

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has been adhering to the policy of “Green and Caring” (“綠色及關愛”), upholding the commitment to sustainable development and social responsibility. The Group firmly believes that environmental protection is an important topic in today’s society. Thus the Group is committed to the concept of energy conservation and environmental protection in every aspect of the Group’s operation and makes due contribution to mitigating the global climate change problem. In 2016, the Group is pleased to present the Environmental, Social and Governance Report (“ESG Report”) for the first time in order to disclose what the Group has done to fulfil social responsibility and the goal of environmental protection. And the Group will adhere to the same disclosure every year in the future. The Group believes that environmental and social issues will be integrated into the workplace and daily life at both the management and staff level. And the Group hopes to achieve annual progress in energy conservation, emission reduction and social responsibility.

The scope of operations covered by the ESG Report includes the headquarters office of the Group in Shenzhen that engages in the direct academic promotion of pharmaceuticals, the subsidiary in Tianjin that engages in the network management of pharmaceutical agencies, the subsidiaries in Hunan Province and Hebei Province that engage in the pharmaceutical production, and the subsidiary in Hunan Province that engages in the agricultural and livestock business. This report covers the financial year 2016 (“FY2016”), from 1 January 2016 to 31 December 2016.

Stakeholder Engagement

In preparing the ESG report, we carried out a stakeholders participation process, in order to analyse the degree of personal and institutional stakeholders’ concerns and evaluate their significance in the Group’s environmental and social governance. The Group’s stakeholders include our employees, customers, suppliers, shareholders, investors, regulators, the media and government departments. The Group believes that the participation of the stakeholders has a certain influence on the Group’s strategy of sustainable development and the fulfilment of its social responsibilities, which is also the basis for the Group’s strategy formulation and decisions.

During FY2016, the Group conducted a series of stakeholders’ participation surveys to collect their advice and opinions on the Group’s environmental and social governance through various communication channels, such as online surveys, telephone interviews, face-to-face interviews or distribution of questionnaires. Stakeholders with high influence and high dependence on the Group were selected by the management of the Group. Selected stakeholders were invited to express their views and concerns on major social and environment issues arising from the operation period of the Group. For the ESG report in FY2016, the Group has set environmental policy, energy consumption, pollutant control, supply chain management and operational management compliance as material concerns to stakeholders, which will be included in this report, as well as descriptions of the work done and the progress made by the Group in these areas. The Group will focus on every aspect of these topics in its long-term operations, and formulate appropriate strategies, improving policies and set long-term goals.

Environment

Over the past two decades, the acceleration of global warming has led to serious air pollution and water pollution caused by human activities, thus more and more attention is given to environmental protection. The Group is concerned about global warming and is aware that both the management and the employees should shoulder the responsibility of mitigating the global warming problem. The Group is committed to environmental protection by integrating the concept of sustainable development into all aspects of pharmaceutical operation and production, and regarding energy conservation and emission control as the key concerns during the Group’s operations.

1. Emissions

The Group strictly complies with relevant laws and regulations, such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), Law of the People's Republic of China on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) and Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》) and other relevant laws and regulations.

Business of direct academic promotion of pharmaceuticals and network management of pharmaceutical agencies

In the business of direct academic promotion of pharmaceuticals and the network management of pharmaceutical agencies, the Group exerts relatively less influence on the environment pollution emissions. Emissions mainly include wastewater and solid waste produced from daily operations and daily working and living in the offices by the staff, and indirect Greenhouse Gases (“GHGs”) emissions from electricity consumption.

The Group is committed to environmental protection during daily operations in the office. Starting from minor things, the Group has implemented the following typical practices:

- The office cleaning staff of the Group will sort the solid waste before disposal and recycle those with recycling value;
- The Group encourages all the employees to reduce the use of disposable items such as disposable tableware and advocates the use of rechargeable batteries to replace traditional disposable batteries; and
- The Group advocates saving paper to reduce the generation of waste paper, minimizing unnecessary printing and insisting on double sided printing.

The GHGs emissions in the business of direct academic promotion of pharmaceuticals and the network management of pharmaceutical agencies were generated entirely from electricity consumption in FY2016. The Group calls on the management and all employees to comply with the slogan “Start From Me” (“從我做起”) and contribute to energy saving and emission reduction. The Group will adhere to the calculation and recording of annual carbon emissions and achieve the goal of reducing carbon emissions within the same operation scope progressively.

Business of pharmaceutical production

The Group is very prudent in controlling the discharge of environmental pollutants in the production process of pharmaceuticals. The wastewater, solid waste, exhausted gas and noise generated from the Group's pharmaceutical production processes all meet the requirements of the state emission standards via efficient treatment systems and monitoring equipment. Still, the Group tries its best to minimise pollutant emissions.

Wastewater Treatment

The wastewater generated in the business of pharmaceutical production mainly includes domestic wastewater from daily life of staff and industrial wastewater from the manufacturing process of pharmaceuticals.

The Group's pharmaceutical manufacturer sites in Hunan and Hebei take action known as rain and sewage diversion to decrease the amount of wastewater. The domestic wastewater is produced from daily life of the employees. The industrial wastewater will be strictly tested after the Anaerobic/Anoxic/Oxic ("A2O") biochemical treatment, and could only be discharged to the municipal sewage network until it meets the local discharge standard.

The Group is committed to maximizing the usage efficiency of water resources at all stages, enhancing the use of recycled water and using qualified cleaning water generated from the production process as landscape water.

Solid Waste Treatment

The solid wastes generated from the pharmaceutical manufacturing process are non-toxic and harmless industrial solid wastes generated from the production process, as well as domestic wastes produced in the employees' daily life.

The Group has taken a number of practical and effective measures to reduce the environmental burden of solid wastes and to maximize the utilization of resources, such as:

- Sell the waste plastic bags to the wastes recycling department for comprehensive utilization;
- Collect domestic solid wastes separately and sell the recyclable wastes to the recycling station.

Exhausted Gases Treatment

The main air pollutants involved in the Group's pharmaceutical production are smoke from the production process and fume from the canteen. The Group treats all the exhaust gases carefully and strictly controls the concentrations of dust, sulfur dioxide, nitrogen dioxide and soot in the exhaust gases, and could only be discharged until it meets the Integrated Emission Standard for Air Pollutants (《大氣污染物綜合排放標準》).

Kangzhe Hunan has invested in and completed the natural gas refurbishment projects in FY2016, and has fully switched to natural gas (clean energy) to reduce air pollutant emissions since December. Hebei Xili is not able to do so because it is located in a remote county without natural gas pipeline. However, the Group started using alcohol-based liquid fuels instead of coal in 2015 to reduce air pollutants from coal combustion.

Noise Treatment

Noise is mainly generated from the operation of machinery and equipment during the pharmaceutical manufacturing process. According to the monitoring results from the factory, the noise level has complied with the Industrial Enterprise Boundary Noise Emission Standards (《工業企業廠界環境噪聲排放標準》) and has not had negative impact on the surroundings.

Kangzhe Hunan attaches great importance to greenery and plants trees in all open space except the roads and buildings in the factory area to offset carbon emissions and clean up the air.

Agricultural and livestock business

The Group's agricultural and livestock business, located in Hunan Province, mainly contains the cultivation of high-end fruits such as white strawberries, golden melons, black watermelons, purple tomatoes, red bananas and kumquats, as well as the breeding of Yunnan pig and green shell eggs.

The Group is committed to the development of sustainable and green agricultural and livestock business. It adopts the recycling strategy to reduce solid waste emission in this business segment. It produces organic fertilizer using animal manure by bio-fermentation and uses those fertilizers on the plants in order to realize the maximum recycling of resources.

The Group regularly inspects and monitors the environmental conditions in the operation areas and ensures that the wastewater and solid wastes generated by the business reach the local emission standards at all times.

The Group has implemented two levels of protection in the livestock area to maintain a clean and healthy environment there. The Group has planted reed, alfa and other plants around the animal houses and the entire project area to purify the outdoor residual animal waste or dirty water, which would then be treated to meet the discharge standard before going to the sewage network. In the meantime, the plants can prevent the outdoor faeces and other residuals from being washed into the surrounding waters by rain and polluting the environment.

2. Use of Resources

The Group has adopted a variety of effective measures to conserve energy and reduce water consumption within the scope of the routine operations, such as:

- Use energy-saving lamps to save energy, and the lighting of the office area is divided into different zones reasonably, for turning on and off by zones, and security personnel will inspect office areas regularly;
- Default air conditioning temperature to 26^{°C} ;
- Educate and engage employees in saving water and electricity;
- Reduce turn-on time of the landscape lights for about 1.5 hours less per day than before (except on Monday morning and during major festivals);
- Employees are not allowed to take personal electrical appliances to the company, nor can they connect to an additional power outlet without authorization. It is forbidden to use electrical appliances such as electric cookers and electric kettles;
- In areas where there is sufficient natural light, the number of lights used will be reduced and the lighting system will be shut down after work;
- Turn off all standby electrical appliances when the employees are leaving the office;
- Set up smart sensor flushing systems in toilets to save water;
- Carry out pipe leak-proof maintenance regularly in order to avoid waste arising from leakage and enhance water efficiency;
- Recycle the qualified wastewater generated from the production line as landscape water; and
- Carefully select equipment in the production line, giving preference to water saving equipment.

The Group will continue to record electricity consumption and water consumption, and adhere to the energy conservation measures, striving to make full and effective use of resources, and to reduce resource consumption within the same scale of operation.

The Group uses green materials as packaging materials for drug delivering, and pays great attention to minimize the consumption of packaging materials. The Group encourages customers to apply for the whole package of goods, reducing the amount of scattered packing materials; after the completion of each shipment, the Group collects and reuses the leftover packaging material to avoid the waste of materials. The agricultural and livestock business adheres to the concept of environmental protection, avoids plastic but chooses more environmental friendly paper materials for egg packaging, and insists on the recycling of packaging materials.

3. The Environment and Natural Resources

The Group is well aware that the Earth's natural resources are limited and attaches great importance to the conservation of natural resources and their utilization efficiency. In order to improve paper utilization efficiency and minimize paper consumption, the Group has taken the following measures strictly:

- The internal circulation of documents must use double-sided printing except for application forms, or official documents that must be signed by the management;
- When printing, reduce the font size and narrow the margins so that each page can hold more content;
- Carefully review the content and format before printing to reduce the error printing;
- Promote the use of paperless multimedia conferencing systems, such as CVTouch intelligent conferencing systems to reduce paper consumption;
- Try best to use email to reduce fax paper consumption (single-sided paper could be put into the fax machine tray). Scan the paper fax into electronic version for mail delivery, saving paper and telephone charges;
- Adopt the mode of "use - recycling" instead of that of "use - disposing". Separate the single-sided paper and double-sided paper neatly for better recycling;
- Single-sided paper can be used as scratch paper or printing paper.

Society

Employment and Labour Practices

1. Employment

The Group regards employees as one of the most important and valuable assets. As businesses grow, it is essential to build sustainable workforce and attract and retain talented people. The Group strictly abides by the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Employment Promotion Law of the People's Republic of China (《中華人民共和國就業促進法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) and other relevant laws to ensure legitimate and reasonable wages and benefits for employees and effectively prevent illegal employment of child labour to ensure a fair and equitable work environment for the employees. The Group respects all employees and does not discriminate on the grounds of race, religion, complexion, sex, nationality, age and disability in respect of employment, training, performance management, election, payroll and promotion. At the same time, any termination of the employment contract will be based on reasonable and legitimate reasons. Unfair or unreasonable dismissals are strictly prohibited. The Human Resources Department of the Group regularly reviews the latest laws and regulations and updates the relevant human resources policies.

The Group abides by the law and takes into account market trends in attracting and retaining employees. Besides the statutory paid holidays, social insurance, housing fund and competitive salary, the Group provides the employees with other paid leaves, such as annual leave, maternity leave, paternity leave, marriage leave, funeral leave, and family planning leave. The work and rest periods of the Group's employees are in accordance with local employment laws and are stated in the labour contract. Also, for some work positions and special work types, the Group adopts flexible working time system to protect the balance between work and personal life of the employees. The Group conducts annual assessment according to staff performance, attitude, ability and other factors, and adjusts salary levels according to the assessment results to ensure that outstanding employees get the appropriate return. To cultivate a sense of belonging among employees, the Group provides various welfares for employees, including birthday gifts, annual physical examination, work uniforms, fully equipped dormitories, and annual travel expenses reimbursement for family visits and plentiful self-cultivated agricultural products as holiday gifts. Annual meetings, team-building projects and various cultural and sports activities are held annually to promote friendship and team-building. In addition, in order to retain and reward key personnel, the Group has a project entitled 2009 Scheme that contains a superannuation fund and provides at most ten years' retiring allowances for certain employees who have been actively involved in the business development of the Group and served the Group for more than ten years. Under the scheme, the Board may select the members to join the scheme from time to time based on appropriate terms and conditions. The 2009 Scheme was terminated and replaced by a New Key Employee Benefit Scheme with effect from 1 January 2017 upon obtaining the approval of the Board. Related details of the New Key Employee Benefit Scheme are indicated in note 36 of Consolidated Financial Statements.

To attract talents, the Group regularly holds annual campus recruitment regularly drive targeting fresh graduates with bachelor's and master's degrees from well-known medical and pharmaceutical universities all over China. In order to create an equal and comfortable working environment for employees, the Group organises annual staff meetings and maintains daily opinion exchanges through open mailbox of the Human Resources Department to encourage employees to express their opinions and suggestions on the working environment and remuneration. The Group's Human Resources Department has reviewed the staff feedback and taken corresponding measures to make the staff satisfied.

2. Health and Safety

The Group is committed to creating a safe and healthy working environment for the employees and has strictly complied with relevant laws and regulations of the People's Republic of China, including the People's Republic of China Safety Production Law (《中華人民共和國安全生產法》), the Law of the People's Republic of China on Prevention and Control of Occupational Diseases(《中華人民共和國職業病防治法》), Regulations on Work-Related Injury Insurances(《工傷保險條例》) and other relevant policies. Moreover, the Group urges the responsible personnel at all levels to do their due responsibilities of safety management in daily work and production and eliminate hidden dangers timely. The Group upholds the concept of "Safety First, Health First" ("安全第一, 健康至上") and continuously strengthens safety awareness of employees to ensure that the working environment is clean, smokeless, healthy and safe.

Meanwhile, the Group pays great attention to the health and safety of employees and organises annual comprehensive health examination for the employees. The Group strictly manages the health status of relevant staff engaged in direct contact with drugs and makes sure that staff in different positions complies with health requirements. For the employees whose health conditions are not qualified, the Group will transfer their positions promptly. During the Reporting Period, there were no industrial accidents and no adverse problems in health and safety.

3. Development and Training

The Group is committed to the development of human resources and arranges regular internal and external trainings for staff with different level of experience in different positions. The Group has established the “Kangzhe College” training base in Shenzhen Pingshan pharmaceutical factory to provide professional training to relevant employees. The Group also has an online training platform Training Master (“培訓寶”) for convenience. The training system of the Group is mainly divided into trainee induction training, new staff induction training, advanced training, and district manager training. The training covers product knowledge, sales skills, corporate culture, industry compliance, corporate structure and business scope, employee development and benefits, regional management policies, business etiquette and so on. The main training staffs are intern representatives, sales representatives and regional managers.

For promotion specialists, the Group organises training relating to medical knowledge, pharmaceutical academic knowledge and law compliance. All the promotion specialists are obliged to complete the Group’s professional training timely and completely in order to deliver sufficient and accurate medical information to the medical professionals. The Group also actively organises training for all staff on drug operation and related knowledge. For example, during the Reporting Period, the Registration and Quality Management Department arranged training and assessment on GSP knowledge and drug and medical equipment adverse reactions/ event awareness (《藥品及醫療器械不良反應 / 事件意識》) for all the staff in order to enhance staff awareness and responsibility for GSP, adverse reaction/ event monitoring and reporting.

4. Labour Standards

The Group strictly abides by the Labour Law of the People’s Republic of China (《中華人民共和國勞動法》), Prohibition of the Use of Child Labour of the People’s Republic of China (《中華人民共和國禁止使用童工規定》), the Law of the People’s Republic of China on the Protection of Minors (《中華人民共和國未成年人保護法》) and other related labour laws and regulations to prohibits any child and forced labour employment. The Human Resource Department of the Group specifies that all employees shall provide valid identity documents to ensure that the applicants are lawfully employable to ensure the full compliance with the relevant laws and regulations prohibiting child and forced labour. There will be regular checks and inspections on the execution of our human resources policies for the Group headquarters and subsidiaries to prohibit child labour, underage labour and forced labour. In the Reporting Period, there is no breach of laws on child labour or forced labour identified in the Group.

Operation Practices

5. Supply Chain Management

The Group’s main suppliers are pharmaceutical manufacturers from Germany, Denmark, Ireland, France, Switzerland, Japan and Mainland China, providing raw materials and finished products, etc. When selecting suppliers, the Group seriously considers factors such as the operation and production qualification, product quality, market prospect, service quality, environmental protection concept, business ethics and social responsibility. The Group is inclined to select socially responsible suppliers and hopes to implement green supply chain practices in the Group’s business. The Group is committed to creating mutually beneficial cooperation with the suppliers.

The products purchased by the Group are mainly finished drug products. In selection of these suppliers, the Group will first examine the size, history, production status, product types, quality reputation, quality management, and whether it is certified in terms of production, operation and sales according to local standards. Before export of drugs, overseas suppliers must provide delivery inspection report with equivalent or higher standard certificates than the Chinese registration standards to ensure the product quality. The relevant suppliers must have export qualifications. For domestic suppliers, the Group requires to obtain and inspect the following certificates that include but not limited to: Drug Production License (《藥品生產許可證》) or Drug Operation License (《藥品經營許可證》), Business License (《營業執照》) and GMP or GSP quality control system certificate.

During the course of transportation, the Group accords to strict standard of temperature and humidity required by the products and buys necessary transportation insurance. The Purchase Department, Sales Department and the management have close contact with the suppliers, and update procurement planning regularly. Suppliers are actively positioned ahead based on the Group's projection, including expansion of production lines, finding more upstream raw material suppliers, and replacement of large capacity equipment to ensure the production requirements. The Group has signed mid or long term supply agreements and quality assurance agreements with most major suppliers to ensure price and quality stability.

Business of pharmaceutical production

The suppliers in this segment mainly provide raw materials required in the production procedure and packaging materials for pharmaceuticals. The Group uses a variety of channels to find and collect suppliers' information. Potential suppliers will be investigated in details and handed to the Quality Management Department for further assessment. The Group usually chooses at least two potential suppliers for each material. Qualified suppliers must be legitimate production/ operation enterprises approved by the relevant state departments and have a sound quality management system, a solid technical capacity and good management standard. Besides, the Group prefers suppliers with easier transportation of products to reduce the transportation costs and indirect pollution to the environment. Furthermore, the Group conducts annual assessment to existing suppliers.

The Group is also in strict control over the post-management of selected suppliers. The Group traces and monitors the quality of material in the procedures of acceptance, inspection and production. Once finding quality problems, the Quality Management Department of the factory sites will hand in the Material Quality Complaints Notice (《物料品質投訴通知單》) and corresponding evidence to the supplier. When the supplier receives the quality complaint, the Quality Management Department asks the supplier to reply according to the time stipulated in the quality agreement. The Group tracks the rectification and only places the order to the supplier after it identifies the reasons and makes rectification.

Agriculture and livestock business

The main suppliers in this segment are located in Hunan Province, mainly providing animal feeds such as corn, soybean meal and wheat bran. The Group attaches great importance to the supply's quality and whether the supplier has the concept of going green and environmental protection and gives priority to those providing high-quality and green products. The Group conducts an assessment of the suppliers every year. If the supplies are found to be unqualified, the Group will promptly return them or replace them with the qualified products.

6. Product Responsibility

The Group has strictly abided by relevant laws and regulations of the People's Republic of China relating to the drug products in business of direct academic promotion and others, including but not limited to the People's Republic of China Drug Administration Law (《中華人民共和國藥品管理法》), the People's Republic of China Drug Administration Law Implementation Regulations (《中華人民共和國藥品管理法實施條例》), Provisions for Adverse Drug Reaction Reporting and Monitoring (《藥品不良反應報告和監測管理辦法》), Provisions for Drug Registration (《藥品註冊管理辦法》), Administrative Regulations for Insert and Packaging Labels of Drug (《藥品說明書和標籤管理規定》) and Provisions for Supervision of Drug Distribution (《藥品流通監督管理辦法》).

The drug products promoted and sold by the Group are all registered in the nation, and the imported products are all checked and accepted by the imported pharmaceutical inspection report issued by the drug import ports or, domestic drugs by manufacture inspection report. The Group's subsidiaries involved in pharmaceutical operations have all passed the latest GSP certification. As for product storage, the Group has reasonable storage arrangement according to the quality characteristics of the products, which is equipped with warehouse, air conditioning, and facilities for shading, ventilation, anti-moisture, pest control, rodent control and safety monitoring. Furthermore, the Group is equipped with 24-hour automatic temperature and humidity monitoring system to maintain a good storage status. Before delivery, the Group will check the products in line with the requirements of the GSP to ensure packaging integrity. The Group has established the drug alert team, who is responsible for the collection, evaluation, feedback, reporting complains of adverse drug reaction, and reports to the provincial and national drug regulatory authorities about the complains of adverse drug reaction received according to the regulation. The Group has stipulated the Rules for the Recall of Drug (《藥品召回操作規程》) in accordance with the Measures for the Administration of Drug Recall (《藥品召回管理辦法》), the Codes for Quality Management of Pharmaceutical (《藥品經營品質管制規範》), the Provisions for Adverse Drug Reaction Reporting and Monitoring (《藥品不良反應報告和監測管理辦法》) issued by the State Food and Drug Administration. The relevant quality managers will set up a recall team according to the results of the investigation of product safety risks and decide whether to recall the products and decide on the recall level. Most of the drugs can be tracked with drug regulatory code to protect the public's health and safety. During the Reporting Period, there was no recall of drugs due to health and safety issues.

The Group strictly abides by the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) and relevant laws and regulations. The Group only publishes any advertising content based on the academic promotion needs on the medical professional publications designated jointly by the Ministry of Health and the State Food and Drug Administration (CFDA) with approval from relevant departments of the government. At the same time, the Group strictly abides by Administrative Regulations for Insert and Packaging Labels of Drug (《藥品說明書和標籤管理規定》). And the Group's legal department provides real-time communication and assistance in such matters.

Business of pharmaceutical production

Adhering to the concept of “Quality first, Customer first; Program management, Continuous improvement” (“品質第一, 用戶至上; 程式管理, 持續改進”), the Group requests every employee engaged in pharmaceutical product manufacturing to try best to provide zero-defect work quality to the clients. To ensure product quality, the Group emphasises the quality audit of the materials provided by suppliers. Starting from the origin, after the raw materials entered the manufacturer, the Group has strictly complied with the national quality standards to examine the material and make sure they are qualified before production. Production workshop has passed the latest drug GMP certification, where production proceeds strictly up to GMP standards and approved process prescription with process monitoring in all aspects.

The Group has established a sound quality and safety mechanism. The Group’s subsidiaries in production have quality management departments to carry out quality inspection of the materials and products samples. All the finished products and their packaging have been inspected by the quality management department with an inspection report to show that they have met the relevant national drug standards. The Group has a storage room for finished products, where the temperature, humidity, light are strictly controlled to ensure that the drugs are stored properly.

Agriculture and livestock business

The Group is committed to building “agriculture with green ecology, science and technology” (“綠色生態、科技智慧農業”). The crop products from the Group comply with the Regulations of the People’s Republic of China on Food Safety (《中華人民共和國食品安全條例》) and are tested as qualified by the professional quality inspection agency. This business segment is still in its infancy, mainly including the production of green shell eggs, kumquat and purple small tomatoes and others which are distributed to employees as welfare. The soil, water and nutrient matrices used in this segment have all passed the SGS test to ensure that the crops are grown in an excellent agricultural environment. The Group also engages a professional testing institution to test the chemical substances on the crops to ensure food security. The Group plans to establish a comprehensive quality management system as soon as possible to enhance the quality control of crop products.

Protection of intellectual property and data confidentiality

The Group strictly abides by the Patent Law of the People’s Republic of China (《中華人民共和國專利法》), the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》), the Intellectual Property Law of the People’s Republic of China (《中華人民共和國知識產權法》) and other relevant laws and regulations. To prevent the infringement of intellectual property rights, the Group has established internal supervision system and controls the infringement promptly if found. The practices include that the relevant technical staff must sign the Confidentiality Agreement to implement the daily technical confidentiality work.

To ensure the stable development of the Group, employees must be in strict accordance with the staff manual and related systems to implement the confidentiality system on products, including but not limited to operating secrets and technical secrets. The Group is committed to abiding by the Law of the People’s Republic of China on the Protection of the Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》) and internal privacy policy to ensure that the rights of products and customers are strictly protected. The Group has a sound regulatory system to protect the customer’s personal data and privacy, and has taken security measures to prevent data loss or leakage as below:

- All data are stored in the Group’s headquarter server, which has security measures to prevent loss of information or leakage; and
- Customer information is stored on the server. Staff access and maintain the database only if they are authorised.

7. Anti-corruption

The Group strictly adheres to Law of the People's Republic of China on Anti-money Laundering (《中國反洗錢法》) and relevant laws and regulations related to the pharmaceutical products, including but not limited to the Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》), Regulations of the People's Republic of China on Drug Administration Law (《中華人民共和國藥品管理法實施條例》) and the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》). The Group attaches great importance to the moral concept and code of conduct in the employees. The Group has stipulated the CMS Employee Codes of Professional Ethics (《CMS 員工職業道德守則》) and CMS Anti-Fraud Management Policies (《CMS 反舞弊管理制度》), and requires all employees to strictly abide by professional ethics and eliminate any corruption and bribery. The Group has established internal Compliance Department to supervise and report any violations of the professional ethics. To ensure the conduct compliance of sales promotion during their promotional activities with the medical professionals, the Group has also stipulated the Codes of Conduct for Promotional Personnel (《從業人員推廣行為準則》).

The Group has formulated the functional division of labour and departmental operation standards for different departments to prevent internal and external corruption, money laundering and bribery and ensure the normal operation of business. The Group allows employees to communicate with their supervisors or relevant departments when they encounter or suspect a violation. Employees can also use fax, mail or internal ERP platform to report directly or anonymously to the Chief Executive Officer. The Group is strictly confidential to any reported information.

Community

8. Community Activity Investments

The Group believes that enterprise and community are inseparable as a whole. On the one hand, the development of enterprise can lead to the development of the community. For example, it can promote employment and increase tax revenue, providing economic and social security for community development. On the other hand, the development of enterprise is also inseparable from the community's support and help. To better fulfil its social responsibilities, the Group is committed to contributing in the following areas:

- Actively cooperate with the work of the community to strengthen communication with local government and social organizations;
- Actively promote social employment and contribute to alleviating employment problems;
- Protect the environment, effectively control the "three wastes" emissions, and actively achieve energy conservation; and
- Adhere to tax legally.

The Group upholds the concept of "Take from the people, Return to society" ("取之於民, 回報社會") and is committed to promoting the economic development and living environment of the community by self-improvement. The Group insists on providing monetary assistance to individuals and organizations in the community, and always holds community caring activities. The followings are the representative deeds of the Group in recent years:

The Group donated about RMB1.3 million worth of medicines and RMB500,000 in cash to the Tianjin Red Cross through the Chinese Red Cross for the emergency rescue of the explosion tragedy in Binhai New District in Tianjin. The Group joined the digestive branch of the Chinese Medical Association to participate in the volunteer clinic activities in the Liangshan First Hospital, and gave away free medicines, for sending health and cares to Yi people. The Group sponsored Guangdong Medical College for two consecutive years for their “Warming Countryside Activity” (“暖風三下鄉”) and donated anti-altitude medicine and money to their volunteer activities. The Group has contributed to the development of local education for many years and has helped hundreds of poor students to finish their education, sponsoring them to achieve their education dreams. The Group periodically donates the extra agricultural products to the nearby villages and schools.

For employees and their family members, the Group sponsors a variety of sports activities each year, including swimming, badminton, basketball, travel and so on, and provides excellent and poor family with education and living fund.