



ABOUT THE REPORT

The Group adheres determinedly to the fundamental values of providing innovative, quality and reliable medical devices. The Group longs for the pursuit of sustainability, continuously incorporating environmental and social initiatives in our business. In view of the importance of corporate environmental and social responsibilities, the Board is pleased to launch its sixth Environmental, Social and Governance Report (the “**Report**”), which aims to describe our commitments, practices and performance in all aspects of ESG for the year ended 31 December 2021 (the “**reporting period**”), in response to stakeholders’ expectations and sustainable development of the Group.

REPORTING SCOPE

The relevant environmental key performance indicators (“**KPI(s)**”) mainly cover the manufacture of medical devices in all operating sites in Dongguan, Shenzhen and Japan as well as the head office in Hong Kong, on the ground that these areas are financially significant and operationally important to the Group and its stakeholders.

In light of the worsening business prospects and financial performance of GZ Hypnus, the Group disposed all of its effective interests in GZ Hypnus during the reporting period and Guangzhou was no longer considered as one of the reporting scopes.

By business nature, the production lines in Dongguan are mainly for the medical devices focusing on respiratory care, imaging contrast media power injector disposables, and orthopaedic and rehabilitation products for the customers in the OEM segment, and our own “Inspired Medical” and “inspired™” brands of respiratory devices and disposables and orthopaedic and rehabilitation products (also under “Hand of Hope” and “Hypnus™” brands) in the OBM segment.

REPORTING PRINCIPLE

The Report complies 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. The Company has complied with all “comply or explain” provisions as set out in the Guide and followed the below reporting principles in the preparation of the Report: materiality, quantitative, balance and consistency. In addition, the Report tries to meet the aspects, general disclosures and KPIs of the new Guide issued in 2021.

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. Details are explained in the sections headed “Stakeholders Engagement and Materiality Assessment” in this Report. 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.



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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 to collect, calculate and present so as to make meaningful comparisons over the years.

BOARD STATEMENT

The Board acknowledges its responsibility for ensuring the integrity of the Report and to the best of their knowledge, the Report addresses all relevant material issues and fairly presents the ESG performance of the Company. The Report was reviewed and approved by the Board on 23 March 2022.

The Board believes that an effective governance structure of ESG matters is fundamental to ESG performance and reporting and can enhance the corporate brand image, promote the sustainable development of the Group's business and improve the competitiveness of the Group. The Group has established the ESG Committee with its written terms of reference, which aims 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 Group continued to maintain a high standard in ESG during the reporting period. We strictly operated in accordance with laws and regulations, improved the governance structure in accordance with the current Company status, and clarified the scope of duties and working procedures. The ESG Committee directly reports to the Board. It comprises such number of members as the Board may determine, provided at least one executive Director, Chief Financial Officer and Company Secretary of the Group. A working group was also set up for exercising ESG plan and collecting data regularly for the review of the ESG performance of the Group. The working group reports to the ESG Committee from time to time. Based on the data provided by the working group, the ESG Committee will formulate the working reports for presentation to the Board on a quarterly basis.

The risk management of ESG-related issues is critical to the Board. In order to promote the comprehensive risk management within the Group, through the Board's extensive understanding of the business and the communication with different stakeholders, we have made a basic assessment of relevant ESG risks and incorporated the relevant risks into the risk management and internal control system.

The Board believes that our focus on product quality, protection of intellectual properties and occupational health and safety is particularly beneficial to the Group's achievement of its goal of establishing an excellent corporate image. Therefore, the Group regularly evaluates our quality assurance metrics and occupational safety statistics based on predetermined targets. These goals and evaluations are effective indicators that reflect efficiency and control.

The COVID-19 pandemic remains a critical challenge to the world in 2021. The Board directed a clear message to all levels of staff to ensure the resilience of the Group's supply chain and maintain continuous business development. The Group has also maintained close communication with the suppliers to identify potential physical and transitional risks along the supply chain. Alternative suppliers are standing by at all time to safeguard critical supply. The Group continues to adopt a series of COVID-19 safety measures and social distancing policy.

We are with great pleasure and pride in offering respiratory devices and disposables with approvals to alleviate COVID-19 symptoms. The Group understands the needs of the community and therefore provided sponsored medical devices to the infected and the hospitals to confront COVID-19.

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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 develop our business in a more efficient and environmentally friendly manner.

Despite the overwhelming support from the market, we acknowledge that we should not be complacent and should continue to strive for development and perfections. The uncertainty of the pandemic is still looming, a diligent and prudent operation practice is the answer to an uncertain situation. We will continue to uphold our visions to build an inclusive and sustainable society to support the sick.

STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholders' opinions are the solid foundation for the Group's sustainable development and success. The stakeholders engagement helps the Group to develop a business strategy that meets the needs and expectations of stakeholders, enhances the ability to identify risk and strengthens important relationships. The Group communicates with its stakeholders through various channels on a regular basis, shown as below.

Stakeholders		Communication Channels	
External	Government and regulatory agencies	<ul style="list-style-type: none"> Annual reports, interim reports and other public information 	<ul style="list-style-type: none"> Notices and circulars Newsletters and releases
External	Shareholders and investors	<ul style="list-style-type: none"> Disclosure of corporate information in the websites of the Company and the Stock Exchange Annual reports, interim reports and other public information 	<ul style="list-style-type: none"> Annual general meetings and other general meetings of shareholders Press releases/ announcements Regular dialogue with institutional investors
External	Customers	<ul style="list-style-type: none"> Emails and faxes Customer satisfaction survey Customer service hotline 	<ul style="list-style-type: none"> Regular meetings Representative offices Exhibitions
External	Suppliers	<ul style="list-style-type: none"> Hotlines/emails Onsite visits 	<ul style="list-style-type: none"> Annual performance review Meetings
Internal	Employees	<ul style="list-style-type: none"> Regular trainings Regular meetings Internal circulars (notices and intranet) 	<ul style="list-style-type: none"> Emails/opinions collection boxes Performance evaluation



Environmental, Social and Governance Report

“**Materiality**” is one of the keystone reporting principles for preparing a quality ESG report. In the Guide, materiality is defined as the threshold at which ESG issues are determined by the board to be sufficiently important to investors and other stakeholders that they should be disclosed. In preparing the Report, we directly engaged with the appropriate stakeholder categories as part of the materiality assessment process to identify and prioritise the issues to be covered in the Report that have significant impacts on the business and stakeholders.

Stage 1 – Identification

We compiled a list of ESG issues and grouped into four reporting aspects: Environment, Employment and Labour Practices, Operating Practices and Community.

Stage 2 – Prioritisation

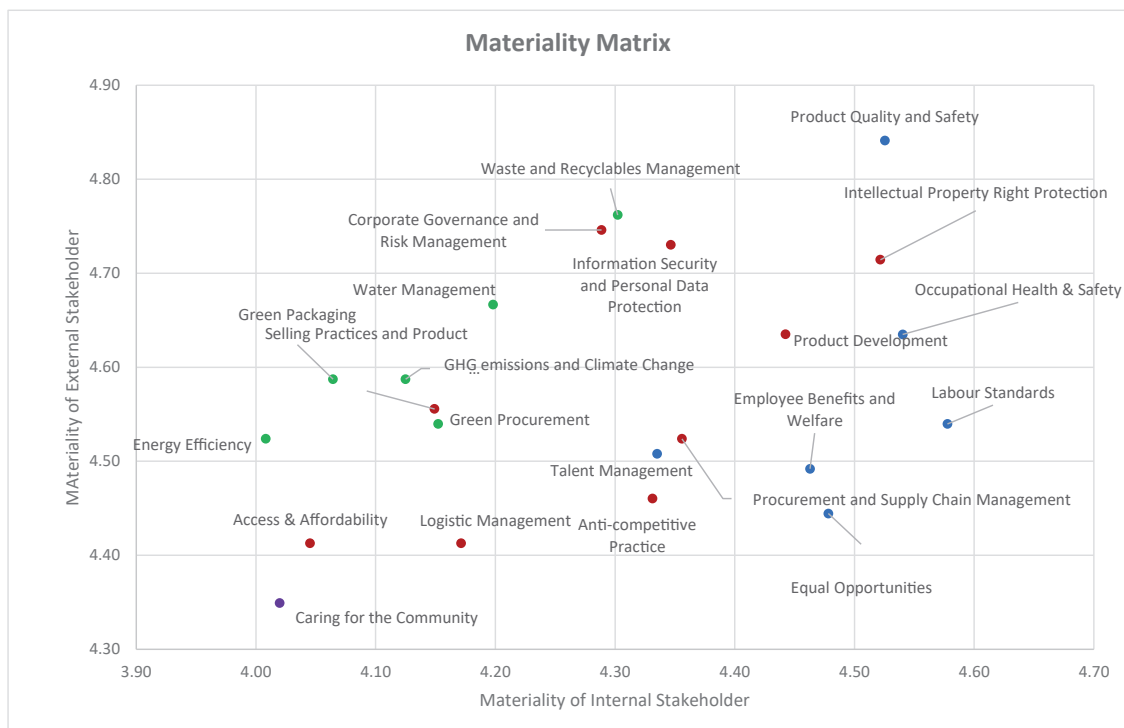
An online stakeholders engagement survey was conducted in September 2021. External stakeholders such as investors, customers and suppliers, as well as internal stakeholder – employees were invited to participate in the survey and to rate the importance of each ESG issue from the perspective of each stakeholder category and the Group using a scale of 1 to 5.

The importance of each reporting aspect was then determined by compiling the degrees of importance given from all the participants. The importance grade from each stakeholder category was the average among all respondents within that stakeholder category. The overall importance grade across multiple stakeholder categories was then the average of each categorical importance grade. The materiality matrix was developed based on the scores of the survey and prioritised a list of ESG issues.

Stage 3 Validation

Management reviewed the materiality matrix and identified the five most pertinent ESG issues according to the score from the perspective of each stakeholder category and the Group.

The materiality matrix below was prepared to clearly illustrate the result by placing each aspect with regard to its importance grade (from 1 to 5) to the internal stakeholder of the Group and to all other external stakeholders.



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Based on the materiality matrix, we believe the five most pertinent ESG issues include the following:

- Product Quality and Safety
- Intellectual Property Right Protection
- Occupational Health and Safety
- Product Development
- Labour Standards

All ESG aspects were above the materiality threshold of 3.0 and thus assessed to be material enough to be disclosed in the Report. Also, the table below summarises the most important ESG issues expressed by the respective stakeholder categories:

Stakeholder Categories	Most Material Issues
Shareholders and investors	Intellectual Property Right Protection Employee Benefits and Welfare
Customers	Product Quality and Safety Labour Standards
Suppliers	Product Quality and Safety Occupational Health and Safety
Employees	Product Quality and Safety Waste and Recyclables Management

In response to the expectations of relevant stakeholders, the corresponding sections of the Report have disclosed the policies and measures the Group has implemented.

ENVIRONMENT

The Group attaches great importance to mitigating environmental threats and impacts caused directly or indirectly by the business through vigilant assessment and monitoring. The Group is continuously making positive gains through internal self-control, innovative technology and alignment with global standards and certifications. 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.



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Emissions

The primary greenhouse gases (“GHG”) emissions of the Group are generated from purchased electricity and fossil fuels consumed by company vehicles. During the reporting period, the GHG emissions are listed in the following table:

Indicator ^(Note 1)	Units	Total emissions		
		2021	2020	Change
Total GHG emission				
(Scope 1, 2 and 3)				
Scope 1 ^(Note 2)	CO ₂ e tonnes	12,855	14,471	-11.2%
Scope 2 ^(Note 3)	CO ₂ e tonnes	41	23	+78.3%
Scope 3 ^(Note 4)	CO ₂ e tonnes	12,806	14,442	-11.3%
Intensity of total GHG emission	CO ₂ e tonnes/m ²	8	6	+33.3%
		0.36	0.42	-14.3%
Air pollutants ^(Note 5)				
Nitrogen Oxides (NO _x)	kg	30.85	24.16	+27.7%
Sulphur Oxides (SO _x)	kg	0.26	0.15	+73.3%
Particulate Matter (PM)	kg	2.68	2.16	+24.1%

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 emissions directly from business operations owned or controlled by the Group. The related emissions during the reporting period was primarily 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.
6. Please also refer to the below section “Use of Resources” for information on energy-saving measures that also help mitigate GHG emission.

The total GHG emission in the reporting period was decreased by 11.2% which is mainly due to the reduction of electricity consumption resulted from the decrease of production orders in 2021 as compared with 2020. The increases in Scope 1 GHG emission and in air pollutants such as NO_x, SO_x and PM were mainly due to higher vehicular activities. The increase in Scope 3 GHG emission was due to the resumption of air travel in the reporting period.

Because of the business nature, the Group does not emit a significant amount of exhaust gas from its operation. The main source of exhaust gas emitted would be mobile vehicles. They emit some amount of NO_x, SO_x and PM. The Group strives to control the emissions, such as to regularly conduct proper engine repair and maintenance, and promote eco-driving habits. The Group will also consider adopting cleaner alternatives to diesel vehicles, as well as installing after-treatment devices that reduce pollutants where feasible.



Waste Management

The business of the Group entails the use of natural resources. The Group has established a waste reduction pathway with a long-term perspective as a directional target. The Group, therefore, actively encourages employees to reduce waste at source. To exemplify, 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 and its subsequent disposal.

During the reporting period, the amount of hazardous waste decreased by 66.1% due to the fact that the figure in 2020 accounted for the hazardous waste generated and accumulated in 2019 and 2020. The reduction in non-hazardous waste of 23.4% was mainly due to a decreased number of employees which in turn led to the decrease of domestic waste generated in office and household.

Indicator	Units	Total disposal		
		2021	2020	Change
Clinical waste ^(Note 1)	Tonnes	0.084	0.061	+37.7%
Other hazardous waste ^(Note 2)	Tonnes	1.00	2.95	-66.1%
Intensity of hazardous waste (per building area)	kg/m ²	0.03	0.09	-66.7%
Non-hazardous waste ^(Note 3)	Tonnes	180	235	-23.4%
Intensity of non-hazardous (per building area)	kg/m ²	5.01	6.90	-27.4%

Notes:

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

The Group also strictly follows the applicable guidelines and regulations to handle, manage and discharge hazardous and non-hazardous waste. This allows us to ensure that such wastes are managed and handled in a responsible way to limit harmful exposure to both people and the environment. Should an accident still occur, the Group has a comprehensive emergency procedure protocol to contain and limit any damage. For non-hazardous waste, the Group implements 3Rs (i.e. recycle, reuse and reduce) policy into daily operations. For hazardous waste that was not suitable for reuse or recycle (such as thinner, waste oil, waste compact fluorescent lamps, exhausted cartridges, and toners), are separately collected and handled by the licensed contractors and followed the National Hazardous Waste List. Before contractors' collection of the waste, the Group stores hazardous waste properly in designated containers with covers which are placed in designated areas to avoid leakage and misuse. To ensure the competence of our waste contractors to handle hazardous waste, the Group requires our hazardous waste contractors to possess the Hazardous Waste Operation Permit and the Road Transportation Operation Permit issued by the local authorities.



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Non-Hazardous Waste

180 Tonnes
Compared to 2020
-23.4%



Hazardous Waste

1.08 Tonnes
Compared to 2020
-64.0%

Use of Resources

Energy Consumption

Although it is inevitable to consume energy in daily operation, the Group takes energy saving as a long-term objective and strives to decrease energy consumption. The Group has established an energy consumption reduction pathway with a long-term perspective as a directional target. For this vision, the Group has taken the following actions to lower energy consumption.

- Establishment of an energy management centre to analyse and monitor energy usage regularly;
- Installation of a solar-powered water heating system in office and dormitory;
- Replacement of conventional lightings with Light Emitting Diode (LED) lights or T5 fluorescent tube;
- Purchase of two environmental-friendly electric forklifts;
- Limiting unnecessary use of company vehicles;
- Turning off lighting, personal computer, air-conditioners and other electronic equipment when not in use;
- Switching off idling engines;
- Using video conferencing or phone calls for meeting;
- Maintaining indoor room temperature at 24 to 26 degrees Celsius at the office;
- Placing energy-saving reminders at pantry, office and dormitory; and
- Turning off the electricity supply to appliances to reduce their standby power consumption.



Indicator	Units	Total emissions		
		2021	2020	Change
Total energy consumption (including solar energy generated) kWh		15,308,661	17,264,022	-11.3%
Intensity of total energy use (per building area)	kWh/m ²	427	503	-15.1%
Total electricity purchased	kWh	15,305,061	17,260,422	-11.3%
Total solar energy generated	kWh	3,600	3,600	0%
Diesel oil consumption	Litres	3,975	2,662	49.3%
Unleaded petrol consumption	Litres	13,352	7,167	86.3%

During the reporting period, the total number of production orders was decreased resulting a reduction in the total energy consumption. The amount of diesel oil consumed by company trucks and the amount of unleaded petrol consumed by staff shuttle buses was increased due to higher vehicular activities in the reporting period.



Electricity

15,308,661 kWh

Compared to 2020
-11.3%



Unleaded Petrol

13,352 Litres

Compared to 2020
+86.3%



Diesel Oil

3,975 Litres

Compared to 2020
+49.3%



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Water Consumption

Production of medical devices does not consume a material amount of water. Water consumption of the Group is mainly from office and household use. The Group had no difficulty in sourcing water that is fit for purpose in the reporting period. Nonetheless, the Group is devoted to reducing the use of water and has established a water consumption reduction pathway with a long-term perspective as a directional target. The Group has installed water flow controllers and water-efficient taps to reduce water consumption. Moreover, reminders have been placed at pantries and toilets to remind employees to save water.

Indicator	Units	Total emissions		
		2021	2020	Change
Total water consumption	m ³	162,807	176,504	-7.8%
Water consumption Intensity (per building area)	Litres/m ²	4.54	5.14	-11.7%

The total water consumption in the reporting period was decreased due to the decrease of staff employed and hence lower office and household use of water.

On top of water consumption, the handling of wastewater is also a concern in the operation of the Group. The Group has installed a system to segregate rainwater and sewage. The Group properly treats all wastewater and manages the treatment plant in accordance with the local regulations namely “Guangdong Local Standards – Emission Limits of Water Pollutants DB44/26-2001” (廣東省地方標準-水污染物排放限值DB44/26-2001). Correspondingly, the Group conducts regular monitoring and inspections to ensure that the wastewater discharge is within the discharge caps set out by the local authority. If applicable, the Group takes corrective and preventative actions in response to abnormal situations.

Packaging Materials Management

Proper packaging is essential in keeping products in good quality without damage. The Group mainly uses paper boxes and plastics in the delivery and transportation process. In the reporting period, the lower production volume of our products resulted in less packaging materials consumed, including paper, plastics and carton boxes for a total of 925 tonnes. The intensity of the total packaging material per production volume was 0.000013 tonnes/production volume.

Category of packaging materials	Unit	2021	2020	Change
Carton boxes	Tonnes	807	1,129	-28.5%
Plastic	Tonnes	110	224	-50.9%
Paper	Tonnes	8	8	0%
Total	Tonnes	925	1,361	-32.0%
Intensity of total packaging materials (per production volume)	Tonnes/production volume	0.000013	0.000018	-27.7%

The Group reuses all the packaging materials whenever possible. We gathered a series of recyclable and recycled materials of paper and packaging materials. In the production lines, when the materials cannot be further reused, they will be separated into different categories for disposal.



The Environment and Natural Resources

The objective of the environment and natural resources management in the Group is to promote sustainable use, management of natural resources and promote adaptation to climate change. We will evaluate the impact of environmental risks, in which it is based on the possibilities of the events and the degree of seriousness. The local legal requirements, potential damage to human, financial loss, disruption of operations and reputations are used to determine the degree of seriousness. We commit to reduce the environmental impacts from manufacturing process and daily operation.

Environmental Education

The Group relies on the employees' support for environmental protection. We input resources in employee education to encourage our colleague (especially the newcomers) understanding more the Group's environmental policies towards water, energy and waste, and performances on protecting the environment. It not only builds up employee knowledge on the environmental standards, but also let them display a positive and respectful attitude on reducing pollutant impacts in the community. Regular environmental trainings and activities were organised to employees during the reporting period so as to refresh and reinforce their awareness. Thanks to our awareness, there was no incident with significant impacts on the environment and natural resources in the reporting period.

Sustainable Material

The utilization of sustainable material is becoming more and more popular in the market. The Group is proactively reduce the use of raw materials in terms of product design, modification and presentation, in which it is not only to reduce the material waste but also can save the overall material costs. We are planning to get rid of plastics packaging in phases because plastic has a detrimental effect on the environment and encourage to use the latest promoted sustainable materials to substitute the current choice of less environmentally friendly material. The alternative being adopted is the use of fabrics.

Climate Change

The Group has established contingent plans to deal with extreme weather. The Group would rearrange manpower, take precautionary measures to ensure staff safety in the event of adverse weather conditions such as typhoon, rainstorm and heatwave. In order to avoid any physical damage to property, the Group would also refer to the guidance of local authority and implement corresponding measures.



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SOCIAL

Employment and Labour Standards

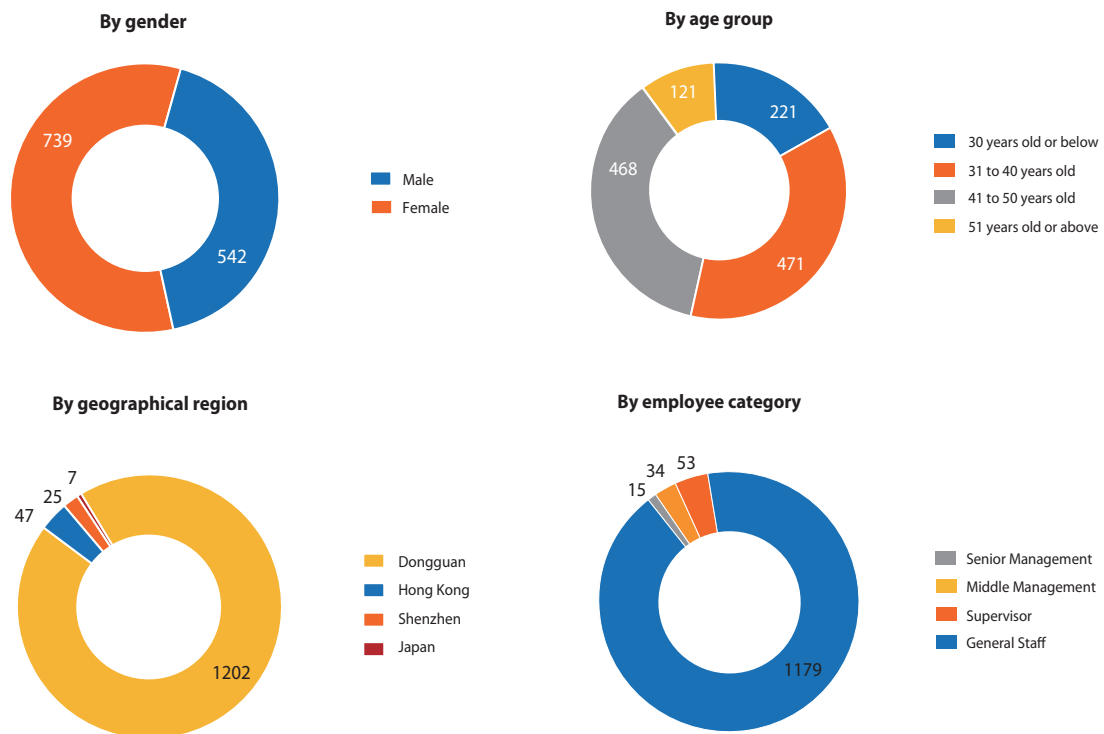
Employment Policy

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. We have developed a comprehensive human resource management system to set out our management approach on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Employee Profile

As of the end of the reporting period, the Group had a total of 1,281 employees which are all full-time staff, in which general staff (including supervisor) accounted for around 96% (1,232) and the remainders were management staff.

For the distribution of employees as at the end of the reporting period based on gender, age, geographical region and employee category, please refer to the below charts.

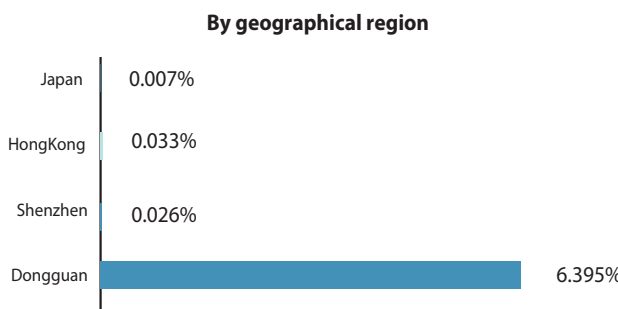
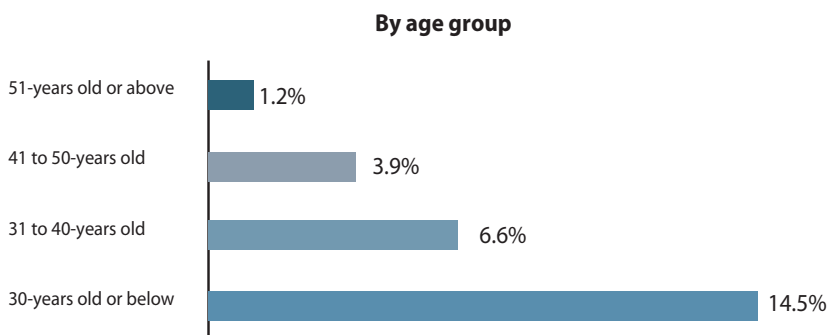
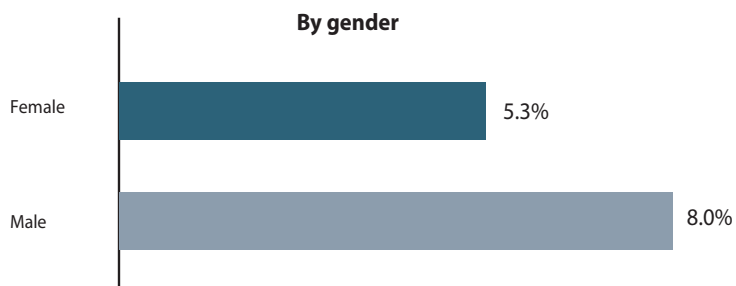




Employee Turnover Rate

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 6.5%. The Group interviewed each individual to understand their reasons for resigning and address their opinions whenever applicable.

For the average turnover rate based on gender, age and geographical region in the reporting period, please refer to the below charts:





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Remuneration and Compensation

Employees are our backbone and we strive to attract, train and retain qualified, enthusiastic and committed employees. The Group respects the right of employees to receive fair remuneration, which linked to the performance of the employees and profitability of the Group. The Group benchmark employees' salary against industry norms and standards to maintain a competitive remuneration package to recruit talented employees.

Recruitment and Dismissal

According to the relevant labour law in different jurisdictions, the Group has formulated fair and equal employment and recruitment procedures to hire and promote employees. The Group appreciates the cultural diversity in the workplace, and as a result, our recruitment is based on candidates' experiences, education backgrounds, abilities and business needs, regardless of race, gender, age, marital status, pregnancy, family status, sexual orientation, religion and nationality.

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. Furthermore, all illegal means such as retention of identity cards or passports, intimidation, coercion, and undue pressure are strictly prohibited. In the reporting period, the Group was in compliance with relevant laws and regulations relating to preventing child and forced labour, and as such no rectification was required.

The dismissal of an employee has strictly followed local laws and regulations. Forcing an employee to resign by coercion or other illegal means is strictly prohibited.

Promotion

All talented employees have the potential to be promoted based on their capabilities and performance, and obtained relevant training to meet business needs and personal career development. The Group adopts a semi-annual/an annual appraisal so to review employees' performance and discuss their needs and expectations to meet the business growth of the Group. Plus, the Group makes use of this opportunity to identify outstanding performers and offers them the best suit of a job to retain talents. Existing employees are in priority in the list when filling job vacancies if applicable.

Working Hours and Rest Periods

The Group also totally believes in the importance of work-life balance as it links to productivity and well-being. 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. We also employ a multi-shift system in our production line to ensure employees have adequate time to rest. All employees are entitled to public or statutory holidays each year, as well as reasonable working hours and rest periods. In addition to those holidays, employees are entitled to annual leave, sick leave, compensation leave, maternity/paternity leave, marriage leave, compassionate leave, etc.



Benefits and Welfares

The Group contributes to “Five Social Insurances and One Housing Fund” for employees in the PRC. Likewise, the Group offers the Mandatory Provident Fund (MPF) scheme to employees in Hong Kong and the retirement allowance to employees in Japan as required by the local regulations. With an aim to better understand the employees’ opinion, a labour union was formed whereby all employees are welcome to join. They can also share their ideas through monthly meetings 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. The Group plants greenery in the operating site of the Group in Dongguan in an eco-friendly manner and provides recreational facilities.

The Group has established an employees’ welfare fund on 1 January 2021. The fund aims to further promote the corporate culture and strengthen the cohesion of employees, and at the same time, fulfil the Group’s corporate social responsibilities. Through the employees’ welfare fund, employees can get better help when they encounter difficulties in work and life, and can experience a supportive working environment. The fund provides a wide variety of support to all current employees who have passed the probationary period, including medical aid, disability assistance, wedding gifts, consolation payment for bereavement, and various employee recreational activities.

Employee Engagement and Team Building

We want our employees to feel like they are part of our family. We encourage team building across the entire organisation to help create a sense of cohesion and belongings. We organise sports events, competitions, staff birthday trips and festival evening events. Employees in the PRC also have free access to basketball courts, badminton courts, table tennis and library.



Badminton Competition



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Mooncake Making Activity

Compliance information for relevant laws and regulations

Our business operations must comply with certain labour-related laws and regulations in the PRC, Hong Kong and Japan, including but not limited to:

- Employment Ordinance (Chapter 57 of the Laws of Hong Kong)
- Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)
- Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)
- Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)
- Labour Contract Law of the PRC (中華人民共和國勞動合同法)
- Social Insurance Law of the PRC (中華人民共和國社會保險法)
- Administrative Regulations on Housing Provident Funds (住房公積金管理條例)
- Labor Standards Act of Japan

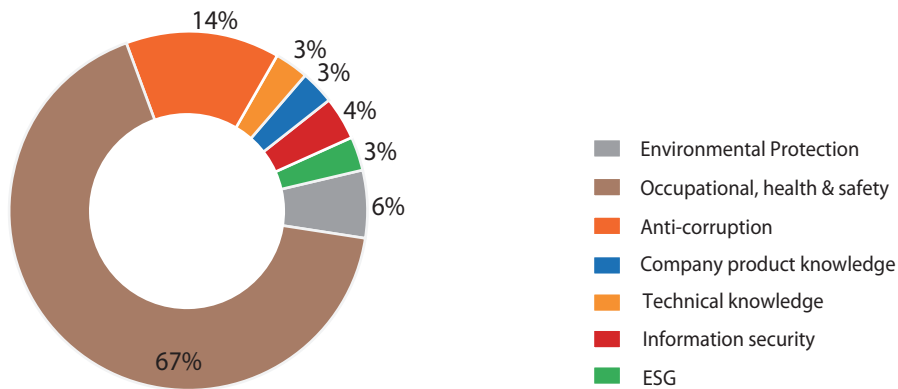
During the reporting period, there was no case of non-compliance regarding compensation and dismissal, recruitment and promotion, equal opportunities, diversity, and discrimination.



Training and Development

The Group believes the quality and skills of our employees are critical for our business and operations. The Group actively encourages its employees to attend training to equip themselves for the changes and challenges in the market. 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 reporting period, there were 31,931 training hours offered to all employees as shown on below chart:

Total ESG-related training hours by training topics



Employees participated in training during the Year



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With an aim to increase convenience and flexibility in response to the pandemic, the Group has provided more online trainings to employees. In the reporting period, each employee received an average of 25 training hours. The training rates and average training hours based on employee category and gender are shown below:

Percentage of employees trained	
By gender	
Male	42%
Female	58%
By employee category	
Senior management	1%
Middle Management	3%
Supervisor	4%
General Staff	92%
Total	100%

Average training hours completed	
By gender	
Male	24
Female	26
By employee category	
Senior management	16
Middle Management	26
Supervisor	27
General Staff	25
All employees	25



Occupational Health and Safety

Employees are an essential part of the Group. Employees' health and safety are one of the Group's core values. The Group strives to create a safe and healthy work environment to the employees. In view of the need to mitigate potential hazards and dangers 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 the reporting period, anti-infection prevention measures remain the utmost concerns of the Group. Our human resources team has monitored the situation closely and has taken necessary actions to safeguard the well-being of our staff. To minimise cross-contaminations, the Group has also limited personnel movement across areas and enforced social distancing policy. All unnecessary visits and travels were strongly prohibited, and ribonucleic acid (RNA) test was required for employees who visited high risk regions. Employees must pass the temperature checks and obey mask-on policy. Individual partitions were installed in canteens. In addition, work-from-home policy for administrative and managerial employees may come into effect depending on the circumstance. The Group reduced the number of face-to-face meeting, social events, non-essential travel to location with ongoing COVID-19 outbreaks. Alternatively, the Group encourages their employees to use video conferencing platform, social medium tools and electronic communication tools to keep internal and external communications. Moreover, more frequent cleaning and disinfection schedules were in place. Additional cleanings and disinfections were arranged upon request. The Group also reminded employees to keep good personal hygiene and to be aware of any COVID-19 symptoms.

Suitable and adequate personal protective equipment (PPE), medical check-up, regular safety checks and machinery inspections as well as fire drills were conducted. With all these supports, the Group ensures the employees are both physically fit and well equipped for their work. For those who are unable to pass health checks, they will be suspended from their existing position or arranged to another less physical-intensive job duty.

The Group encouraged the employees to actively receive COVID-19 vaccination. The significance of vaccination is self-protection and the protection of the people around by preventing transmission of the virus. As an important step in managing the epidemic, receiving vaccination is important for oneself and others and help resume the economy and normal life in a gradual and orderly manner.

Placing warning signs at the prominent area to raise awareness is another way to minimise the possibility of injury. More importantly, the Group understands education and training are effective ways of preventing accidents. Hence, all newcomers must attend safety training such as emergency handling, cardiopulmonary resuscitation (CPR) training, and disease prevention trainings. These measures aimed to ensure all employees are fully aware of the working procedures and the corresponding safety and health measures.

There were no work-related fatalities in the Group in the past three years. While the Group had minor injuries occurred in the operating sites during the reporting period of which a total of 113 days (2020: 229 days) were lost due to such events. The significant decrease in the total lost days was due to the improved safety awareness. 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.



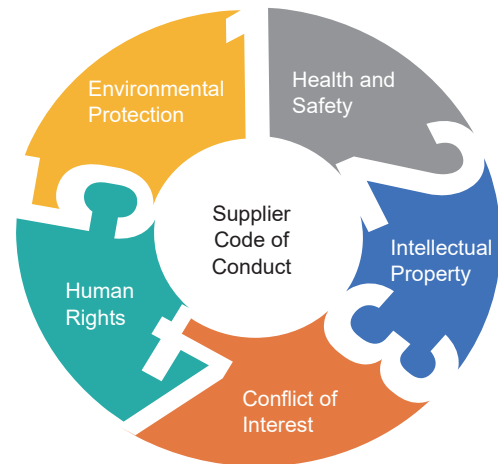
Environmental, Social and Governance Report

Operating Practices

Supply Chain Management

Trust, cooperation, honesty, and mutual respect are the cornerstone of the Group's operation. The Group 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 keep 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), was disseminated to the suppliers and contractors. All of our suppliers and contractors are governed by this Supplier Code of Conduct.

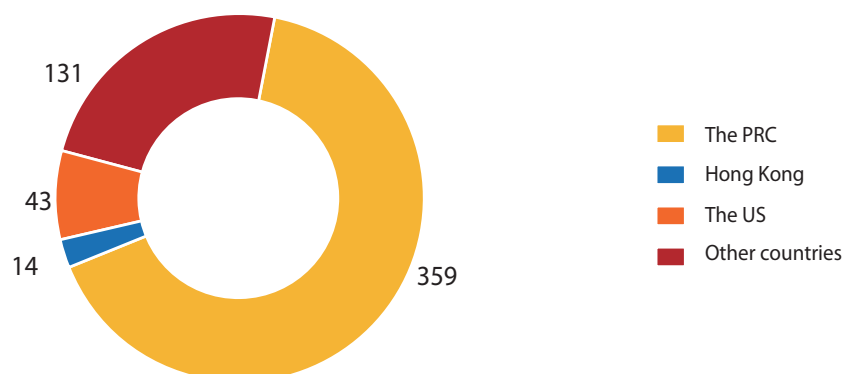
Five Elements of Suppliers Code of Conduct



The Group has established a detailed supply chain management procedure to guide employees of 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 criterion, quality and on-time delivery are also key performance indicators. For the services suppliers, the Group also examines the suppliers' ability to handle abnormality. Priority is 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 standards, achievements on environmental protection and social responsibilities. Suppliers are required to submit quality management system certificates, certification document for qualified products for verification when necessary. Qualified suppliers are registered in "Approved Vendor List" once approved by the department manager. 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.

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. The Group continues 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 2021)**





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. The Group has already implemented a cost down plan so to minimise packaging material usage by cutting or redesigning the packaging, and at the same time monitor overall consumption of packaging material. The Group also purchases packaging materials on-demand, minimising the total amount of materials consumed.

Product Responsibility

Quality Assurance

Defective products can pose irreversible and detrimental consequences to patients. Thus, the Group takes particularly good care of product quality. Not only does the Group fully comply with the related laws and regulations, but has also successfully attained Certifications on ISO 13485 Medical Device Quality Management System. The Group regularly reviews processes to strive for improvement, strengthen the risk management framework and quality control system. At last, this enables the Group to adopt a proactive and structural approach to risk management from the conceptual stage to after-sales services.

In view of the implication 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 to properly perform 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 reports are well-documented and filed.

Particularly, some of the products must be manufactured under a high sanitary environment. The Group maintains a standard level of hygiene and strives 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.

Medical devices such as the heated humidifier and heated humidifier respiratory unit were granted an Emergency Use Authorisation from the FDA of the US. Hence, the increased demand and production led us to pay extra attention on product quality.

As the new European Union regulation for the medical device industry (EU MDR) has been put into force, the Group is committed to devote additional resources to enhance its quality management system so as to strengthen the registration capabilities and to meet the most stringent quality standards of medical products. As per the commitment, the class I products has finished the MDR transition in 2021, and the class IIa and class IIb products are in the MDR transition progress.



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Product Recall and Complaint Handling

Customer feedback is the engine of continuous improvement of the business for the Group. The Group has stipulated a procedure to standardise the handling of customer complaint. In 2021, the Group manufactured more than 73 million of products. 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 reporting period.

In the reporting period, there were 192 complaints (such number of cases is quite minimal as compared with the total number of production orders) and 185 of the complaints have already been addressed according to internal complaint handling procedures. The Group will continue to work diligently to deal with the complaints. The Group believes that showing respect for customers' opinions are beneficial to business growth. Consequently, every enquiry is addressed in a timely manner and is recorded in detail in accordance with the prescribed procedures. An investigation is carried out immediately to come up with improvements and suggestions in response to the stated issue.

Intellectual Property Rights

Intellectual properties (including trademarks, designs and patents) are important to the Group's business. The Group believes that its patent portfolio is the backbone of its business expansion and future commercial success depends on the Group's ability to obtain and maintain patents and other intellectual property. As at 31 December 2021, the Group owned an aggregate 127 patents and patent applications which consisted of 78 issued patents and 8 patent applications in the PRC, and 20 issued patents and 21 patent applications overseas. The Group strives to protect its intellectual property rights and respect third party intellectual property rights according to all related applicable laws and regulations and have engaged intellectual property counsels and consultants to review from time to time to ensure new and existing rights are adequately preserved.

Data Privacy

In addition, 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 has been established in the Group to guide employees to handle personal data. Besides, for enhanced cybersecurity, the Group refuses to use any outdated and unauthorised software so as to avoid data leakage. Designated personnel are also assigned to take care of personal data and confidential information. Privacy awareness and refresher training were provided quarterly to the employees. IT department encrypts the data regularly and organised cybersecurity training to enhance the employees' awareness. Under no circumstances can the Group disclose personal data and confidential information to the third parties or to the public without clients' consent.

Anti-corruption

Integrity has significant implication for brand image and operation. The Group has to observe laws and regulations in the PRC, Hong Kong and Japan. Any form of bribery, extortion, fraud, and money laundering are prohibited, and anti-corruption policies are applicable to all employees with no exception. During the reporting period, the ESG Committee has adopted the updated anti-corruption policy to ensure its effectiveness. An internal control system has been established to review the operation flow and assure operation consistency. 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. The Audit Committee and the Risk Management Committee as well as the internal audit division are responsible in monitoring the overall anti-corruption performance. To enhance employees' awareness on anti-corruption, refresher trainings were organised, especially for those employees whose positions have high risk of corruption. In the reporting period, 234 anti-corruption training hours were provided for the new staff and 90% staffs of the Group are completed the anti-corruption training. The Group will continue to organise anti-corruption trainings to all levels of staff.

In the reporting period, there was no suspected case of bribery, extortion, fraud and money laundering.



Community Investment

In 2021, the Group's corporate volunteer team continued to deliver volunteer services and organised a number of volunteering activities (e.g. worship activity in memory of revolutionary martyrs) to serve the communities. During the reporting period, the Group contributed 322 volunteer hours.



Worship activity in memory of revolutionary martyrs

While the COVID-19 pandemic still occupied most of the attention of governments and hospitals in 2021, the Group saw the shortage of medical supplies outside respiratory care area and donated 6,000 pieces of cervical spine immobilisers and other medical supplies, which amounted to approximately HK\$830,000 to Tongren City, Guizhou Province, the PRC.

The Group believes that supporting today's aspiring young leaders is a great investment in the future. In 2020, the Group established the "Vincent Medical Enrichment Scholarship for Medical Student" in the LKS Faculty of Medicine, the University of Hong Kong. In the academic year 2021-22, the scholarship was granted to a year 3 student supporting his research at Royal Brompton Hospital of the National Heart and Lung Institute in London, the United Kingdom. The Group is pledged to continue its support to this scholarship in the years to come.



Environmental, Social and Governance Report

ESG REPORTING GUIDE CONTENT INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement
A. Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Environment
KPI A1.1	The types of emissions and respective emissions data.	Environment – Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment – Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Environment – Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Environment – Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environment – Waste Management
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Energy Consumption
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources – Water Consumption
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Consumption
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Consumption
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources – Packaging Materials Management
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources



Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change
B. Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment and Labour Standards – Employment Policy
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment and Labour Standards – Employee Profile
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment and Labour Standards – Employee Turnover Rate
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Occupational Health and Safety
KPI B2.2	Lost days due to work injury.	Occupational Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Occupational Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Training and Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Training and Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	Training and Development



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Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employment and Labour Standards – Recruitment and Dismissal
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employment and Labour Standards – Recruitment and Dismissal
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Employment and Labour Standards – Recruitment and Dismissal
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Operating Practices – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Operating Practices – Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Operating Practices – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Operating Practices – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Operating Practices – Supply Chain Management
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility – Product Recall and Complaint Handling
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Product Recall and Complaint Handling
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Data Privacy



Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-Corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-Corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-Corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-Corruption
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment