

► Environmental, Social and Governance Report

INTRODUCTION

The Group adheres firmly to the core values of providing innovative, quality and reliable medical devices. The Group has longed for pursuing of sustainability, constantly incorporating environmental and societal initiatives in business. To acknowledge the significance of corporate environmental and social responsibilities of the Group, the Board launched its fourth Environment, Social and Governance Report (the “**Report**”) with pleasure to demonstrate sustainability performance of the Group. The Report is compliant with the requirements as set out in the Environmental, Social and Governance Reporting Guide stated in Appendix 27 to the Listing Rules, and the Group reports its commitments and practices on the environmental, social and governance performance for the year ended 31 December 2019.

REPORTING SCOPE

The scope of the Report covers all operating sites of the Group including the head office in Hong Kong and operating facilities in Dongguan, Shenzhen and Guangzhou, in which those areas are financially significance and operational influence on the Group and its stakeholders. By business nature, the production lines in Dongguan, Shenzhen, and Guangzhou are mainly for the medical devices focusing on respiratory products, imaging disposable products, and orthopaedic and rehabilitation products for the customers in the OEM segment and our own “Inspired®” brand of respiratory products and orthopaedic and rehabilitation products (also under “Hand of Hope” and “Hypnus™” brands) in the OBM segment. In the reporting period, the Group’s office in Japan was in operation. Environmental KPIs of the Japan office was not considered as it had only four (4) staff who were working in the sales and marketing department. The impact on the business was insignificant.

STAKEHOLDERS ENGAGEMENT

The Group firmly believes that it is important to understand the stakeholders’ needs and expectations. Better still, stakeholders’ opinion can help the Group identifies as well as prioritises development strategies. Therefore, communication channels have been set up to engage with different stakeholders on a regular basis.

ENVIRONMENT

The Group is aware that the existing 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 had complied with all environmental laws and regulations and was prohibited to all relevant illegal and violating activities. During the reporting period, there was no environmental non-compliance resulting in fines or prosecution. For continuous improvement purpose, the Group will continue to seek ways to use resources in a more efficient and environmental friendly manner.

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EMISSIONS

The primary greenhouse gases (“GHG”) emissions of the Group are generated from purchased electricity and fossil fuel consumed by company vehicles. In 2019, the Group continued its pursuit of sustainability by monitoring (Scope 3) GHG emission on business travel.

Indicator ^(Note 1)	Units	Total emissions		
		2019	2018	Change
Total GHG emission (Scope 1, 2 and 3)	CO ₂ e tonnes	11,248	11,100	+1.3%
Scope 1 ^(Note 2)	CO ₂ e tonnes	35	14	+150.0%
Scope 2 ^(Note 3)	CO ₂ e tonnes	10,949	10,855	+0.9%
Scope 3 ^(Note 4)	CO ₂ e tonnes	264	231	+14.3%
Intensity of total GHG emission (per building area)	CO ₂ e tonnes/m ²	0.33	0.32	+3.1%
Air pollutants ^(Note 5)				
Nitrogen Oxides (NO _x)	kg	19.31	8.62	+124.0%
Sulfur Oxides (SO _x)	kg	0.23	0.09	+155.6%
Particulate Matter (PM)	kg	1.60	0.75	+113.3%

Notes:

1. The GHG emissions are presented in terms of carbon dioxide equivalent which refer to the latest released emission factors by the National Development and Reform Commission (NDRC).
2. Scope 1 refers to the direct emissions from vehicles that are owned by the Group.
3. Scope 2 refers to the indirect emissions resulting from the generation of purchased electricity consumed within the Group.
4. Scope 3 refers to the indirect emissions from business travel by employees.
5. Air emissions are calculated with reference to Appendix 2: Reporting Guidance on Environmental KPIs, published by the Stock Exchange.

The total GHG emission in the reporting period was slightly higher than that in 2018. It was because Scopes 1 and 3 emissions were increased significantly by 150.0% and 14.3%, respectively. The significant increase in Scope 1 was mainly due to the higher transportation needs as compared to 2018, resulting in a higher fuel consumption of vehicles as well as a sharp increase in air emissions. The travelling miles also rose sharply due to frequent travel to visit customers and participated in a number of medical exhibition in 2019.

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 sites would be mobile vehicles. They emit a large amount of PM, NO_x and SO_x. The Group strived to control the emissions, such as to conduct proper engine repair and maintenance on a regular basis. In the future, the Group is seeking initiatives to adopt cleaner alternatives to diesel vehicles where practicable, promote eco-driving habits as well as install devices that trap pollutants.

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. Because of that, the Group has implemented the following 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;
- Used video conferencing or phone calls for meeting;
- Maintained indoor room temperature at 24 to 26 Degree Celsius at the office; and
- Placed energy-saving reminders at pantry, office and dormitory.

Indicator	Units	Total emissions		
		2019	2018	Change
Total energy consumption	kWh	13,089,576	12,977,584	+0.9%
Intensity of total energy use (per building area)	kWh/m ²	381	378	+0.8%
Total electricity purchased	kWh	13,085,976	12,973,984	+0.9%
Total solar energy generated	kWh	3,600	3,600	-
Unleaded petrol consumption	Litres	14,232	5,228	+172.2%
Diesel oil consumption	Litres	1,092	878	+24.4%



Electricity

13,085,976 kWh

Compared to 2018:
+0.9%



Unleaded Petrol

14,232 Litres

Compared to 2018:
+172.2%



Diesel Oil

1,092 Litres

Compared to 2018:
+24.4%

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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.

Indicator	Units	Total emissions		
		2019	2018	Change
Total water consumption	m ³	116,036	113,744	+2.0%
Water consumption intensity (per building area)	Litres/m ²	3.38	3.32	+1.8%

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. The Group treats all wastewater adequately and manages the treatment plant in accordance with the local regulations. Also, the Group conducts regular monitoring and inspections to ensure that the wastewater discharge is within the discharge caps as set out by the local government. If applicable, the Group takes corrective and preventative actions in response to abnormal situations.

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, the Group implemented an Office Automation (OA) System and the SAP system, set duplex-printing as default and communicated among employees via electronic means to minimise paper usage. It is encouraging to see a downward trend in total waste disposal in 2019 when compared to 2018.

Indicator	Units	Total emissions		
		2019	2018	Change
Hazardous waste <i>(Note)</i>	Tonnes	0.3	0.3	0%
Intensity of hazardous waste (per building area)	Tonnes/m ²	Insignificant (<0.00001)	Insignificant (<0.00001)	0%
Non-hazardous waste	Tonnes	180	198	-9.1%
Intensity of non-hazardous (per building area)	Tonnes/m ²	0.0053	0.0058	-8.6%

Note:

Hazardous waste in 2019 was an estimation. The waste has not collected by the registered recycler yet.

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The Group also strictly follows the guidelines and regulations to handle, manage and discharge hazardous waste. For instance, waste is sorted according to the National Hazardous Waste List and stored properly in designated container with cover, and is placed in designated area to avoid leakage and misuse. All hazardous waste such as wasted organic solvent like thinner, waste oil, spent compact fluorescent lamps, exhausted cartridges and toners are collected and recycled by licensed contractors. These contractors 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 regulations to avoid secondary environmental pollution.



Non-Hazardous Waste

180 Tonnes
Compared to 2018:
-9.1%



Hazardous Waste

0.3 Tonnes
Compared to 2018:
0%

For packaging materials, proper packaging is essential in keeping products in good quality without damage, the Group mainly employs paper boxes and plastic in the delivery and transportation process. Whenever possible, the Group reuses all the materials. The Group gets rid of plastic in phases because plastic has a detrimental effect on the environment. Hence, the alternative is being adopted. The Group uses fabric as alternative to lessen the amount of plastic waste. In 2019, 907 tonnes of packaging materials had been used, which dropped by 20.7% and the intensity of the total packaging material per production volume was 0.00002 tonnes/piece.

Category of packaging materials	Total discharge (in tonnes)		
	2019	2018	Change
Carton boxes	784	990	-20.8%
Plastic	116	147	-21.1%
Paper	7	7	0%
Total	907	1,144	-20.7%

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THE ENVIRONMENT AND NATURAL RESOURCES

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 training. Refresher training covering the topics of environment, health and safety as well as smoking cessation is also provided to employees so 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 the clean-up campaign and other activities organised by the Group during the year.



Employees participated in cleaning activity in 2019

70

SOCIAL

Employees countless contributions are the key to the Group's continuous success in business, so the Group is eager to build and maintain a harmonious, fair and safe working environment to them and endlessly strive to enhance corporate social responsibility.

Employment

The Group formulated fair and equal employment and recruitment procedures according to the relevant labour law in Hong Kong and the PRC to hire and promote employees. The Group appreciates cultural diversity in the workplace. Hence, recruitment is 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 reporting period, there was no case of non-compliance regarding compensation and dismissal, recruitment and promotion, equal opportunities, diversity, as well as discrimination.

Benefits and Welfares

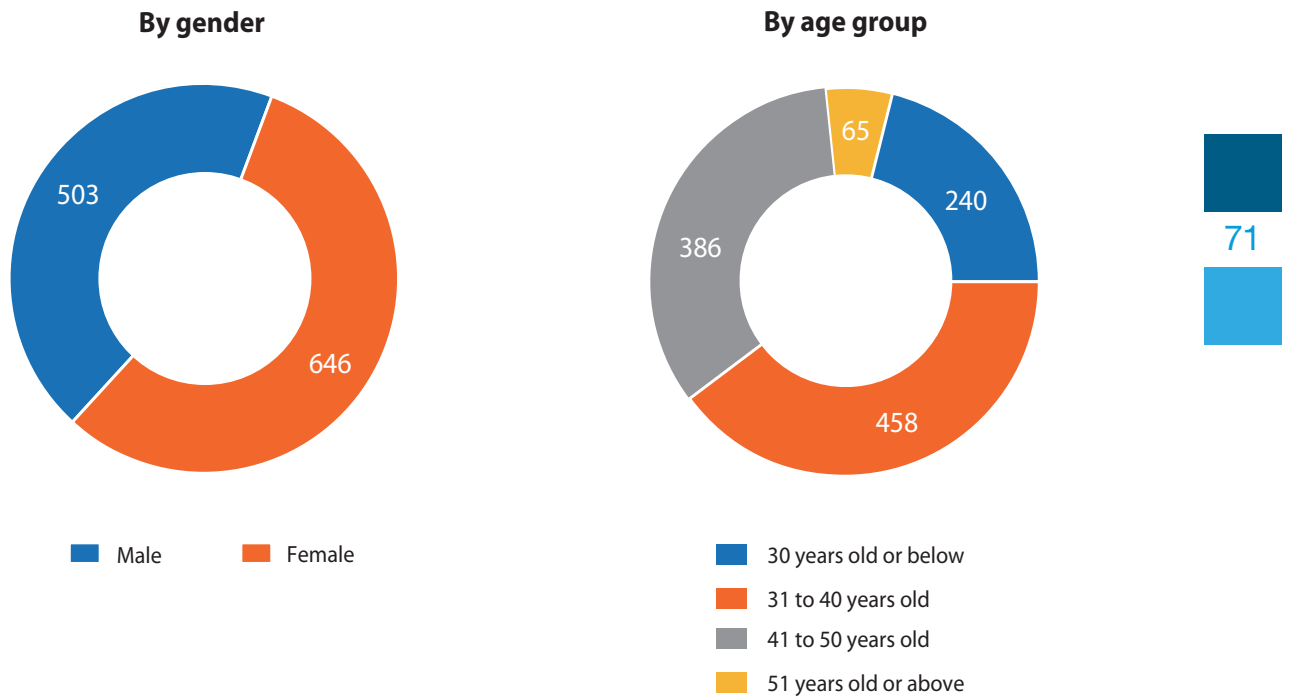
The Group covers "Five Social Insurances and One Housing Fund" for employees in the PRC. Also, the Group offers the Mandatory Provident Fund (MPF) scheme to employees in Hong Kong as required. All employees are entitled to various statutory holidays and paid leave such as marriage leave and maternity leave. To better understand the employees' opinion, the Group has formed a labour union whereby all employees are welcome to join. They can also share their ideas through monthly meeting with the Group's representatives, emails, hotlines or WeChat.

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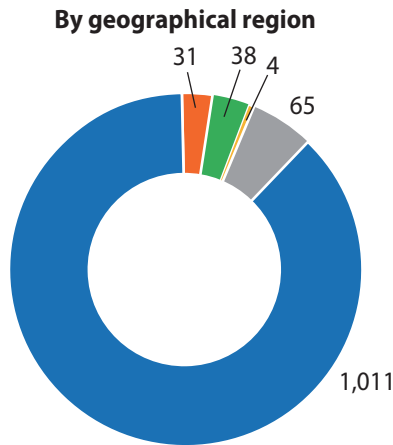
Additionally, the local government offers assistance in providing school places for employees' descendants coming from other cities. In addition, the Group also provides welfares to the employees. For instance, organising team-building activities and distributing gifts, food or beverages during the festivals like the Mid-Autumn Festival and Lunar New Year.

In addition to the benefit and welfares mentioned above, the Group benchmark employees' salary against industry norms and standards to maintain a competitive remuneration package to recruit talented employees. The Group also realises the importance of work-life balance, so that additional welfares are offered such as social activities and entertainment facilities. The Group plants greenery in the operating site in Dongguan in an eco-friendly manner and provides recreational facilities. At 31 December 2019, the Group had a total of 1,149 employees, in which general staff (including supervisor) accounted for around 96.6% (1,110 employees) and all are full-time staff. The remaining 39 employees were management so to ensure high quality of products and services.

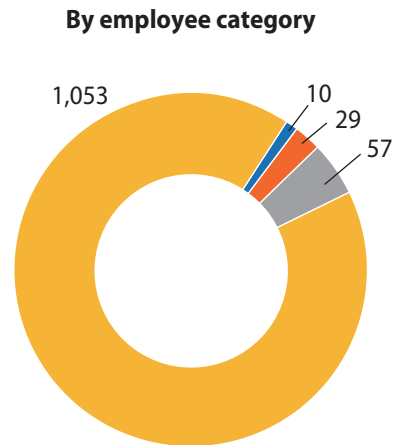
For the distribution of employees as at 31 December 2019 based on gender, age, geographical region and employee category, please refer to the below charts:



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- Dongguan
- Shenzhen
- Guangzhou
- Hong Kong
- Japan



- Senior Management
- Middle Management
- Supervisor
- General Staff

Because of the Group's conscientious efforts on improving the remunerable package, the employees' turnover rate was stable. In the reporting period, the average turnover rate was 6%. The Group interviewed each individual to understand their reasons for resigning and address their opinions whenever applicable.

Training and Development

The Group actively encourages its employees to attend training to equip themselves for the change and challenge the Group is facing nowadays. Human resources department stipulates a training schedule for employees. Training topics not only cover technical know-how but also include laws and compliance, product safety and responsibility in the training plan. In 2019, there were 22,796 training hours offered to almost all employees (99%). During the reporting period, the Group hired a consultancy company to organise a 2-day team building event for the executive Directors and senior management so as to improve the current practices to meet the Company's vision and mission with a strategic growth-mindset.

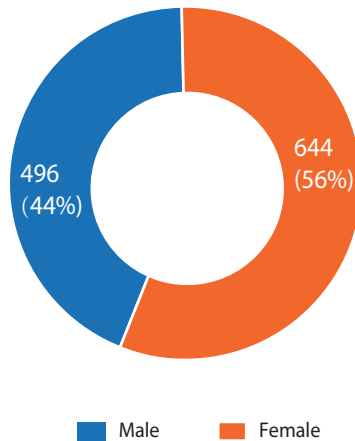


Executive Directors and senior management participated in a 2-day team building event in 2019

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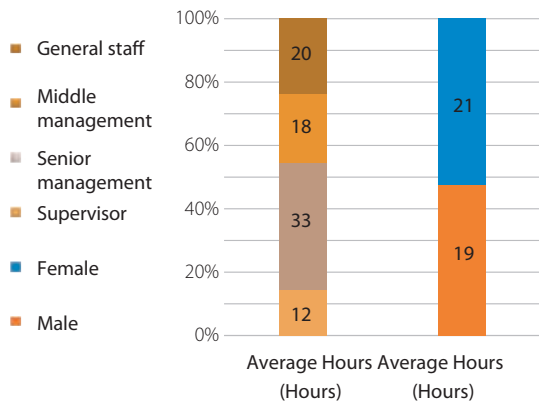
There were five (5) employees did not attend training due to the fact that they were always out of town for work. Also, four (4) employees in the Japan office started to work in Oct 2019, and they have not yet attended the training.

Total employees trained by gender



Each employee received an average of 19 training hours in the reporting period. Average training hours by employee category is shown below:

Average training hours by employee category



Total employees trained	Number of employees	Number of hours	Average hours
General Staff	1,048	21,348.5	20
Supervisor	57	685.5	12
Middle Management	26	465	18
Senior Management	9	297	33

The Group adopts an appraisal so to review employees' performance and discuss their needs and expectations to meet the business growth of the Group annually. Plus, the Group makes use of this opportunity to identify outstanding performers and offers them the best suit of a job to retain talents. Existing employees, are in priority in the list when filling job vacancies, if applicable.

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Occupational Health and Safety

Employees are an essential 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, was established. The committee is responsible for establishing safety strategies and procedures as well as identifying any potential risks in the workplace. The Group formulates relevant controls and preventive accordingly afterwards. For example, the Group established a noise control policy and schedule fire drill annually. In addition, the Group offered suitable and adequate personal protective equipment (PPE), regular safety checks and inspection towards machines so to ensure all devices are in proper functioning.

Furthermore, the Group's products are under strict hygiene standards, and the production facilities are maintained at high level of sanitation and environmental hygiene. All employees are required to conduct a 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. The Group installed a new ventilation system to improve indoor air quality and last but not least regular cleaning at production sites are scheduled.

There were no work-related fatalities in the Group in the past three years. While the Group had injuries occurred in the operating site during the reporting period of which a total of 44 days (2018: 51 days) were lost due to such events. The Group provided prompt and appropriate assistance to the injured employees, and the Group also carried out an intensive investigation to examine the root cause of accidents. Placing warning signs at prominent area and offering PPE onsite are ways to minimise the possibility of employees injury. More importantly, the Group understands education and training are effective ways of preventing accidents. Therefore, all newcomers must attend safety training such as emergency handling, cardiopulmonary resuscitation (CPR) and disease prevention trainings. These measures aimed to assure all employees are fully aware of the working procedures and the corresponding safety and health measures.

Labour Practices

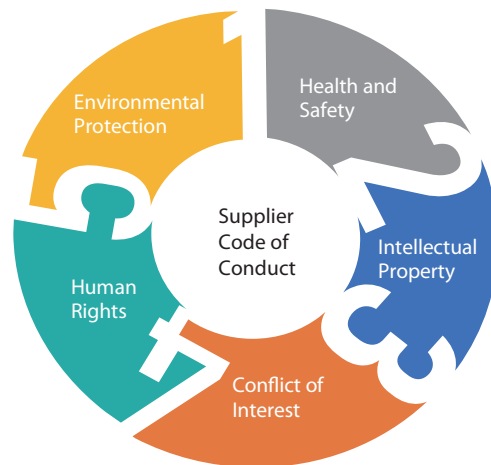
No children are allowed to work in the Group. Identity check is a must in the recruitment process. The Group will ensure that no child labour in the Group through annual child labour review and day-to-day management. Employment will be terminated immediately when there is child labour. If necessary, the Group will seek assistance from relevant institutions. 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 and also reviews the workflow in the matter of overtime work needed.

OPERATING PRACTICES

Supply Chain Management

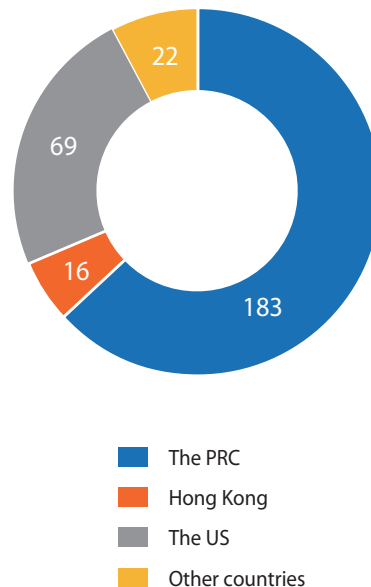
Trust, cooperation, honesty and mutual respect are the cornerstone of the Group's operation. It believes the sincere and honest attitude can bring positive influence throughout the supply chain. Building a stable long-term relationship with the suppliers and contractors can be beneficial to the Group 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 primary social responsibilities (refer to the chart below), is disseminated to the suppliers and contractors.

Five Elements of Suppliers Code of Conduct



The Group sets a detailed supply chain management procedure to guide employees concerning 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 the suppliers' 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. The suppliers go through a yearly evaluation to make sure that their performance fulfils tender requirements. For those who failed, they will be removed from the vendor list.

Distribution of Suppliers by geographical region (as at 31 December 2019)



Furthermore, the Group will consider products and services that is eco-friendly when selecting suppliers. As a result, choosing environmentally conscious suppliers and contractors are of great importance to the Group. During the reporting period, the Group implemented a cost down plan so as to minimise packaging material usage by cutting or redesigning the packaging. Also, the Group purchases packaging materials on-demand, minimising the total amount of materials consumed.

PRODUCT RESPONSIBILITY

Quality Assurance

Defective products can cause irreversible and harmful consequences for patients. 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. The Group strives 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 risk 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 is 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. The quality control 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 control department conducts random checks in the whole production chain. All validating report are well-documented and filed.

Notably, some of the products must be manufactured under a high sanitary environment. The Group maintains a standard level of hygiene and strive to control any destabilising factors. As such, the Group is equipped with specialised production equipments. Employees must strictly follow the Production Environmental Control Procedure to ensure the cleanliness and environment control of the operating sites. They are classified as four classes according to the "Cleanroom Contamination Control". Temperature, humidity, pressure and ventilation of each cleanroom are under close monitoring. All cleanroom follows the NMPA and ISO 14644 standard requirement to operate. The Group also emphasises to employees the importance of keeping good personal hygiene.

Product Recall and Complaint Handling

Customer feedback is the engine of value creation for the business of the Group. The Group has stipulated a procedure to standardise customer complaint handling. In 2019, the Group manufactured more than 61.0 million of products. In one hand, the Group is pleased to note that there was no significant product recalls and reportable events on safety or malfunction of devices issues during the year. In the reporting period, there were 160 complaints and 150 of the complaints were addressed properly. The Group will continue to work diligently to deal with the complaints.

On the other hand, however, the Group still received clients' enquiries about the quality of the products quite often throughout the year. The Group believes that showing respect for customers' opinions and treating them 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[®]", "Hand of Hope" and "Hypnus[™]" are self-owned OBM business brands. Unauthorised use of a brand name can harm business and brand image. As a precaution, therefore, the Group applied trademarks for its designs and products. As at 31 December 2019, the Group cumulatively has 71 trademarks and owns 109 intellectual property rights. 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 unauthorised 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 are provided quarterly to the employees. IT department encrypted the data regularly and organised cybersecurity training to enhance the employees' awareness. Under no circumstances, the Group can disclose 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. Rigid laws as well as compliances bound the Group. 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 with no exception.

The Audit Committee and the Risk Management Committee as well as the internal audit division are responsible in monitoring the overall performance. A couple of refresher training is scheduled, especially for those employees with high risk in corruption, to enhance their awareness on anti-corruption. In the reporting period, all employees received two hours of anti-corruption training. 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. In the reporting period, there was no suspected case of bribery, extortion, fraud and money laundering.

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Community Investment

The Group recognises that its operation may cause inconvenience to the communities where the Group operates. Similar to last year, the Group, as a medical device manufacturer, acknowledges the important of good health, therefore, the Group specifies its focus areas of contribution on the underprivileged people and constantly encourages employees to take part in community service. Intending to that the Group forms a corporate volunteer team and in collaboration with local charities organising activities such as blood donation activity and cleaning activities. In the reporting period, the Group offered approximately 1,712 hours in-kind supports to the needy.



Employees participated in blood donation activity in 2019