



INTRODUCTION

The Group adheres to the core values of “Innovative, Quality, Reliability”, and is committed to becoming a quality manufacturer of the medical device industry. The Group is also devoted to providing the staff with a safe and healthy working environment, personnel training, promoting and implementing management policies and mechanisms on supply chain management, environmental protection, community investment and other aspects, so as to increase the Group’s competitiveness that fits well in with the development strategy.

Besides, since the Listing of the Shares on the main board of the Stock Exchange on 13 July 2016, pursuant to the Environmental, Social and Governance Reporting Guide (the “**Reporting Guide**”) as set out in Appendix 27 to the Listing Rules, the Board has incorporated environmental, social and corporate governance aspects into the Company’s sustainable business values to formulate the Group’s environmental, social and corporate governance strategy and internal control system, and to assess as to whether the aforesaid system is adequate and effective through our internal review on a regular basis.

The Board is pleased to present the Environmental, Social and Governance Report of the Group for the year ended 31 December 2016, which explained the Group’s policies on the four major aspects, namely environmental protection, employment and labor practices, operating practices and community investment, and elaborates on their performance.

In the opinion of the Directors, the Company has complied with the “comply or explain” provisions set out in the Reporting Guide throughout the period commencing from the Listing Date and up to the date of this Annual Report.

1. ENVIRONMENTAL PROTECTION

1.1 Environmental Protection Policies

The Group has been supportive to sustainable use of resources, and has made efforts to minimize the impact of its activities that may have on the environment. Key points of the policies are:

- minimize emission of hazardous gases through choosing and adopting appropriate transport mode and source of energy needs;
- minimize hazardous and non-hazardous wastes through assessing business operation while ensuring most efficient use of materials;
- promote actively natural resource saving measures and recycling matters concerning all businesses and departments of the Company; and
- conform to or well conform to the requirements of all environmental protection laws and regulations applicable to the Company.

The Company has formulated internal environmental protection procedures in respect of all production segments to regulate environmental protection matters. No significant penalty or fine was sought for violation of environmental protection regulations during the Year.

1.2 Emissions and Wastes

The Company sets its standard based on information for the Year to calculate emission volume of greenhouse gases and production volume of hazardous wastes and non-hazardous wastes, which will be used for future reference and comparison. The Company sees the reduction of emissions and wastes as its long-term objective and is contemplating to lay down measures to gradually reduce emissions and will track the progress on an annual basis.

The following data on emission types are calculated based on motor gasoline emission:

Emission types	Nitrogen oxide	Sulphur dioxide	Suspended particulates
Emission volume	6,240g	140g	459g

The Company mainly uses electricity as its energy for production and total emission volume of greenhouse gas is calculated based on the electricity consumption. The figures are as follows:

CO ₂ emission scope	Motor gasoline	Electricity	Total
Emission volume	7,363 tons	25 tons	7,388 tons

The Company produced total hazardous wastes of approximately 1.28 tons in the course of production. Non-hazardous wastes of approximately 143 tons were generated in the course of operation and waste from household, business and office activities.

Waste can be classified into three types, namely ordinary refuse, recyclable refuse and hazardous refuse, and be treated accordingly by each department. Ordinary refuse is treated collectively by the Company. Recyclable refuse is collected and transported for recycling. Hazardous refuse, such as plastic scraps, HW08 (wasted engine oils) and HW49 (used empty buckets), is transported and treated by a contractor engaged by the Company who is recognized by the Guangdong Environmental Protection Department and a licensee of the Operating License for Dangerous Waste. Every transport of dangerous refuse to the contractor would be recorded for filing.

1.3 Use of Resources

For the sake of more effective use of resources, the Company has adopted internal measures to encourage effective use of water, electricity and other resources, such as paper and packaging materials. In addition to adopting the policies and procedures, the Company delegates electricians to conduct regular checks and to assess electricity consumption, who will also provide guidance and suggestions for the effective use of resources to our staff.

The Company mainly uses electricity as its energy for production. Total consumption of electricity for the Year was approximately 10,832,633 kiloWatt-hours (kWhs) (1 kilowatt-hour=1unit of electrical power), i.e., about 393.18 kWhs/m².

Total water consumption was approximately 83,225 liters, i.e., approximately 3.02 liters/m². The Company has engaged an energy-saving consultancy in March 2016 to monitor electricity consumption of the Company. The Company has no problem in acquiring edible water source, but it still implements water-saving measures to remind staff of water-saving. Such initiatives and other resource-preservation measures are all recorded in the Company's internal EHS Procedures for all staff to follow.

Total volume of packaging materials used in finished products was approximately 90 tons of plastic material and 629 tons of cardboard box material.



1.4 Environment and Natural Resources

The Company has a set of policies and procedures for waste treatment to prevent pollution of soil and groundwater. Besides, the Company has guidelines for waste storage, the collected waste cannot be stored outdoors to prevent contamination of rainwater. The Company has also drawn up procedures to monitor emission of waste water and the use of industrial compressed air to ensure compliance with laws and regulations. Our production poses no significant impact on the environment and natural resources, and we have adopted actions and measures to address such impacts.

2. EMPLOYMENT AND LABOR PRACTICES

2.1 Employment Policies

The Group devotes its efforts to promote a diversified, safe and healthy workplace where staff of different background, experience, age and gender are respected and treasured. The Group advocates an ethical and law abiding spirit, under which it develops its comprehensive human resources policies as follows:

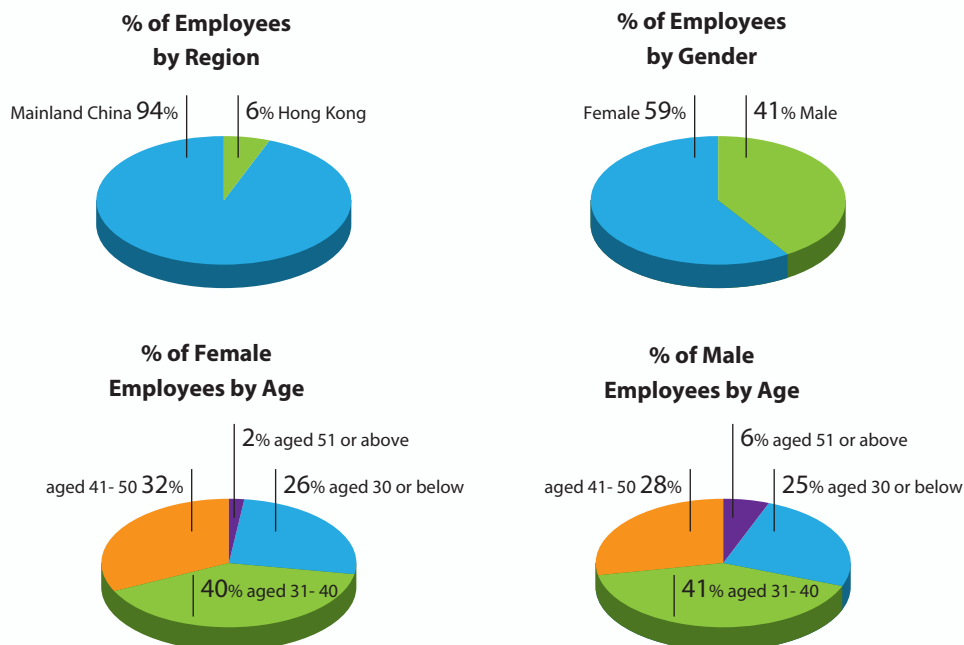
- Recruitment, promotion and dismissal policies are fair and consistent;
- All human resources policies are devised on the basis that no staff would be discriminated against gender, race, age, marriage and religion causes, and that conforms to the relevant labor laws;
- All remuneration payable to staff should observe all applicable wage laws, including laws governing minimum wage, overtime and statutory benefits;
- Staff should stick by the timetable of work and leave as scheduled by their respective departments. Generally, the working hours are 8 hours per weekday (Monday to Friday), and a break of 1.5 hours after working for every 4 hours;
- Staff are entitled to statutory holidays, annual leave, sick leave, marriage leave, maternity leave, compassionate leave and work-related injury leave; and
- The Company has formed a recreation club to organize and coordinate recreational activities for staff. These activities are funded or sponsored by the Company. Staff can also use the library, the TV room, the table tennis room, the billiard parlour and other recreational facilities in the campus.



Staff can use the recreational facilities such as the library, table tennis and billiard parlour in their leisure time

2.2 Employment

As at 31 December 2016, the total number of employees of the Company was 921. Below are the detailed breakdown of our employees by region, gender and age group:



The Group welcomes talents from the industry to join the team to enhance professional capability, as well as to bring in new talents from different industries to stimulate innovative ideas.

Turnover Rates by Age, Gender and Location

Total number of employee turnover 2016: 610	Gender		Location	
	Female	Male	Mainland China	Hong Kong
Age				
Aged 30 or below	32%	12%	38%	2%
Aged 31 – 40	17%	9%	21%	1%
Aged 41 – 50	6%	3%	7%	1%
Aged 51 or above	0%	0%	1%	0%

Note: Attrition Rate = No. of employee turnover in the relevant age group/(No. of staff + Total no. of employee turnover in the relevant age group as at 31 December 2016).

Recruitment Rate by Age, Gender and Location

Total number of new recruits in 2016: 528	Gender		Location	
	Female	Male	Mainland China	Hong Kong
Age				
Aged 30 or below	31%	14%	37%	2%
Aged 31 – 40	18%	6%	19%	1%
Aged 41 – 50	5%	3%	6%	1%
Aged 51 or above	0%	1%	0%	1%

Note: Recruitment Rate = No. of new recruits in the relevant age group/(No. of staff + Total no. of new recruits in the relevant age group as at 31 December 2016).



2.3 Health and Safety

Staff health and safety is our top priority. The Company has a set of internal measures and guidelines in place to safeguard the health and safety of staff. The Company's business is subject to a number of laws and regulations regarding health, production safety, social and environment aspects. The regulatory affairs team of the Company's quality assurance department is responsible for monitoring internal standard situation to ensure compliance with the legal requirements.

During the Year, the Company complied with the relevant laws and regulations in the PRC and Hong Kong in respect of securing staff health and safety. No significant claim or fine was sought or instituted with regard to health and production safety, and no incident was recorded for work-related death. During the Year, there were two workers injured by crashing objects and took leave of 41 days.

The Company keeps proper hygiene control to ensure a clean and well ventilated workplace. Relevant departments are delegated with explicit roles and division of duties. Workers need to undergo vocational body checks every year, and those workers who fail to reach standards in such routine checks would have their posts or their respective departments adjusted in an appropriate manner to ensure a safe and healthy workplace for employees. As for the safety control, every staff must understand the related operational process and receive the relevant training before starting to work. The Company would provide staff with proper protective gear. All dangerous materials are labeled clearly and handled by the dedicated personnel. In addition, the Company has set out noise control measures and fire-alarm control policies. Every year, the internal first-aid personnel has to receive trainings to handle emergencies.



Staff received safety control training

2.4 Development and Training

The Company considers employees as the most valuable resources to attain our success. To ensure the quality of employees at all levels, we have a standardized in-house training program to train our staff. New employees at our production facility will receive trainings pertinent to their job duties, which cover topics including medical device related regulations, production safety knowledge, and procedures and protocols relating to quality control.

During the Year, our employees received trainings with approximately 9,764 attendances, total hour of training was approximately 12,421 hours. On average, each employee took about 8 hours of training. Percentage of trained personnel and training hours by gender and hierarchy of employees were shown as follows:

No. of Trained Personnel by Gender and Hierarchy of Employees

Hierarchy of employee	Male		Female		Total head count	Aggregate Proportion
	No. of trained personnel	Proportion	No. of trained personnel	Proportion		
Senior Management	172	5%	18	1%	190	2%
Mid-level Management	337	9%	138	2%	475	5%
General Staff	3,029	86%	6,070	97%	9,099	93%
Total no. of trained personnel	3,538	100%	6,226	100%	9,764	100%

No. of Training Hours by Gender and Hierarchy of Employees

Hierarchy of employee	Male		Female		Aggregate hour of training	Aggregate Proportion
	No. of training hours	Proportion	No. of training hours	Proportion		
Senior Management	683	12%	78	1%	761	6%
Mid-level Management	1,169.5	20%	448.5	7%	1,618	13%
General Staff	3,919.5	68%	6,122.5	92%	10,042	81%
Total training hours	5,772	100%	6,649	100%	12,421	100%

2.5 Labor Practices

The Group respects and observes international human rights rules, such as the “Universal Declaration of Human Rights” of the United Nations and conventions of the International Labor Organization (ILO). The Company upholds the policy not to employ child labor or forced labor. Our policy is to make sure that we do not employ a person aged below the statutory minimum age for employment, and that any kind of forced labors, including prison labor, contract labor, servitude labor or other forms of forced labor, are banned in the Company.

The Group has at all times abided by the relevant laws and regulations and has never been subject to any punishment or fine for the employment of child labor or forced labor. In the course of recruitment, the Company would verify the ages and other personal particulars of the applicants to avoid non-compliance. The Company would make clear to the applicants the duties and responsibilities of each job when recruiting. Once employed, the Company will assign proper work load for an employee based on his/her experience and ability. Every staff will receive a copy of staff manual which clearly sets out related salaries and benefits, and employment policies. All the staff are entitled to salary, work, working schedule and freedom to resign as stipulated when they get employed. In the case of breaches, the Company would conduct in-depth investigation (for example whether a false age file is used) and take action against the employee concerned.

3. OPERATING PRACTICES

3.1 Supply Chain Management

The Company carries on its business in a responsible manner. We work with our material suppliers closely and adheres to the Company’s codes of conduct on social responsibility of suppliers. Regarding the engagement of suppliers, the Company’s codes of conduct on social responsibility of suppliers comprises of the following:

- Respect human rights and never employ child labor and forced labor;
- Staff should not be discriminated against age, gender, race, religion and disability causes;
- Staff should be remunerated in conformity with comparable values;
- Be attentive to the health and safety of staff;
- Emphasize environment management, in which the suppliers should establish an effective system to manage impacts they may have on the environment, including the treatment of chemical and dangerous materials, and control over the emissions of wasted water and solid wastes, as well as the emissions of chemical materials released on to the air; and
- Observe the business ethics, anti-corruption and bribery policies, preservation and protection of intellectual property.



The Group has 270 major suppliers of raw materials, of which 80 are from overseas (including Hong Kong) and account for about 29%. The number of suppliers distributed by geographical region is as follows:

Geographical Region	Number	Proportion
PRC	190	70.4%
USA	31	11.5%
Hong Kong	27	10.0%
Britain	4	1.5%
Sweden	4	1.5%
Others (<i>Note</i>)	14	5.1%
Total	270	100.0%

Note: Others mainly include Singapore, Israel and Italy.

Before engaging a supplier, the Company would send out a supplier profile survey in order to learn about conditions of the supplier in issue in respect of quality standard, safety standard, environmental protection and vocational health, and would require it to provide relevant quality and safety certifications. Shortlisted suppliers must sign an agreement in relation to operating business in an ethical manner and observing our anti-corruption and bribery policies. The Company would also require them to provide written assurance, stating that they would act in accordance with our conduct codes on social responsibility of suppliers.

3.2 Product Responsibility

As a quality manufacturer in the medical device industry, quality assurance is the top priority of the Group's production management focus. The Company establishes and implements a quality control and risk management system, which involves formal control and supervision over products in respect of product design, production, storage and packaging. The Company maintains quality control and risk management procedures that set out roles and duties of respective departments.

The Company is the first Hong Kong-headquartered medical device group to have obtained the ISO14971 certification for the application of risk management to medical devices in 2009. Subsequently, we have also obtained certifications under the ISO13485 standard for comprehensive quality management system for the design and manufacture of medical devices, and the ISO11135 standard for development, validation and control of sterilization process for medical devices.

The Company has made an effort to comply with the relevant laws and regulations governing product safety, and no significant claim or fine was sought or incurred in regard to any product safety, advertisements, labeling or privacy matters during the Year.

3.2.1 *Product recalls*

The Company has not sold or delivered products that need to be recalled for safety and health reasons.

3.2.2 *Complaints about products and services*

The Company considers customer feedback as a valuable tool to enhance products and services. We take customer feedback seriously and have a set of procedures in place to handle complaints from customers. For the Year, the number of products sold was approximately 53,000,000 and the number of cases of complaints from customers was 82, all were handled by quality control and risk management procedure numbered MQSP7202.

3.2.3 *Preservation and protection of intellectual property*

The Group regards our own Inspired Medical (英仕醫療) brand name as critical to the success of the OBM Business. Unauthorized use of our brand name by the third parties may adversely affect the value of our brand name, business and reputation, including the perceived quality and reliability of our products. We rely on the trademark law and agreements with our distributors to protect the value of our brand name. As at the end of the Year, we have registered 39 trademarks. Despite our precautions, we may not be able to prevent unauthorized use of our brand name by the third parties. In certain circumstances, litigation may be necessary to protect our brand name.

3.2.4 *Quality inspection processes and product recall procedures*

Our quality assurance measures cover all aspects of our production processes and operations, including design, installation and maintenance of production facilities, procurement of raw materials and packaging materials, monitoring and quality checks of raw materials, semi-finished products and finished products and verification of documentation to comply with the product registration certification standards and requirements. In every production process, dedicated quality inspectors are assigned to inspect each process according to the pre-determined standards and inspection conditions and to record inspection results. Our quality assurance staff would focus on the following four processes:

- (a) Production process validation procedure
- (b) Raw materials quality control
- (c) Production in-process quality control
- (d) Finished product quality control

As to the product recall procedures, the Company has instituted the internal policy of "query/product recall alarm procedure" to enable product recall when necessary. The Company has no significant product return or any product recall for quality or other causes for the Year.

3.2.5 *Consumer data protection and privacy policy*

The Company is intending to unfold its policies regarding information protection of consumers and privacy, as well as the related implementation and control methods in the coming three years.



3.3 Anti-Corruption

It is the Group's policy to strictly abide by all laws and regulations in relation to anti-corruption. During the Year, we have been in compliance with the anti-corruption laws and regulations, and we were not aware of any regulatory investigation or conviction for non-compliance with such requirements or improper payments by our Directors, employees or distributors. No litigation case involving corruption was instituted and concluded against its employees by the Company.

In order to prevent any violation of the anti-corruption laws and regulations by our employees, we have adopted the following measures to regulate the conduct of our employees, including (i) establishing internal policies to increase our employees' awareness of the relevant anti-corruption laws and regulations, as well as bribery-related acts; (ii) establishing a code of conduct; (iii) providing related training; (iv) providing anti-corruption training for our sales employees to explain to them the penalties involved for conducting corruption activities and their duty to report such activities to the Board; and (v) providing a clear definition on the scope of corruption activities, setting out the measures for prevention and control of such activities and establishing a whistle-blowing procedure for handling reports on corruption and bribery activities. With respect to implementation timeframe, we have formulated and issued the relevant internal policies, code of conduct and whistle-blowing procedure (namely, measures (i), (ii) and (v) mentioned above) in May 2016 and provided related trainings to our employees (namely, measures (iii) and (iv) mentioned above) in June 2016. We will also provide trainings to our employees on an annual basis. Based on the above, Directors are of the view that our internal control policies over anti-corruption or bribery conduct of our employees are adequate and effective.



Staff received anti-corruption training provided by the legal adviser

4. COMMUNITY INVESTMENT

The Company is planning to develop its corporate policy in connection with community investment in the next year to show our care about the communities where our plants or offices are located. The Company is preparing to form a volunteer team by inviting all the staff to join and show their earnest concern for community needs, with an aim to contribute our part to the community in which we live and work, making it a more harmonious one.

In October 2016, the Company took part in a blood donation activity organised by the Government of Dongguan.



Staff actively participated in blood donation activity