

## INTRODUCTION

The Group adheres firmly to the core values of providing innovative, quality and reliable medical devices to the market. The Group has longed for the pursuit of sustainability by incorporating environmental and societal initiatives into business and to enhance its competitiveness within the industry. To acknowledge the significance of corporate environmental and social responsibilities of the Group, the Board launched its third Environment, Social and Governance Report with pleasure to demonstrate sustainability performance of the Group.

In compliance with the requirements as set out in the Environmental, Social and Governance Reporting Guide stated in Appendix 27 of the Listing Rules, the Group reports its commitments and practices on the environmental, social and governance (ESG) performance for the year ended 31 December 2018. The scope of this ESG report primarily covers all operated sites, including the head office in Hong Kong and operating facilities at Dongguan and Shenzhen. Guangzhou division has commenced operation in 2018 and its relevant ESG information is also included in this report.

## STAKEHOLDERS ENGAGEMENT

The Group knows it is important to understand the stakeholders' needs and expectations. Better still, stakeholders' opinion can help the Group identifies as well as prioritizes strategic development. Therefore, there are communication channels have been set up to engage different stakeholders on a regular basis.

## ENVIRONMENT

The Group is aware that the present business is depleting the resources of the future generation which poses environmental impacts in certain extents. The Group is classified as a low emission industry by the Dongguan Tangxia Environmental Protection Department (東莞塘廈環保分局) and has upheld the principle of sustainability in operation. The Group is aware that it had complied with all environmental laws and regulations, and prohibited to all relevant illegal and violating activities. During the year, there was no environmental non-compliance resulting in fines or prosecution.

## EMISSIONS

The major greenhouse gases (GHG) emission of the Group is generated from purchased electricity and fossil fuel used by company vehicles. Starting from the year of 2018, the Group continues along its pursuit of sustainable development by starting to monitor (Scope 3) GHG emission on business travel with a view of disclosing further information on carbon emission.

Indicator	Units	Total emissions in 2018
Total GHG emission (Scope 1, 2, 3)	CO <sub>2</sub> e tonnes	10,886
Scope 1	CO <sub>2</sub> e tonnes	14
Scope 2	CO <sub>2</sub> e tonnes	10,855
Scope 3	CO <sub>2</sub> e tonnes	17
<b>Air pollutants</b>		
Nitrogen Oxides (NOx)	g	8,624
Sulfur Oxides (SOx)	g	91
Particulate Matter (PM)	g	751

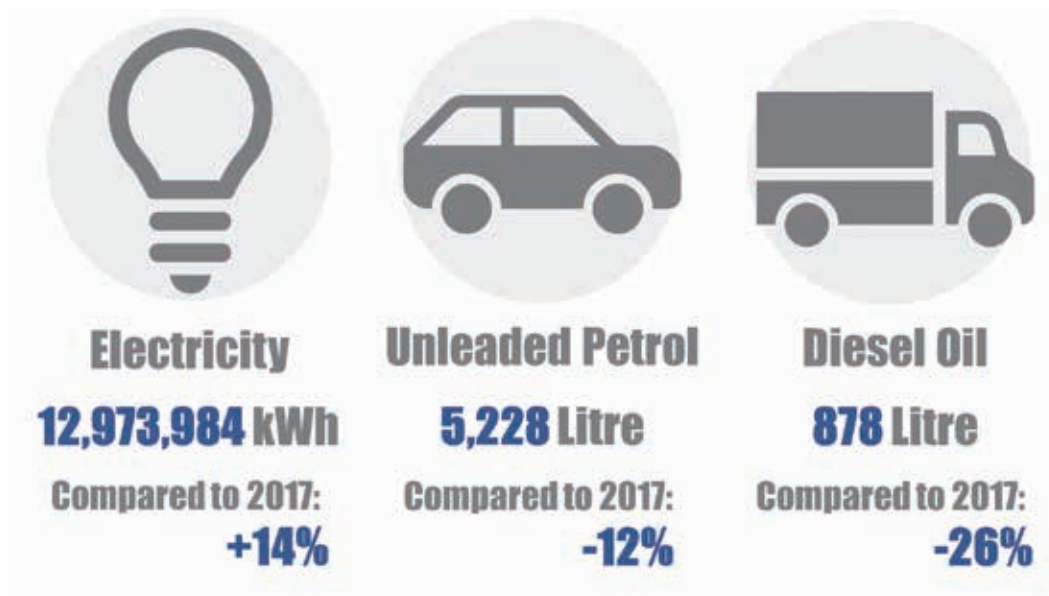
The total GHG emission during the year (10,886 CO<sub>2</sub>e tonnes) is higher than that in 2017 (10,246 CO<sub>2</sub>e tonnes), this is because Scope 3 emission is newly added, and the total amount of electricity consumed is increased by 14% as compared to that of 2017. Notwithstanding our production volume during the year has risen to more than 57.0 million pieces of products, the air pollutants emission including NOx, SOx and PM are declined by 28%, 14% and 28%, respectively, as compared to that in 2017. The decrease in pollutants emission is a result of the lower transportation needed. For measures of energy saving and paper reduction, please refer to the next section "Use of Resources".

## USE OF RESOURCES

### Energy Consumption

It is unavoidable to consume energy in daily operation, yet the Group takes energy saving as a long-term objective and strives to reduce energy consumption every year. In view of that, the Group has implemented the following energy measures to lower energy consumption.

- Established an energy management centre to analyse and monitor energy usage regularly;
- Installed a solar powered water heating system in office and dormitory;
- Replaced conventional lightings with LED lights or T5 fluorescent tube;
- Purchased two environmentally friendly electrical forklifts;
- Limited unnecessary use of company vehicles;
- Turned off lighting, personal computer and air-conditioners during non-office hours;
- Switched off idling engines when not in use;
- Used video conferencing or phone calls for the meetings;
- Maintained air indoor room temperature at 24 to 26 Degree Celsius at the office; and
- Placed energy saving reminders at pantry, office and dormitory.



### Water Consumption

Due to the business nature, water consumption of the Group is mainly from office and household use. Production of medical devices do not substantially consume a large amount of water, but the Group is devoted to reducing the use of water. Reminders are placed at pantries and toilets to remind employees to save water. Moreover, the Group has adopted water flow controllers and water efficient taps to lower water consumption. A total of 91,124 litres of water were consumed during the year.

In addition to water consumption, wastewater handling is also a concern in the operation of the Group. The Group has installed a system to separate rainwater and sewage. All wastewater is properly treated and governed by the local regulator. Regular monitoring and inspection are carried out to ensure the discharge obeys the discharge caps set out by the government. Corrective and preventative actions will be taken in response to abnormal situations.

The total electricity and water consumption during the year increased by 14% and 23%, respectively, as compared to that in 2017. Contributing reasons include the Group operated one more manufacturing site in Guangzhou, and the total amount of production volume in 2018 is greater than that in 2017. For continuous improvement purposes, the Group will proactively seek opportunities to advocate energy and water saving throughout the operation to fellow colleagues.

### Waste and Packaging Materials Management

The business of the Group entails the use of natural resources. The Group, therefore, actively encourages employees to reduce waste at the source. For example, over the years, implemented an Office Automation (OA) System and the SAP planning software, set duplex-printing as default and communicated among employees via electronic means to minimize paper usage. It is encouraging to see a downward trend in total waste disposal in 2018 when compared to the same period in 2017.



The Group also strictly follows the guidelines and regulations to handle, manage and discharge hazardous waste. For instance, waste is sorted in accordance with the National Hazardous Waste List and stored properly in a designated container with covers in designated area to avoid leakage and misuse. All hazardous waste such as wasted organic solvent such as thinner, waste oil, wasted compact fluorescent lamps, exhausted cartridges and toners are collected and recycled by licensed contractors. They shall not only obtain the Hazardous Waste Operation Permit and the Road Transportation Operation Permit issued by the authorities but also shall demonstrate their abilities to handle hazardous waste and follow laws and compliances to avoid the secondary environmental pollution.

Furthermore, the Group understands materials used in production can be harmful to the environment. Meanwhile, providing durable and reliable medical devices is the core business of the Group, therefore, choosing environmentally responsible suppliers and contractors are of great importance to the Group. Please refer to the section headed “Supplier Chain Management” below for information.

In the concern of packaging materials, as packaging plays a vital role in keeping products in good quality without damage, the Group mainly employs paper boxes and plastic in the delivery and transportation process. In fact, all the materials are being reused. The Group should get rid of using plastic in phases because plastic has a detrimental effect on the environment. Hence, the alternative is being adopted. The Group uses fabric instead to lessen the amount of plastic waste. During the year, 1,144 tonnes of materials including plastics and paper has been used.

Category of Packaging Materials	Total discharge in 2018 (calculated in tonnes)
Carton boxes	990
Plastic	147
Paper	7

## THE ENVIRONMENT AND NATURAL RESOURCES

### Exhaust Gas Emission

Because of the business nature, the Group does not emit a significant amount of exhaust gas throughout the operation. The only possible source of exhaust gas emitted from the operating site would be motor vehicles, particularly diesel vehicles. They emit a large amount of PM and NOx. At present, the Group has been working to control the emission, such as to closely monitor the emissions of company vehicles and to conduct proper engine repair and maintenance on a regular basis. In the future, the Group is seeking for initiatives to adopt cleaner alternatives to diesel vehicles where practicable, promote eco-driving habits as well as install devices that trap pollutants.

### Environmental Education

The Group relies on the employees’ support for environmental protection. Newcomers are aware of the Group’s environmental policies towards water, energy and waste through the newcomers’ training. Refresher training covering the topics of environment, health and safety as well as smoking cessation is also provided to all employees to refresh and reinforce the knowledge. The Group and employees work diligently to protect the environment by actions as well as foster the community to adopt environmental initiatives. Employees and their families are welcome to join in clean-up campaign and other environmental activities during the year.



Employees participated in cleaning activity in 2018



## SOCIAL

The Group attaches great importance to the employees. Their countless contributions are the key to the Group's continuing success in business. This drives the Group to build and maintain a harmonious, fair and safe working environment to them and strive to enhance corporate social responsibility.

### Employment

The Group formulated fair and equal employment and recruitment procedures according to the Labour Law in Hong Kong and the PRC to hire and promote employees. The Group appreciates the cultural diversity in the workplace. Hence, recruitment is simply based on candidates' experiences, abilities and business needs, regardless of race, gender, age, marital status, pregnancy, family status, sexual orientation, religion and nationality. All talented employees can be promoted and obtained relevant training to meet business needs and personal career development. During the year, there was no case of non-compliance regarding compensation and dismissal, recruitment and promotion, equal opportunities, diversity, as well as discrimination.

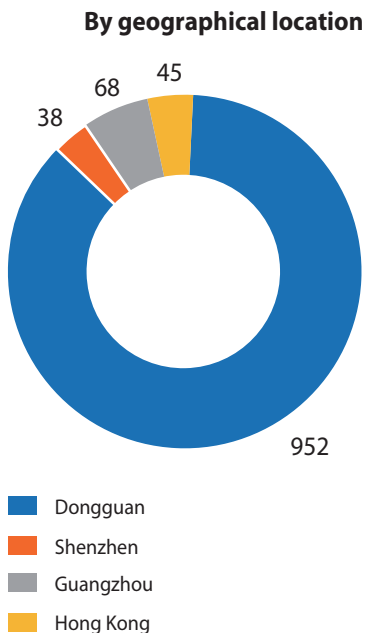
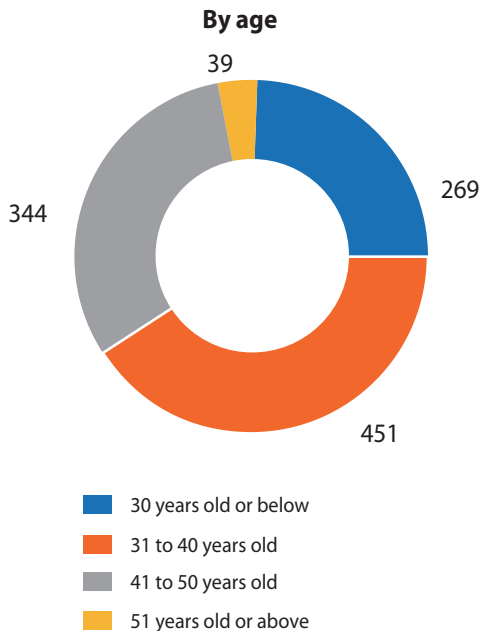
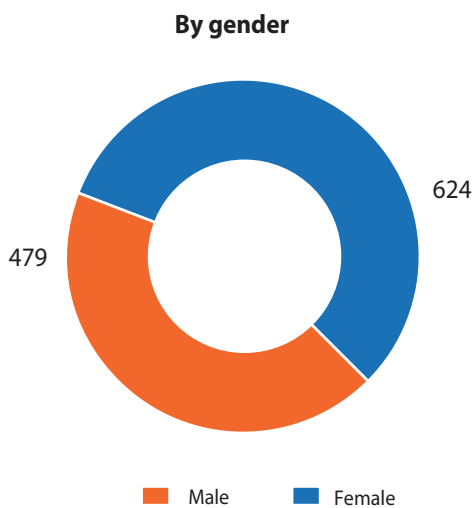
### Benefits and Welfares

The Group pays "Five Social Insurances and One Housing Fund", namely endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing provident fund, to employees in the PRC as well as the Mandatory Provident Fund (MPF) scheme to employees in Hong Kong as required. All employees are entitled to various statutory holidays and paid leave such as marriage leave and maternity leave. Better still, 178 days of maternity leave has taken effect in the PRC in 2018. To better understanding the employees' opinion, the Group has formed a labour union whereby all employees are welcomed to join. They can also raise their opinions through monthly meetings with the Group's representatives, emails, hotlines, face-to-face meetings or WeChat.

Additionally, the local government offers its assistance in providing education placement to employees' descendants coming from other cities. Other than that, the Group also provides welfares to the employees. For instance, organizing team-building activities to employees and distributing gifts, food or beverages during festivals like the Mid-Autumn Festival and Lunar New Year.

Other than the aforementioned benefit and welfares, the Group will benchmark employees' salary against industry norms and standards to maintain a competitive remuneration package to recruit talented employees. The Group also realizes the importance of work-life balance, additional welfares such as social activities and entertainment facilities are offered to our employees. The operating site of the Group at Dongguan are ordered in a greener and eco-friendly manner with plantations. Recreation facilities are also provided. As at 31 December 2018, the Group has a total of 1,103 employees, in which general staff occupies around 96% (1,061 employees) of the total workforce. The remaining 42 employees are management. Almost all of the employees are being recruited in a full-time mode to ensure high quality of products and services.

For the distribution of employees as at 31 December 2018 based on gender, age and geographical location, please refer to the below charts.

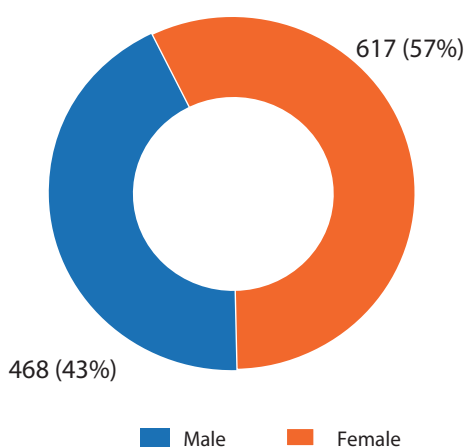


Because of the Group’s conscientious efforts on improving the remunerable package, the employees’ turnover rate during the year was 6% which was slightly lowered as compared to that in 2017. The turnover rate of 30 years old or below has a significant enhancement by over 20% from 70% to 49%. (Male/Female: 54%/46%; the PRC/Hong Kong: 98%/2%; Aged 30 or below/31-40/41-50/51 or above: 49%/32%/18%/1%). Each individual will be invited to attend an exit interview for the Group to understand their reasons to resign and address their opinion.

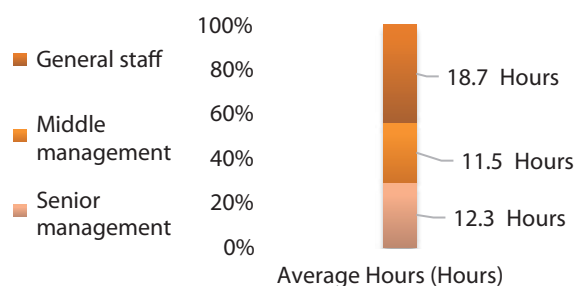
### Training and Development

The Group actively encourages its employees attending training to equip themselves for the change and challenge the Group is facing nowadays. Human Resources Department will conduct a survey to stipulate a training schedule for employees. Training topics not only cover technical know-how but also laws and compliance, product safety and responsibility are included in the training plan. In 2018, the Group has organized quality management training on ISO 13485:2016 to employees. During the year, a total of 19,653 training hours were provided for employees.

**Total employees trained by gender**



**Average training hours by employee category**



Total employees trained	Number of employees	Number of hours	Average hours
General Staff	989	18,539	18.7
Middle Management	87	1,003	11.5
Senior Management	9	111	12.3

An appraisal is adopted annually with an aim to review employees’ performance and discuss their needs and expectations to meet the business growth of the Group. Plus, the Group makes use of this opportunity to identify outstanding performers and offers them the best suit of a job to retain talents. Internal employees are first considered for filling job vacancies if applicable.

### Occupational Health and Safety

Employees are an important part of the Group. In view of the need to eliminate potential hazards and lessen the danger at the workplace, a safety committee, comprising safety managers from different business units, is formed. The committee is responsible for establishing safety strategies and procedures as well as identifying any potential risks in workplace. Relevant controls and preventive actions are formulated afterwards. For example, the Group formulated noise control and fire alarm policies. Two fire drills were scheduled annually. In addition, the Group offered suitable and adequate personal protective equipment (PPE), regular safety checks and inspection towards machines so as to ensure all machines are in proper functioning.

Furthermore, the production facilities are kept in a highly sanitary environment as the Group has an extremely high standard of hygiene requirement of the products. All employees are required to conduct medical check up regularly to ensure that they are physically fit for work. For those who failed the check up will be suspended from their existing works or arranged to a suitable job duty. A ventilation system is newly installed to improve indoor air quality and last but not least regular cleaning at production sites are scheduled.

There were no work-related fatalities happened in the Group. While the Group had injuries occurred in the operating sites, the situation has vastly improved when compared to that of 2017. During the year, a total of 51 days, whereas 336 days in 2017, were lost due to such events during the year. The Group provided prompt and appropriate assistance to the injured employees and an intensive investigation was carried out to examine the root cause of accidents. Warning signs are placed at the prominent area and PPE is provided to minimize the possibility of employees to get hurt. More importantly, the Group understands education and training are effective ways of preventing accidents. Therefore, all newcomers must attend safety trainings including emergency handling, cardiopulmonary resuscitation (CPR) trainings, and health training of disease prevention. These measures aimed to assure all employees are fully aware of the working procedures and the corresponding safety and health measures.

### Labour Practices

No children are allowed to work in the Group. Identity check is a must in the recruitment process to guarantee no underage employment exists in the Group. The Group also wholeheartedly believes the importance of work-life balance result in low productivity and high risks of accidents. Consequently, the Group has always been meticulous about the production schedule to avoid overtime work. The workflow will be reviewed in the matter of overtime work needed.

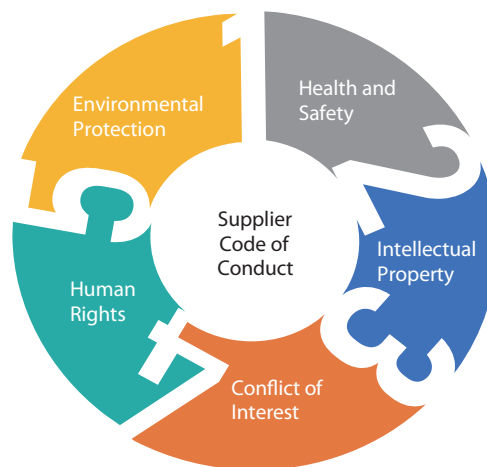


## Operating Practices

### Supply Chain Management

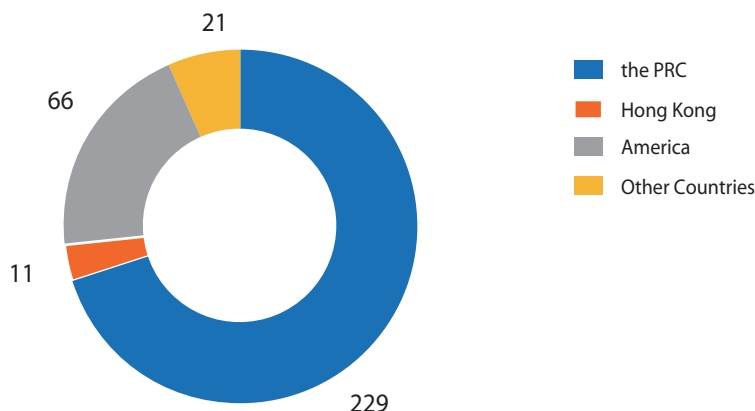
Trust, cooperation, honesty and mutual respect are the bedrock of the operation of the Group. It believes the sincere and honest attitude can bring positive influence throughout the supply chain. Building a stable long-term relationship with the suppliers and contractors can be beneficial to the Group to achieve its goals. To make us in line with the same working principles and values, the Supplier Corporate Social Responsibility Code of Conduct, including five main social responsibilities (refer to the chart below), is disseminated to the suppliers and contractors.

#### Five elements of suppliers code of conduct



A detailed supply chain management procedure is set up to guide employees what they do with respect to operating practices. The Group has stipulated policies such as Evaluation & Approval of Supplier Procedure, and Incoming Inspection to manage the supply chain. The Group sources materials and services globally. In the selection process, price is not the only selection criteria, quality and on-time delivery are also key performance indicators. For the services suppliers, the Group will also examine their ability to handle abnormality. Priority will be given to the suppliers with quality management system certification. Prior to decision making, a supplier evaluation team with quality and engineering department will conduct an onsite audit to assess the potential suppliers' quality of standards, achievements on environmental protection and social responsibilities. Suppliers are required to submit quality management system certificates, certifying document for qualified products when necessary for verification. Qualified suppliers are registered in "Approved Vendor List" once approved by the department manager. An evaluation is also carried out regularly to make certain that suppliers' performance meets tender requirements. Suppliers who are unable to meet the requirements and criteria will be removed from the vendor list.

Distribution of suppliers by geographical region (as at 31 December 2018)



## PRODUCT RESPONSIBILITY

### Quality Assurance

Irreversible and harmful consequences can be caused to users resulting from defective products. As a result, the Group takes particularly good care of product quality. The Group not only fully complied with the related laws and regulations, but also it successfully attained Certifications on Medical Device Quality Management System ISO 13485, and Risk Management for Medical Device EN ISO 14971. The Group will try its utmost to review necessary processes for improvement, strengthen the risk management framework and quality control system. Ultimately, this enables the Group to adopt a proactive and structural approach to risks management from the conceptual stage to after-sales services.

Given the significance of quality assurance of the medical devices, the Group has got to be meticulous in raw materials selection, manufacturing, and exporting. Quality System Procedure has been adopted to guide employees properly performs quality assurance. All suppliers are required to provide testing reports and certificates to prove the quality and harmlessness of the products. Quality department is responsible for verifying and validating different types of purchased materials in accordance with the “Incoming Inspection Procedure or Monitoring” and “Measuring for Product Procedure”. Also, the Quality Assurance department conduct random checks in the whole production chain. All validating report are well-documented and filed.

Particularly, some of the products are manufactured under a high sanitary environment. It is necessary for the Group to maintain a standard level of hygiene and control other instability as much as it can. As such, production facilities are specially designed. Employees must strictly follow the Production Environmental Control Procedure to ensure the cleanliness and environment control of the operating sites. The operating sites are classified as four classes according to the “Cleanroom Contamination Control”. Temperature, humidity, pressure and ventilation of each cleanroom is well monitored. All cleanrooms are operating according to the NMPA and ISO 14644 standard requirement. The Group also emphasizes to employees to be aware of keeping good personal hygiene.

### Product Recall and Complaint Handling

Clients' feedbacks are the engine of value creation for the business of the Group. The Group has stipulated a procedure to standardize customer complaint handling. In 2018, the Group manufactured more than 57.0 million of products. In one hand, the Group is pleased to note that there was no product recalls and reportable events because of safety or malfunction of devices issues during the year. On the other hand, however, the Group still received clients' enquiries about the products quality quite often throughout the year. The Group believes that showing respect for customers' opinions and treating them courteously are beneficial to business growth. Therefore, every enquiry will be addressed in a timely manner and recorded in detail in accordance with the prescribed procedures. An investigation will be carried out immediately and come up with improvements and suggestions for the captioned problem.

### Intellectual Property Rights

The Group respects the privacy of personal data and of course intellectual property rights. Product design and development have great value to the business. "Inspired Medical", "Hand of Hope" and "Hypnus" are self-owned OBM business brands. Unauthorized use of a brand name can harm business and brand image. As a precaution, therefore, the Group applied trademarks for own designs and products. As at 31 December 2018, the Group cumulatively has 64 trademarks. With endeavour, the Group is willing to communicate with business partners about intellectual property rights protection and acknowledge laws and regulations can protect the Group's rights.

### Data Privacy

In addition to intellectual property rights protection, the Group fully understands that personal data privacy is another critical issue concerned by either clients or suppliers. Precisely because they have trusted the Group with their data, the Group is obligated to take good care of it. A procedure is established in the Group to guide employees to handle personal data. Besides, the Group refuses to use any outdated and unauthorized software to avoid data leakage and enhance cybersecurity. Designated personnel are also assigned to take care of personal data and confidential information. Privacy awareness and refresher training is provided quarterly to the employees. IT department encrypted the data regularly and organized cybersecurity training to enhance the employees' awareness. Under no circumstances, the Group discloses personal data and confidential information to the third parties or the public without clients' consent.

### Anti-Corruption

Integrity can affect brand image and performance profoundly. The Group is bound by rigid laws as well as compliances. The Group has to enforce the PRC and Hong Kong laws and regulations in the business operation as updated from time to time. Any form of bribery, extortion, fraud and money laundering are prohibited, and anti-corruption policies are applied to all employees, no one is exceptional.

The Audit Committee and the Risk Management Committee as well as internal audit division are responsible for monitoring the overall performance of the Group. A couple of refresher training is scheduled, especially for those employees with high risk in corruption, to enhance their awareness on anti-corruption. Employees can remain anonymous to report any suspicious cases to the Group and penalties are clearly defined. The Group will not condone any unlawful acts and corruption. During the year, there was no suspected case of bribery, extortion, fraud and money laundering.

### Community Investment

The Group recognises its operation may cause inconvenience and disturbance to the communities in which the Group operates, the Group is obligated to shoulder responsibility for the support of the underprivileged in the community by utilizing the Group's resources. With the aim to address community concerns, the Group forms a corporate volunteer team and in collaboration with local charities organizing a wide range of activities such as blood donation and cleaning activities. During the year, the Group offered approximately 2,438 hours in-kinds supports to the needy.



Employees participated in blood donation activity in 2018