effectiveness and safety with products from other companies.

For the newly registered products sold by the Group, the Marketing Department shall submit their labels to the Food and Drug Administration Department for review or record when the registration, and the labels will then be produced according to the latest approved label template and the Group's label model. During promotion, we strictly require the sales and marketing team to comply with laws and regulations related to the use of advertising and labelling to avoid any form of deceptive advertising.

B7. Anti-corruption

The Group attaches great importance to anti-corruption work and system establishing, and adopts a "zero tolerance" attitude towards bribery and corruption. The Group is committed to build an honest, transparent and efficient internal management atmosphere that requires employees, especially management level, to treat honesty and integrity as the most basic code of conduct. The Group continues to strengthen and improve its internal control system, including auditing and supervision mechanisms, to ensure the transparency and compliance of financial and business activities. The Group does not allow any behaviour related to fraud, corruption, bribery, opportunism, concealment and private gain. Once identified, the Group will take serious penalties. We also conduct regular internal audits to identify and correct potential corruption risks. The Group also regularly organizes internal anti-corruption trainings. During the Reporting Period, the Group organized anti-corruption and anti-unfair competition training for a total of 13 employees (5 middle management and 8 junior staff) with a total duration of 3 hours, in order to enhance employees' awareness and capability to identify corruption behaviours. Through internal communication and publicity activities, the Group constantly emphasizes the importance of integrity and ethics, and encourages employees to uphold the principle of integrity in their work.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has strictly complied with and has not violated, in all material respects, the relevant laws and regulations of bribery, extortion, fraud and money laundering during the Reporting Period, including but not limited to the Company Law of the PRC, Tendering and Bidding Law of the PRC, Criminal Law of the PRC, Anti-unfair Competition Law of the PRC and Interim Provisions on Prohibition Commercial Bribery etc.

During the Reporting Period, the Group was not aware of any material non-compliance with relevant laws and regulations of bribery, extortion, fraud and money laundering that would have a significant impact on the Group, nor any concluded legal cases regarding corrupt practices brought against the Group or its employees.

Whistleblowing Mechanism

The Group encourages its employees and other stakeholders, including customers, suppliers, creditors and debtors, to raise questions about suspected misconduct, malfeasance or fraud. The Group has established a confidential channel for its employees and stakeholders to report any suspicious incidents. The Group has implemented whistleblowing policy to build and maintain our culture of integrity and transparency. We have established a comprehensive reporting channel, which include anti-fraud whistle-blowing telephone, email address and reception desk for letters on whistle-blowing etc., and published the respective telephone number, email address and address for letters. For reports involving fraud, the Audit Committee will determine whether to file an investigation while an Investigation Report must be issued after the investigation. Fraud investigation must be confidential, and the anti-fraud protection mechanism ensures that complainants and whistle-blowers are protected when assisting the investigations, to safeguard the confidentiality of the whistle-blower's identity.

Conflict of Interest Management

The Group has established Vastec Conflict of Interest Management Policy to prevent the employees being affected by their personal interests when dealing with the Group's beneficial relationship which do not adopting relevant measures and leads to harmful behaviour to the Group's interests and other employees caused by employees' personal interests. The Group requires employees to implement reporting policy regarding the situation on conflict of interests, and report to their supervisors to avoid potential damage to the Group and other employees caused by conflict of interest. The Group has established a Conflict of Interest Investigation and Review Team and adopted a consensus method in order to determine the judgement and solutions on the conflicts of interests of the Group's affairs. The Group has also implemented Code of Ethics for Employees to establish legal and ethical standards for employees, to ensure employees are aware of the resolution of conflicts of interests, and to urge employees to consciously reflect the Group's professional style and ethical standard so as to maintain the image of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

B8. Community Investment

Corporate Social Responsibility

The Group considers it an honor to contribute to the community. Through active engagement with the community, the Group can also foster a corporate culture, facilitate personal networking opportunities and provide a platform for its employees to make a positive impact on the community. The Group hopes to instill a sense of social responsibility among our employees, so it always encourages their participation in social welfare activities both during work hours and in their personal time to make greater contributions to the society. The Group motivates employees to take part in social charity and fundraising activities, including visiting nursing homes, orphanage, participating in blood donating activities to express their concerns for the society. The Group believes that the abovementioned activities do not only improve employees' quality of mind, but also bring care to those in need. We believe that through participation in activities which give back to the society in person, employees' civil consciousness can be raised, and right values can be built.

During the Reporting Period, the Group made a total donation of approximately RMB2,400,000 to different institutions, showing the Group's determination to fulfill its corporate social responsibility.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENT INDEX OF THE ESG REPORTING GUIDE OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Mandatory Disclosure Requirements	Section/Declaration
Governance Structure	ESG Governance Structure
Reporting Principles	Reporting Framework
Reporting Boundary	Reporting Boundary

Aspects, General Disclosures and KPIs

KPIs	Description	Relevant Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on:	Emissions
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
KPI A1.1	The types of emissions and respective emissions data	Emissions – Exhaust Gas Emissions, GHG Emissions
KPI A1.2	Direct (scope 1) and energy indirect (scope 2) GHG emissions (in tonnes) and, if applicable, intensity (e.g. per unit of production volume, per facility).	Emissions – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity. Total hazardous waste produced (in tonnes) and, if applicable, intensity (e.g. per unit of production volume, per facility).	Emissions – Sewage Discharge
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, if applicable, intensity (e.g. per unit of production volume, per facility).	Emissions – Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Emissions – Exhaust Gas Emissions, GHG Emissions; Use of Resources
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and description of waste reduction target(s) set and steps taken to achieve them.	Emissions – Waste Management; Use of Resources

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs

Description

Relevant Section/ Declaration

Aspect A2: Use of Resources

General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
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).	Use of Resources – Energy Management
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Use of Resources – Water Consumption
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Use of Packaging Material

Aspect A3: The Environment and Natural Resources

General Disclosure	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources
KPI A3.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	The Environment and Natural Resources

Aspect A4: Climate Change

General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
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.	Climate Change

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs

Description	Relevant Section/ Declaration
-------------	-------------------------------

Aspect B1: Employment

General Disclosure	Information on:	Employment
--------------------	-----------------	------------

- (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, antidiscrimination, and other benefits and welfare.

KPI B1.1	Total workforce by gender, employment type (for example, full or part-time), age group and geographical region.	Employment
----------	---	------------

KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
----------	--	------------

Aspect B2: Health and Safety

General Disclosure	Information on:	Health and Safety
--------------------	-----------------	-------------------

- (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	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
----------	---	-------------------

KPI B2.2	Lost days due to work injury	Health and Safety
----------	------------------------------	-------------------

KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety
----------	---	-------------------

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Section/ Declaration
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards		
General Disclosure	Information on: <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 preventing child and forced labour. 	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	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.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs

	Description	Relevant Section/ Declaration
Aspect B6: Product Responsibility		
General Disclosure	Information on: <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, labelling and privacy matters relating to products and services provided and methods of redress. 	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility
KPI B6.4	Description of quality assurance process and recycle procedures	Product Responsibility
KPI B6.5	Description of consumer information protection and privacy policies, how they are implemented and monitored.	Product Responsibility
Aspect B7: Anti-corruption		
General Disclosure	Information on: <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 bribery, extortion, fraud and money laundering. 	Anti-corruption
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.	Anti-corruption
KPI B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects, General Disclosures and KPIs	Description	Relevant Section/ Declaration
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities’ interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment