



Stock Code: 932

incorporated in the Cayman Islands with limited liability





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## ABOUT THE REPORT

The Environmental, Social and Governance (“ESG”) Report (“ESG Report”) published by Shunten International (Holdings) Limited (the “Company”) presents the efforts and achievement made in sustainability and social responsibility by the Company and its subsidiaries (collectively the “Group” or “we”). The ESG Report details the performance of the Group in carrying out the environmental and social policies and fulfilling the principle of sustainable development.

## SCOPE OF THE REPORT

As the sale, marketing and distribution of health and beauty supplements and products (the “Health and Beauty Business”) in Hong Kong accounts for the vast majority of the Group’s revenue, the ESG Report covers the environmental and social performance of the Health and Beauty Business for the period between 1 April 2017 and 31 March 2018 (the “Year”). The environmental key performance indicators as disclosed in the ESG Report are based on the performance of the Group’s head office, warehouses, packaging plant and vehicles during the Year. The Group will extend its disclosure to other businesses in a gradual manner. For details of corporate governance, please refer to the corporate governance report on pages 51 to 72 of the Company’s 2017/2018 Annual Report.

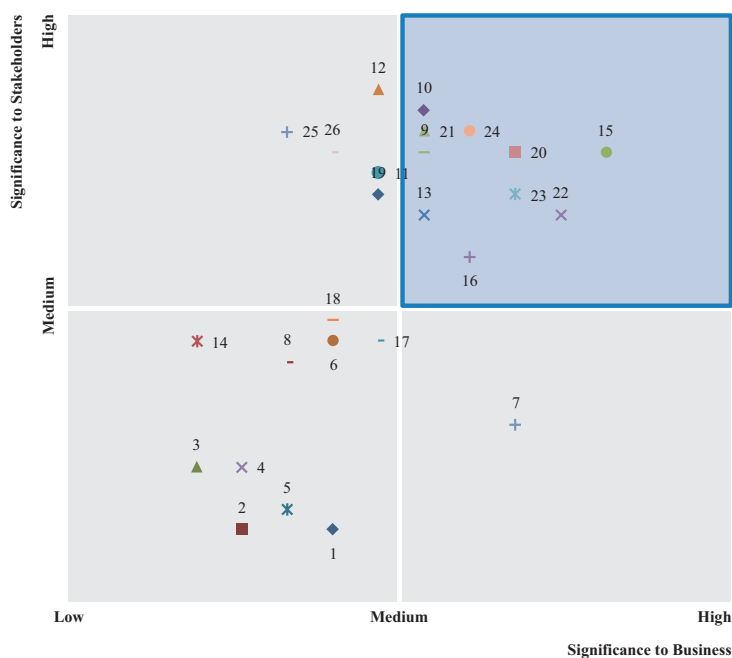
## REPORTING STANDARD

The ESG Report was prepared in accordance with the “Environmental, Social and Governance Reporting Guide” under Appendix 27 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

## STAKEHOLDER ENGAGEMENT

The Group values the views of its stakeholders, including not only employees, management and directors, but also customers, suppliers and communities. During the preparation of the ESG Report, the Group commissioned an independent third-party consultant to assist the Group in conducting a materiality analysis in a just and unbiased manner.

The materiality assessment has been implemented with three main phases, namely (i) identifying potential material issues in respect of the Group’s environmental, social and governance performance that might affect the Group’s business or stakeholders; (ii) conducting a questionnaire survey to understand the views and expectations of stakeholders on the Group’s response to and disclosures of ESG issues; (iii) prioritizing potential material issues based on a total of 31 valid questionnaires retrieved. By reviewing the result of the survey, the Group identifies the key issues and highlighted them in the ESG Report. The following chart shows the substantive matrix that is derived from the result of the questionnaire survey.



## ABOUT THE REPORT

Environment	Labour Practice	Operation Practices	Community Investment
1. Air Pollutant Management	9. Employees' Remuneration and Benefits	16. Supplier Environmental Assessment	25. Impact on the Community
2. Waste Management	10. Employees' Working Hour and Rest Period	17. Supplier Assessment for Labour Practices and Human Right	26. Direct Economic Value Generated for Community
3. Carbon Emission	11. Diversity and Equal Opportunity	18. Supplier Assessment for Impacts on Society	
4. Energy Management	12. Occupational Health and Safety	19. Supply Chain Management	
5. Water Management	13. Training and Education	20. Customer Health and Safety	
6. Use of Raw Material and Packaging Materials	14. Child Labor and Forced Labor	21. Marketing and Labeling	
7. Research and Development	15. Compliance with Labor Laws and Regulations	22. Customer Privacy	
8. Environmental Compliance		23. Anti-corruption	
		24. Compliance with Laws and Regulations Relating to the Provision and Use of Products and Services	

## ABOUT THE REPORT

Through the assessment processes, the Group has identified 10 most material ESG issues and has disclosed relevant information in the corresponding section.

Material Aspects	Corresponding Section
9. Employees' Remuneration and Benefits	Employment and Labour Practices; Staff Welfare
10. Employees' Working Hour and Rest Period	Staff Welfare
13. Training and Education	Training and Development
15. Compliance with Labor Laws and Regulations	Our Talent
16. Supplier Environmental Assessment	Responsible Supply Chain Management
20. Customer Health and Safety	High Product Quality
21. Marketing and Labeling	Advertising and Labeling
22. Customer Privacy	Safeguarding Customers' Satisfaction
23. Anti-corruption	Anti-Bribery and Corruption
24. Compliance with Laws and Regulations Relating to the Provision and Use of Products and Services	Business Optimization

The data collected is not only a summary of the environmental and social initiatives carried out by the Group during the Year, but also forms the basis for the Group to map out short and long-term strategies for sustainable development. The Group will continue to deepen the breadth and depth of communication with stakeholders in the future.

## INFORMATION AND FEEDBACKS

Your opinions on the Group's ESG performance are highly valued. If you have any advice or suggestions, please feel free to contact the Company through:

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148 Connaught Road Central,  
Hong Kong  
Tel No.: 3700 7300  
Fax No.: 3700 7301



## ABOUT THE GROUP

Headquartered in Hong Kong, the Group focuses on the Health and Beauty Business which have been developed in a professional and attentive way. With strong backups and authentication by experts, we uphold our core value in improving customers' well-being by launching quality-guaranteed and effective health supplements. New elements and ideas, including modern scientific research technology and modified formulations, are infused into the manufacture of traditional Chinese medicine.

### OUR PHILOSOPHY

Reacting to our researches on the Asian's common symptoms for insomnia, constipation, overweight and nervousness from anxiety, the Group has formulated innovative products which are delivered in an easily accessible and fashionable way aiming to relieve people from the aforementioned symptoms. This reflects our mission to be the Guardian of Customers' Health. We target to assist customers in relieving pressure, staying healthy and living longer.

We put great efforts in developing our business and extending access to our innovative product profile in order to ensure our sustainable growth, improve people's health, create value for our stakeholders and benefit the community. We have also been cooperating with renowned universities and utilizing the knowledge and expertise of the academia in launching various new and innovative products.

In the last decade, we have launched a number of innovative products such as Royal Medic No. 1 Chinese Cs-4 in addressing the aforementioned symptoms as the core of our business approach. Our Royal Medic No. 1 Chinese Cs-4 product has been ranked "Number One" in sales for 9 consecutive years in Hong Kong which proves that our way is welcomed by customers.

### SUSTAINABILITY APPROACH

In an attempt to achieve corporate sustainability, the Group always takes our products, customers, community and the environment into consideration during business development.

The Group's operations are comparatively simple and straight forward with a head office, warehouses, vehicles and a packaging plant. Although we are not a heavy pollutant producer, we have exerted ourselves to strengthen our employees' awareness of environmental protection and implement environmental policies in our offices.

It is our conviction that employees are a crucial element to sustain our business. Thus, in order to attract and retain talents, the Group has adopted a responsible operation and human resources strategy, providing our employees with on-the-job training and space for career development. Our passionate employees also organize and participate in charitable activities regularly, showing our dedication to community investment.

In terms of operation and products, we are devoted to addressing healthcare challenges, especially in Asia, through the adoption of effective policies. Understanding customers' concern on the pricing of healthcare products, we have taken thoughtful and responsible approaches such as offering more special promotion events by collaborating with product distributors and agents so as to cater for the needs of our customers.

In summary, the Groups definitely support environment and social moves, aiming to realize sustainable development in both our business and the environment.

## OUR ENVIRONMENT

Along with the rising awareness and concern of environmental issues triggered by businesses nowadays, the Group has recognized the environmental impacts, though not seriously detrimental, resulted from our business operations and has accorded great importance to the implementation of environmental protection policies. As a responsible corporation, we have carried out measures covering emission control, waste management and resources conservation by following relevant laws and regulations such as the *Air Pollution Control Ordinance* and *Waste Disposal Ordinance*. During the Year, the Group was not aware of any material non-compliance with relevant laws and regulations relating to environmental issues.

### AIR EMISSION CONTROL

Our Health and Beauty Business minimally involves manufacturing process, hence no heavy air and water pollution are associated with our business. However, private cars and light goods vehicles are used for supporting the Health and Beauty business of the Group, which generate air pollutants such as nitrogen oxides, sulphur oxides and particulate matter. As a way to reduce the emission of pollutants, the Group performs maintenance and repair on the vehicles so that high efficiency can be maintained.

Emission of air pollutants from the use of vehicles during the Year:

Types	Weight (kg)
Nitrogen oxides	1,786
Sulphur oxides	7
Particulate matter	153

Global warming has sparked heated discussions in recent years across the globe and has drawn the attention of enterprises, the Group is no exception. We have identified the sources of greenhouse gas emission of our business, which can be mainly divided into fuel combustion for vehicles and office operation including the use of electricity, water and sewage treatment, business trips and disposal of paper to landfill. Efforts have been put on the control and reduction of greenhouse gas emission by exerting ourselves in the implementation of a series of measures such as paper recycling, energy saving and resources conservation. (For details, please refer to “Resources Conservation”).

Greenhouse gas emission during the Year:

Types	Weight (tonnes CO <sub>2</sub> )
Total emission	1,371
Direct emission (Scope 1)	1,185
Indirect emission (Scope 2)	174
Indirect emission (Scope 3) <sup>1</sup>	12
Intensity (emission/million Hong Kong dollars of revenue)	5.47

<sup>1</sup> Emission from water and sewage treatment is not included here as water supply and discharge of our office are solely controlled by the building management hence data is inaccessible.



## OUR ENVIRONMENT

### WASTE MANAGEMENT

Proper handling of waste is another aspect the Group has laid emphasis on, adding to air emission control. Since that health and beauty supplements and products are involved in our main business, the unsold products are discarded as chemical waste, which is a source of hazardous waste generated by the Group. To be specific, all the unsold and expired products are collected and handled as hazardous waste by a licensed waste collector according to the Waste Disposal (Chemical Waste) (General) Regulation. The Group always ensures that all hazardous waste is handled and treated in a legal and appropriate way so as to avoid harmful impacts on the environment.

Apart from hazardous waste, the Group also generates non-hazardous waste which is composed of general office waste produced by staff and a small amount of unwanted materials associated with our packaging process. Similarly, non-hazardous waste is also collected by a qualified party arranged by the office building management.

Wastes generated during the Year:

Types	Weight (tonnes)	Intensity (tonnes/ million Hong Kong dollars of revenue)
Hazardous waste	23.76	0.09
Non-hazardous waste	6.2	0.02

Along with proper waste collection and treatment, the Group also carries out measures to reduce waste by upholding the principle of “Reduce, Reuse, Recycle and Replace”. For example, we disseminate information by electronic means whenever possible to reduce the usage hence disposal of paper. We have also set the printers and computers to default duplex and economical modes and encourage our staff to use both sides of paper before disposal. Reuse of paper is also encouraged by collecting waste paper such as letters, posters and other documents.

### RESOURCES CONSERVATION

As the Group is operating a small-scale packaging plant, packaging materials, which can be classified into paper products, plastic and aluminum paper, are beyond dispute the major resources used by the Group. To reduce the use of packaging materials, the Group advocates the adoption of simple packaging and encourages consolidated package for bulk purchase of 6 to 24 bottles of our products.

Packaging materials used during the Year:

Types	Weight (tonnes)	Intensity (grams/ total number of finished products)
Paper products	880	309.23
Plastic	270	95.06
Aluminum paper	2	0.70



## OUR ENVIRONMENT

In addition to packaging materials, water and energy are also resources consumed by the Group. During the Year, the Group has consumed in total 4,596 MWh of energy and on average 18.33 MWh/million Hong Kong dollars of revenue. The breakdown of energy consumption by type is as follows:

Types	Consumption (MWh)
Fuel combustion for vehicles	4,273
Electricity consumption	322

The Group is aware of the possible impacts resulted from the use of energy such as the emission of greenhouse gases and other air pollutants, therefore we shoulder the burden of emission reduction and have dedicated considerable efforts to reducing energy consumption in our office operation. We have installed energy-efficient light tubes and separate switches for different lighting zones so that energy can be used more flexibly. Besides, employees are required to turn off electronic appliances completely when not in use in order to avoid wastage. For the air-conditioning system, we carry out cleaning regularly so as to maintain its efficiency. In hot weather and on every Friday, casual wear is allowed so that energy can be conserved from the air-conditioning system. To reinforce our carbon-reduction initiatives, we also encourage our employees to use video conferencing for replacing business trips. For unavoidable trips, the Group always prefers direct flight and economy class for the flights. Through the implementation of the above measures, the Group targets to reduce our energy consumption hence greenhouse gas emission in the long term.

Water is also a type of resources used by the Group although only a little amount of water was consumed by our staff working in the office<sup>2</sup>. To reduce water consumption, we always encourage our employees to save water and avoid wastage wherever possible.

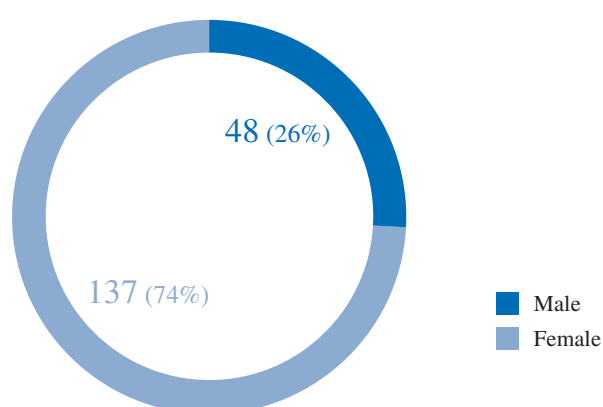
<sup>2</sup> Total water consumption and intensity are not able to be obtained as water supply of our office hence the relevant data are solely controlled by the building management.

## OUR TALENT

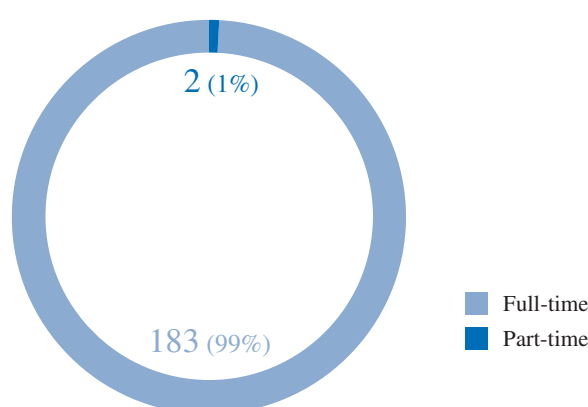
Human resources act as the pillar of the Group, thus we always put the rights and well-being of our employees in the first place. The Group stringently abides by relevant laws and regulations during recruitment, promotion, remuneration and dismissal of employees such as the *Employment Ordinance* of Hong Kong. As a way to attract and retain talent, in addition to providing a competitive remuneration package, the Group also offers a range of welfare and benefits, a safe and healthy working environment, as well as training, development and promotion opportunities.

As of 31 March 2018, the Group's Health and Beauty Business has employed a total of 185 employees in Hong Kong. The total workforce by gender and employment type are as follows:

**By Gender**



**By Employment Type**



Employee turnover rate by gender:

Employee Turnover Rate	%
<b>By gender</b>	
Male	40
Female	20

## EMPLOYMENT AND LABOUR PRACTICES

As a fair and anti-discrimination employer, the Group advocates equal opportunities during recruitment. We are committed to recruiting people with suitable qualifications, experience, skills, potential and performance, regardless of sex, marital status, family status or disability, by following laws and regulations such as the *Sex Discrimination Ordinance*, the *Disability Discrimination Ordinance* and the *Family Status Discrimination Ordinance*. Fair and competitive remuneration is offered to employees and the terms regarding remuneration are clearly stated in the employment contract.

The Group strictly prohibits the use of child labour in accordance with the relevant laws and regulations such as the *Employment of Children Regulations*. We ensure that no child labour is employed by verifying the identity of new employees before commencement of work. Forced labour is also strictly prohibited that work venue and period are clearly defined in the employment contract. Besides, application and approval from several levels of management are required for overtime work.

Whenever an employee offers to resign or being laid off, an exit interview questionnaire is needed to be completed so that precious opinion could be collected for future improvement of the Group's policies.



## OUR TALENT

### TRAINING AND DEVELOPMENT

Business success highly hinges on the continuous improvement in employees' performance and productivity, thereby the Group provides employees with training opportunities through internal and external courses. For staff working in the packaging plant, training especially on workplace safety was provided during the Year in an attempt to raise their awareness of sources of accident and emergency handling. For promoters, 4 training sessions on marketing skills were provided during the Year. Directors, professional and managerial staff were also sponsored to participate in various knowledge-based training or management skills training in an attempt to improve the Group's management performance.

While education and training act as the foundation for improvement of employees, chances of promotion enable a long-term development of employees together with the Group. Annual performance appraisal is conducted based on employees' personal quality, work performance and cooperation ability so that employees who have outstanding performance will be taken into consideration for promotion. It is hoped that every employees are able to find their position and future by working in the Group.

### HEALTH AND SAFETY

Employee's health and safety are of paramount importance to the healthy and sustainable development of the Group. Therefore, we always put priority on employees' health and safety during our business operation. All employees working in the packaging plant are provided with personal protective clothes which can at the same time ensure the safety of employees and quality of the products. Guidelines and standard operating procedures on machine operation are also attached so as to guide employees about possible dangers when operating the machines. Moreover, we have formulated procedures for handling emergency such as fire and power failure in an effort to minimize the possibility of casualties in case of accidents.

Regulatory compliance is strongly upheld by the Group that we strictly conform to the relevant laws such as the *Occupational Safety and Health Ordinance*. During the Year, there was no work-related fatality and 1 employee was recorded due to work injury.

### STAFF WELFARE

As a way to deliver care to employees, and at the same time stimulate their working initiative, the Group offers all employees a wide range of welfare and benefits. To assure employees of sufficient rest time, the Group adopts five-day work week and our employees are entitled to a number of statutory leaves and special leaves such as birthday leave. Other fringe benefits also include the provision of red pockets for celebration of marriage and newborn babies, free Chinese medical service, medical insurance and discounts for purchases of the Group's products.



## BUSINESS OPTIMIZATION

Developing innovative health products that are affordable and improving the accessibility of health supplements for consumers in Asia are the long-term goals of the Group. To achieve our goals, it is vital to optimize our operation in an effort to maintain the high quality of products and services, to properly manage our supply chain and to behave ethically in the market.

### HIGH PRODUCT QUALITY

Since that our products are directly related to people's health, we spare no effort in the pursuit of excellence in product quality and the health and safety of all our products. The Group strictly complies with all the requirements of relevant laws, regulations and standards by establishing and implementing a quality management system to monitor and inspect the quality of products, as well as the environment and hygiene of our packaging plant. An experienced quality management team has been set up which is responsible for overseeing the implementation of a number of quality control measures, including:

1. Formulating a series of quality check procedures for raw materials, intermediates and finished products, which set out the items to be checked, criteria for qualified products, as well as the acceptable quality level and reject level for different sample sizes etc.;
2. Formulating standard operation guidelines for handling raw materials to ensure their proper receipt, storage and delivery and hence the prevention of contamination;
3. Requesting suppliers to provide certificates of analysis and/or lab test reports prepared by independent testing centers in the relevant jurisdiction when delivering the raw materials/intermediates to the Group;
4. Cooperating with well-known universities or their authorized organizations to conduct testing and accreditation on products, such as clinical trials, to ensure the safety and efficacy of products;
5. Appointing third-party independent testing agencies accredited under the Hong Kong Laboratory Accreditation Scheme to perform safety testing on traditional Chinese medicine and health supplement products, including testing on heavy metals, pesticide residues and microbial counts etc., before launching into the market;
6. Conducting microbiological tests on the packaging plant to ensure that the environment meets the relevant standards of safety;
7. Applying and outsourcing the latest testing and technologies to enhance quality control, such as High Performance Liquid Chromatography, DNA fingerprinting for herbs and Thin-Layer Chromatography.

As recognition of our efforts, both our Royal Medic Cs-4 and RM Broken Ganoderma Spore have been certified under the "A-Mark Quality Chinese Medicines Authentication Scheme" endorsed by Hong Kong Chinese Medicine Authentication Centre in the past years.

In case of large-scale product safety issues, procedures for product recall will be triggered which target to minimize the impacts brought by the products and to make response to the public and our customers timely.

# BUSINESS OPTIMIZATION

## ADVERTISING AND LABELLING

Advertising and labeling are particularly important to health and beauty products as impacts can be critical if inaccurate information and messages are conveyed to customers. Therefore, the Group always ensures that the advertisement and labels of our products are in compliance with the requirements of relevant laws and regulations of Hong Kong, including the *Trade Descriptions Ordinance*, *Undesirable Medical Advertisements Ordinance*, *Food and Drugs (Composition and Labelling) Regulations*, and *Chinese Medicine Ordinance*, and the equivalent and relevant laws overseas by implementing the following measures:

1. Truthfully present all information, especially product ingredients;
2. Ensure all advertising and labelling materials are checked by the quality assurance team and legal advisers before releasing to the market;
3. Keep abreast of any updates or development of relevant laws and regulations.

During the Year, there was no reported case of non-compliance of relevant laws and regulations relating to advertising and labelling. As recognition of our outstanding promotion of Chinese medicine, we were awarded the “Outstanding Chinese Medicine Enterprise in the Promotion of Chinese Medicine Award” (優質中藥企業弘揚中藥獎) by the Hong Kong Chinese Medicine Industry Association.

## SAFEGUARDING CUSTOMERS’ SATISFACTION

The Group places high priority on customers’ satisfaction and hence endeavours to address the needs of customers by providing professional, customized, responsive and caring services to them. Customers are encouraged to join our Wisdom Club where better pricing and deals are offered to members from time to time. To better understand customers’ feedback about our products, customer surveys are often carried out by a designated customer service department. Staff in the department is also responsible to handle complaints from customers so as to address their needs and provide suitable responses timely. Moreover, customers can also contact our customer service staff via service hotline directly to arrange for product returns and refund.

With regard to customer privacy, the Group is committed to protecting the personal data of all our customers by complying with relevant laws and regulations such as the *Personal Data (Privacy) Ordinance*. Personal data of customers are collected only for normal business operation and for the purpose of achieving higher customer satisfaction. Data are kept confidential and will not be used for purposes without the consent of the related persons.



## BUSINESS OPTIMIZATION

### RESPONSIBLE SUPPLY CHAIN MANAGEMENT

A proper and responsible management of the supply chain is essential for maintaining the high quality and stability of products as well as the sustainable development of the Group. We have established a comprehensive mechanism for selecting suitable suppliers in a fair and reasonable way and we consider suppliers from all over the world, such as New Zealand, Australia, Malaysia, Taiwan, Japan, USA, China and Hong Kong.

During the selection of suppliers and subcontracting manufacturers, factors in a variety of aspects are taken into account including business scale, financial status, production capacity, production process and environment, quality control system, product safety and delivery performance. Suppliers are required to provide quality check certificates and/or product analysis reports, or provide samples for laboratory testing, before the delivery of raw materials/intermediates. Preference is usually given to suppliers who have obtained certifications such as Hazard Analysis and Critical Control Point, Good Manufacturing Practices and International Organization for Standardization.

Upon engagement, our procurement team will cooperate with the quality assurance team to evaluate the suppliers based on the procurement procedures, after-sales services and product safety. Moreover, site audits on selected suppliers are also conducted from time to time in an effort to ensure their committed quality standards are maintained.

### PROTECTING INTELLECTUAL PROPERTY RIGHTS

The Group has shown continuous support for innovative Chinese medicine by collaborating with several universities to carry out researches on innovative products. One of the launched products is “Bone Enhancement” developed together with the Chinese University of Hong Kong. Though many of our products are generic, we have strived to protect our uniqueness from other similar products while not infringing the rights of others. We commercialized those valuable research findings in our innovative products and marketed them under our brand. During the Year, there was no reported case of infringement of relevant laws and regulations relating to intellectual property rights.

### ANTI-BRIBERY AND CORRUPTION

Unethical behaviour is a potential source of risk that not only can tarnish the image of an enterprise, but also weaken its stability. A stable and healthy development of the Group depends on the integrity of our people thus we have formulated the “Code of Ethics” as internal guidelines for guiding employees’ behaviours regarding various aspects such as personal benefits, conflict of interest and relations with suppliers and contractors. We also promote the value of integrity and awareness of unethical behaviours such as bribery and corruption by inviting specialists from ICAC to share their views and real cases.

In terms of corruption monitoring, the Group engages external auditors in carrying out annual internal audit by which the corporate governance and control systems are assessed and reported to the management. Besides, reporting channels are available under our whistle-blowing policy and employees are encouraged to report any existing or potential breach of the “Code of Ethics” to the management. The Group will investigate reports of breach and will take appropriate actions including disciplinary action, termination of employment, report to ICAC or related authorities and preventive actions.

During the Year, the Group was not aware of any breach of laws and regulations on the Group in relation to bribery, corruption, extortion, fraud and money laundering.





## OUR COMMUNITY

As a caring enterprise, the Group attaches importance to the overall well-being of the community and looks forward to growing our business together with the community. We are dedicated to participating in charitable activities and volunteer services in order to provide support to the needy in the society. During the Year, we have continued our community involvement by making monthly donation to a food bank and charitable organizations.

Apart from donations, we have also jointly organized volunteer services with Mutual Caring and invited our enthusiastic employees to participate. We have organized our staff to provide voluntary monthly service to distribute free lunch boxes to the underprivileged living in estates across Hong Kong during the Year. In Mid-Autumn Festival, we have also shared our love with the community by delivering moon cakes to the elderly.

In recognition of our efforts put on community involvement and our good corporate citizenship, we have been awarded the Caring Company Logo for four Consecutive Years by the Hong Kong Council of Social Service. Moreover, we were also presented with the Caring Certificate under the Corporate Social Responsibility Recognition Scheme 2017 organized by the Federation of Hong Kong Industries, in praise of our dedication to corporate social responsibility, in particular community investment.



順騰國際(控股)有限公司  
Shunten International (Holdings) Limited