



Environmental, Social and Governance Report

ABOUT THE REPORT

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 fifth Environmental, Social and Governance Report (the “**Report**”) with pleasure to demonstrate sustainability performance of the Group. The Group reports its commitments and practices on the environmental, social and governance performance for the year ended 31 December 2020.

REPORTING SCOPE

The scope of the Report covers the manufacture of medical devices in all operating sites in Dongguan, Shenzhen, Guangzhou and Japan as well as the head office in Hong Kong. Those areas are financially significance and operationally importance to the Group and its stakeholders. By business nature, the production lines in Dongguan and Guangzhou are mainly for the medical devices includes respiratory products, imaging disposables products, and orthopaedic and rehabilitation products for the customers in the OEM segment and our own “Inspired Medical” and “inspired™” brands of respiratory products and orthopaedic and rehabilitation products (also under “Hand of Hope” and “Hypnus™” brands) in the OBM segment.

REPORTING PRINCIPLE

The Report is compliant with the requirements as set out in the “Environmental, Social and Governance Reporting Guide” (the “**Guide**”) in Appendix 27 of the Listing Rules issued by the Stock Exchange in 2015. The four reporting principles listed in the Guide: materiality, quantitative, balance and consistency, are used as the basis for the preparation of the Report as below. In addition, the Report tries to meet the aspects, general disclosures and key performance indicators (KPIs) of the new Guide issued in 2020.

Materiality: In order to better understand and identify the most material ESG-related issues to the Group from the stakeholders’ perspectives, the Group communicates with them on a regular basis. Meanwhile, the Group concerns ESG development outside and within the industry, fulfilling local standards as well as incorporating it into the strategic development plan of the Group.

Quantitative: Appendix 27 of the Listing Rules guides the Group to prepare measurable KPIs to review its performance. Quantitative information presented in the Report is accompanied by narrative, explanation and comparison analysis wherever applicable. The frequency of publication is once a year per reporting period.

Balance: The Group upholds this reporting principle to compile the Report, unbiasedly disclose the ESG performance in the reporting period with the support of pictures, charts and presentation formats whenever appropriate so as to avoid misleading and influence readers to make decisions or judgments.

Consistency: The Group adopts consistent methodologies and retrieves the ESG performance from the Group’s internal record system. The Group is also with reference to Appendix 2: Reporting Guidance on Environmental KPIs as well as Appendix 3: Reporting Guidance on Social KPIs as set out in “How to prepare an ESG Report” issued by the Stock Exchange in March 2020 to collect, calculate and present so as to make meaningful comparisons over the years.



BOARD STATEMENT

In view of increasingly importance of ESG-related issues in our business, the Board believed that an effective governance structure of ESG matters is fundamental to qualify ESG performance and reporting and thus the ESG Committee was established on 25 August 2020 with its written terms of reference. The ESG Committee shall comprise such number of members as the Board may determine, provided at least one executive Director, chief financial officer and Company Secretary of the Group. The ESG Committee is to assist and advise the Board in managing ESG matters such as identifying ESG risks and opportunities, formulating ESG strategy and visions, overseeing ESG issues as well as its performance in the Group. The Board admits the overall responsibility for ESG reporting. A working group was also set up for exercising ESG plan and collecting data regularly to review the ESG performance of the Group. The working group will report to the ESG Committee from time to time. Based on the data provided by the working group, the ESG Committee will formulate the working group reports for presentation to the Board on a quarterly basis.

The most critical challenge in 2020 was the global outbreak of COVID-19 pandemic. The Board directs a clear message to all levels of staff to stabilise its supply chain and maintain business development. Hence, the Group has adopted a series of COVID-19 safety measures and fully respected the social distancing policy. The Group has also closely kept in touch with the suppliers to identify physical and transitional risks along with the supply chain. Alternative suppliers are standing by at all time to safeguard critical raw materials supply. Furthermore, the Group understands the needs of the community and therefore provides financially supports and sponsors medical devices to the infected people and hospitals to fight the COVID-19.

We are with great pleasure and pride in offering respiratory devices and disposables with approvals to alleviate COVID-19 symptoms. However, the strong demand for our respiratory devices and disposables under COVID-19 was resulted in greater resources consumptions and emissions in 2020. We managed the increment at a minimum level and complied with all environmental laws and regulations. During the reporting period, there was no environmental non-compliance resulting in fines or prosecution. For continuous improvement purposes, the Group will continue to seek ways to use resources in a more efficient and environmental friendly manner.

The overwhelming support from the market in 2020 will not stop us from striving for perfections, and we know that we should not be complacent about the future development. The uncertainty of the pandemic and rapidly changing constantly remind us being conservative and prudent in doing business. We will continue to uphold our visions to build an inclusive and sustainable society to help the sick.



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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, there are communication channels to engage with different stakeholders on a regular basis.

	Stakeholders	Communication Channels
External	Customers	<ul style="list-style-type: none"> • Emails • Customer satisfaction survey • Customer service hotline • Regular meeting
External	Suppliers	<ul style="list-style-type: none"> • Hotlines/emails • Onsite visit • Annual performance review • Annual reports
External	Shareholders	<ul style="list-style-type: none"> • Disclosure of corporate information in the websites of the Company and the Stock Exchange • Annual reports • Annual general meeting • Regular dialogue with institutional investors
External	Regulators	<ul style="list-style-type: none"> • Notices and circulars • Newsletters and Releases
Internal	Employees	<ul style="list-style-type: none"> • Regular training • Regular meeting • Internal circulars (notices and intranet) • Emails/opinions collection boxes • Appraisal • Annual reports



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.

Emissions

The primary greenhouse gases (“GHG”) emissions of the Group are generated from purchased electricity and fossil fuel consumed by company vehicles.

Indicator <small>(Note 1)</small>	Units	Total emissions		
		2020	2019	Change
Total GHG emission (Scopes 1, 2 and 3)	CO ₂ e tonnes	14,471	11,248	+28.7%
Scope 1 <small>(Note 2)</small>	CO ₂ e tonnes	23	35	-34.3%
Scope 2 <small>(Note 3)</small>	CO ₂ e tonnes	14,442	10,949	+31.9%
Scope 3 <small>(Note 4)</small>	CO ₂ e tonnes	6	264	-97.7%
Intensity of total GHG emission	CO ₂ e tonnes/m ²	0.42	0.33	+27.3%
Air pollutants <small>(Note 5)</small>				
Nitrogen Oxides (NO _x)	kg	24.16	19.31	+25.1%
Sulfur Oxides (SO _x)	kg	0.15	0.23	-34.8%
Particulate Matter (PM)	kg	2.16	1.60	+35.0%

Notes:

- 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).
- Scope 1 refers to the direct emissions from vehicles that are owned by the Group.
- Scope 2 refers to the indirect emissions resulting from the generation of purchased electricity consumed within the Group.
- Scope 3 refers to the indirect emissions from business travel by employees.
- 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 increased by 28.7% because of the increase of total amount of energy consumed by 31.9% resulted from the increase of total production volume in 2020 as compared to 2019. The significant decrease in Scope 3 was mainly due to the travel ban all over the world under pandemic.

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.



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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. 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		
		2020	2019	Change
Total energy consumption (including solar energy generated) kWh		17,264,022	13,089,576	+31.9%
Intensity of total energy use (per building area)	kWh/m ²	503	381	+32.0%
Total electricity purchased	kWh	17,260,422	13,085,976	+31.9%
Total solar energy generated	kWh	3,600	3,600	–
Diesel oil consumption	Litres	2,662	1,092	+143.8%
Unleaded petrol consumption	Litres	7,167	14,232	–49.6%

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The total number of production volume was increased resulting an increase in the total energy consumption. The demand for diesel oil consumed by company truck was also escalated by 143.8%. Meanwhile, the drop of unleaded petrol was mainly due to the decrease in usage of the staff shuttle bus under the pandemic.



Electricity

17,264,422 kWh

Compared to 2019:
+31.9%



Unleaded Petrol

7,167 Litres

Compared to 2019:
-49.6%



Diesel Oil

2,662 Litres

Compared to 2019:
+143.8%

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		
		2020	2019	Change
Total water consumption	m ³	176,504	116,036	+52.1%
Water consumption Intensity (per building area)	Litres/m ²	5.14	3.38	+52.1%

The total water consumption in the reporting period was increased by 52.1% which was mainly due to the increase of staff employed and hence high office and household use of water.

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. In 2020, there were no problems in sourcing water and wastewater treatment.



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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 source. For example, the Group has implemented an Office Automation (OA) System and the SAP system; set duplex-printing as default and communicated with employees via electronic means to minimise paper usage. The Company hired a registered hazard disposal service provider in the PRC during the reporting period so as to handle the disposed hazardous wastes for the current and previous years properly and led to the significant increase of hazardous waste in 2020 by 883.3% as compared to 2019. The rise in non-hazardous waste in 2020 was mainly due to an additional number of employees which in turn led to the increase of domestic waste generated in office and household.

Indicator	Units	Total emissions		
		2020	2019	Change
Hazardous waste ^(Note 1)	Tonnes	2.95	0.30	+883.3%
Intensity of hazardous waste (per building area)	Tonnes/m ²	0.00009	Insignificant (<0.00001)	+883.3%
Clinical waste ^(Note 2)	kg	61	NA	NA
Non-hazardous waste ^(Note 3)	Tonnes	235	180	+30.6%
Intensity of non-hazardous (per building area)	Tonnes/m ²	0.0069	0.0053	+30.2%

Notes:

1. Hazardous waste includes chemicals waste such as acetone, silicone oil, mercury and etc.
2. Clinical wastes include the Limulus Amoebocyte Lysate (LAL) and their test kit.
3. Non-hazardous waste represents domestic waste generated in office and household.



Non-Hazardous Waste

235 Tonnes
Compared to 2019:
+30.6%



Hazardous Waste

2.95 Tonnes
Compared to 2019:
+883.3%

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The Group also strictly follows the applicable guidelines and regulations to handle, manage and discharge hazardous waste. Hazardous waste such as wasted organic solvent (like thinner, waste oil, waste compact fluorescent lamps, exhausted cartridges and toners) are separately collected and recycled by the licensed contractors and followed the National Hazardous Waste List. Before contractors' collection, the Group must store waste properly in designated containers with covers and placed in dangerous goods store to avoid leakage and misuse. The competency of contractors shall not only possess 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 the laws and regulations to avoid secondary environmental pollution.

In relation to the packaging materials consumption, proper packaging is essential in keeping products in good quality without damage, the Group mainly employs paper boxes and plastics in the delivery and transportation process. Whenever possible, the Group reuses all the materials. The Group is planning to get rid of plastics packaging in phases because plastic has a detrimental effect on the environment. The alternative being adopted is the use of fabrics. In 2020, the strong demand for our products resulted in greater use of packaging materials, including paper, plastics and carton boxes for a total of 1,361 tonnes, which raised by 50.1% and the intensity of the total packaging material per production volume was 0.000018 tonnes/m².

Category of packaging materials	Unit	2020	2019	Change
Carton boxes	Tonnes	1,129	784	+44.0%
Plastic	Tonnes	224	116	+93.1%
Paper	Tonnes	8	7	+14.3%
Total	Tonnes	1,361	907	+50.1%
Intensity of total packaging materials (per production volume)	Tonnes/m ²	0.000018	0.000015	+20.0%

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. The Group and employees work diligently to protect the environment by actions as well as foster the community to adopt environmental initiatives. Due to the pandemic, no face-to-face environmental trainings and activities were organised by the Group during the reporting period. The Group will consider providing online refresher training covering the topics of environment, health and safety as well as smoking cessation to employees so to refresh and reinforce the knowledge.



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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 different jurisdictions to hire and promote employees. The Group appreciates the 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.

In addition, the Group also provides welfares to the employees. For instance, distributing gifts, food or beverages during the festivals like the Mid-Autumn Festival and Lunar New Year.

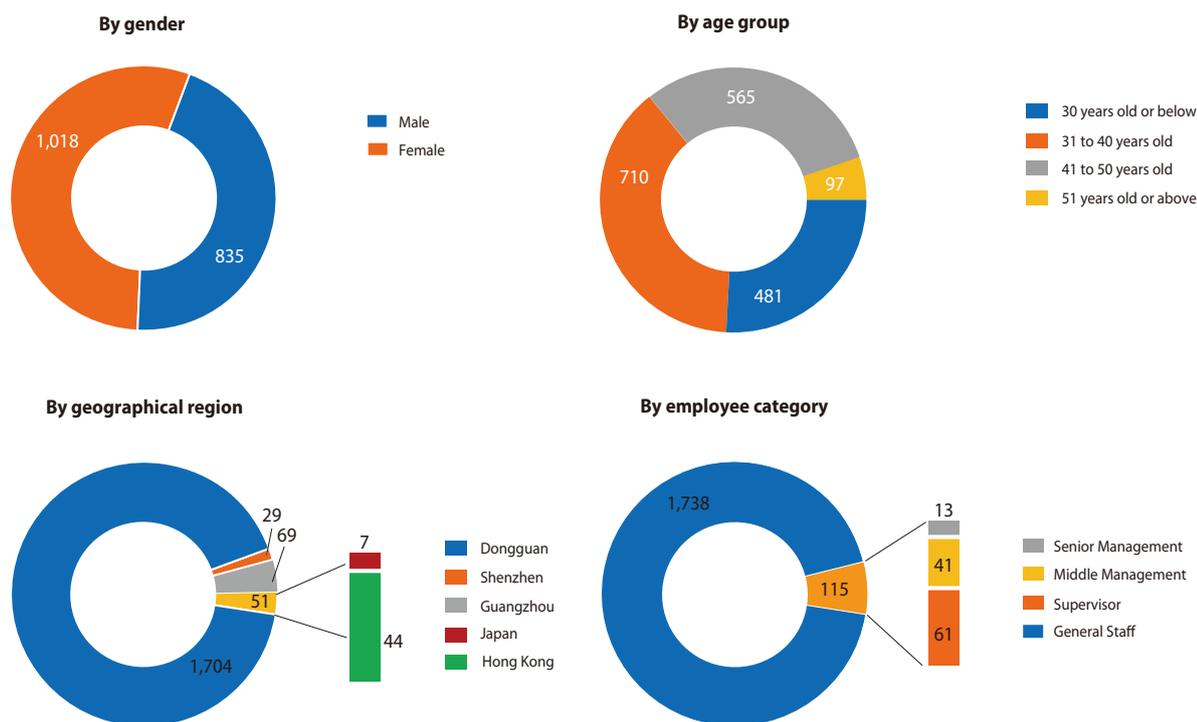
Furthermore, the Group has passed on all wages subsidies received under the first and second tranche of the Hong Kong Government's Employment Support Scheme (ESS) to its employees in Hong Kong in June 2020 and September 2020, respectively, without reducing their current salaries paid by the Group. The Group will continue to meet the all the relevant requirements as stipulated by the ESS.

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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. Maintaining mental well-being at work is equally important to keep up staff's morale and sense of belonging. We offer social activities, entertainment facilities and flexible working hours to help employees maintain a good balance between their work and personal life. The Group plants greenery in the operating site of the Group in Dongguan in an eco-friendly manner and provides recreational facilities. At 31 December 2020, the Group had a total of 1,853 employees, in which general staff (including supervisor) accounted for around 97% (1,799) and all are full-time staff. The remaining 54 employees were management so to ensure high quality of products and services.

For the distribution of employees as at 31 December 2020 based on gender, age, geographical region and employee category, please refer to the below charts:

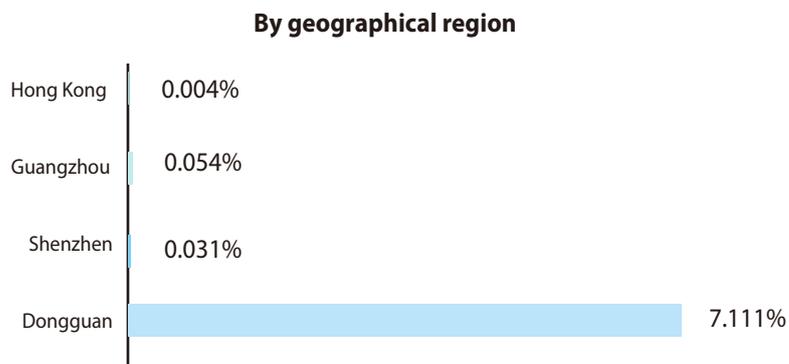
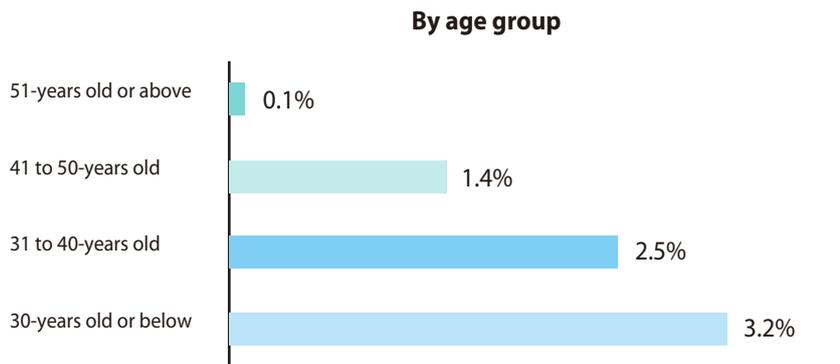
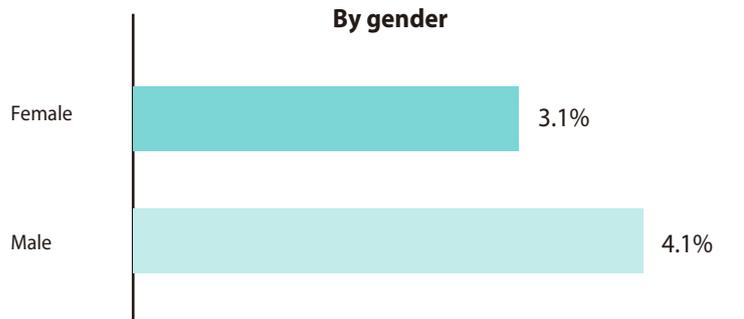


Because of the Group's conscientious efforts on improving the remunerable package, the employees' turnover rate was stable. In the reporting period, the average turnover rate was 7.2%. The Group interviewed each individual to understand their reasons for resigning and address their opinions whenever applicable.



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For the average turnover rate as at 31 December 2020 based on gender, age, and geographical region, please refer to the below charts:

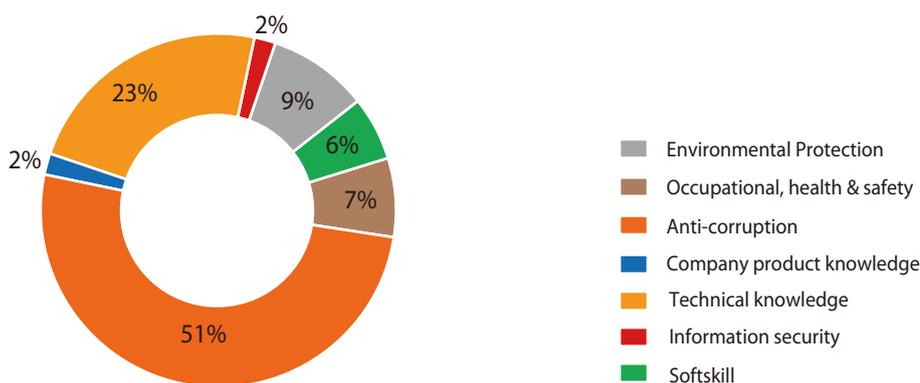




Training and Development

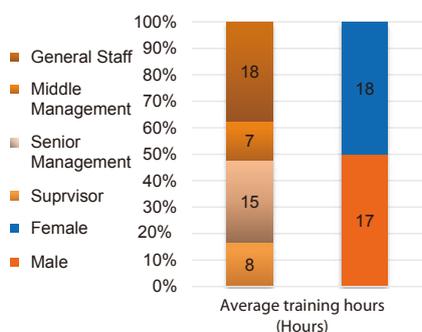
The Group actively encourages its employees to attend training to equip themselves for the change and challenge the Group is facing nowadays. Human resources department stipulates a training schedule to employees. Training topics not only cover technical know-how but also include laws and compliances, product safety and business ethics in the training plan. In the reporting period, there were 31,848 training hours offered to the majority of employees (96.4%), of which we provided 1,931 training hours on ESG-related topics as shown on below chart:

Total training hours by ESG-related training topics



There were 67 employees did not attend trainings due to the fact that the pandemic disfavouring the employees to attend. In order to increase convenience and flexibility, the Group will consider to provide more online trainings to employees. Each employee received an average of 18 training hours in the reporting period. For the number of trained employees, the number of training hours and average training hours based on employee category and gender are shown below:

Average training hours by employee category and gender



	Number of trained employees	Percentage of trained employees	Number of training hours	Average training hours
General Staff	1,695	94.9%	31,074	18
Supervisor	54	3.0%	436	8
Middle Management	27	1.5%	190	7
Senior Management	10	0.6%	148	15
Male	792	44.3%	14,068	17
Female	994	55.7%	17,780	18



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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.

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. In 2020, anti-infection prevention measures were of the utmost concerns of the Group. Our human resources team has been closely monitored the situation and taken necessary actions to safeguard the well-being of our staff. To minimise cross-contaminations, the Group has also limited the personnel movement across areas and borders by respecting social distancing policy. All unnecessary visits and travels were strongly prohibited and ribonucleic acid (RNA) test was required to employees who visited high risk areas in particular. Employees who participate in production must pass the temperature checks and obey mask-on policy. They had a duty to avoid gatherings and keep distancing themselves from others. Individual partitions were installed in canteens. Other administrative and managerial employees enjoyed work-from-home policy.

Regular cleaning and disinfection schedules were in place with increasing frequency. Additional cleaning and disinfection are arranged upon request. Suitable and adequate personal protective equipment (PPE), medical check-up, regular safety checks and inspections towards machines as well as fire drills were also taking effect in the event of pandemic. With all these supports, employees of the Group were proven to be physically fit for work. For those who failed the health checks, they will be suspended from their existing works or arranged to another less physical-intensive job duty. The Group also reminds employees to be aware of keeping good personal hygiene and keeping eyes of COVID-19 symptoms.

There were no work-related fatalities in the Group in the past three years. While the Group had injuries occurred in the operating sites during the reporting period of which a total of 229 days (2019: 44 days) were lost due to such events. In 2020, total injury events were 28 as compared to 14 total injury events in 2019. The significant increase in the total lost days was due to the total workforce expansion and also a longer period of sick leave took by the injured employees.

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 the 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) training, 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.

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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

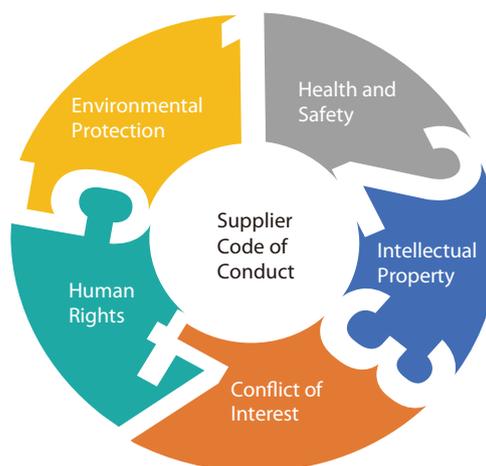
Supply Chain Management

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 on the right), is disseminated to the suppliers and contractors.

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.

Five Elements of Suppliers Code of Conduct

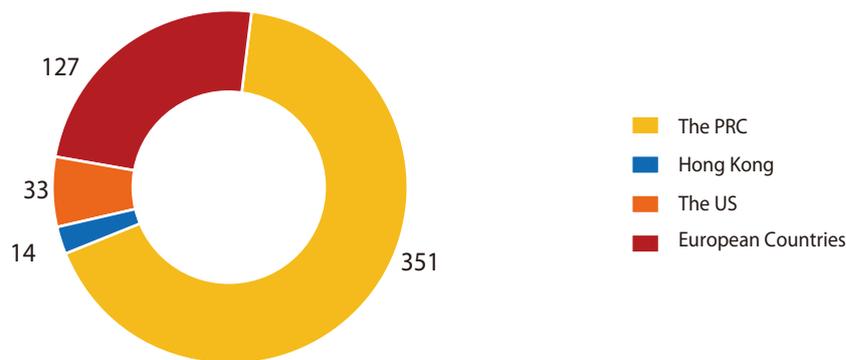




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In the event of pandemic, the Group strongly believes that the quality of all of our medical products have a significant impact on patients' safety and experience. The Group must fully comply with the quality control requirements even though the production volume has soared. At the meantime, the Group has continued to develop series of alternative resources for critical components, for example: GSL ink, drip chamber, data cable, chemical and non-woven fabric, etc. to safeguard the stability of supply chain. Moreover, the Group relies on local suppliers and diversifies suppliers from other countries such as Sweden, Netherlands and Israel for irreplaceable materials.

**Distribution of Suppliers by geographical region
(as at 31 December 2020)**



Furthermore, the Group promotes environmentally preferable products and services 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 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 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 facilities. 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. In the event of COVID-19, the Group expanded additional 2,400 sq.m. of cleanroom to triple the production capacity.

Also, the medical devices especially the heated humidifier and heated humidifier respiratory unit are granted an Emergency Use Authorisation from the FDA of the US. Hence, the increased production leads us to pay extra attention on product quality.

As the new European Union regulation for the medical device industry (EU MDR) will be put into force in 2021, the Group is committed to devote additional resources to enhance its quality management system so as to strengthen the registration capabilities and ensure to meet the most stringent quality standards of medical products.

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 2020, the Group manufactured more than 77.0 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 500 complaints and 487 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 intellectual property rights. Product design and development have great value to the business. “Inspired Medical”, “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 2020, the Group cumulatively has 74 trademarks and owns approximately 140 patents and applications. 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.



Environmental, Social and Governance Report

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, Hong Kong and Japan 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, there are 984 anti-corruption training hours were provided to 930 employees (being approximately 50% of total number of employees). The Group will continue to organise anti-corruption trainings to all levels of staff in 2021. 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.



Employees participated in anti-corruption training in 2020



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. Due to pandemic, the Group only offered approximately 88 hours in-kind supports to the needy in the reporting period.



Employees participated in blood donation activity in 2020

When COVID-19 outbreak began in early 2020, the Group recognises that it was a time of great need across many countries around the world and as a medical device manufacturer focusing on respiratory area, the Group is leaning in to offer support where it can. When the global supply chain was heavily impacted by the pandemic which had led to the shortages of respiratory medical supplies, targeted product donations play a vital role to support COVID-19 relief efforts. The Group has responded the needs from governments and hospitals during these uncharted times and donated approximately HK\$3.2 million in respiratory disposables and devices to Huoshenshan hospital in Wuhan and National Health Service of the United Kingdom.

The Group believes that supporting today's aspiring young leaders is a great investment in the future. In the reporting period, the Group established the "Vincent Medical Enrichment Scholarship for Medical Student" in the LKS Faculty of Medicine, the University of Hong Kong. The scholarship will be awarded to the third year Bachelor of Medicine and Bachelor of Surgery (MBBS) students on the basis of financial need, academic merit and budget of the enrichment year activities and preference will be given to those students who undertake respiratory-/pulmonology-related learning and/or research activities during their MBBS Enrichment Year Programme. The Group pledged an initial donation of HK\$500,000 to the scholarship in 2020 and will offer a donation each year in the future.