



Lee's Pharmaceutical Holdings Limited

李氏大藥廠控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 950)

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2016



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Lee's Pharmaceutical Holdings Limited (the "Company", together with its subsidiaries, the "Group", Hong Kong Stock Code: 950) is committed to the long-term sustainability of its businesses and the communities with which it engages. The Group pursues this business approach by managing its businesses prudently and executing management decisions with due care and attention. In addition, the Group is committed to improving its Environmental, Social and Governance ("ESG") performance by upholding good corporate governance standards, protecting the environment, engaging the community and promoting social integration.

This report covers the Group's sustainability related policies, measures and performance on its businesses in the development of, manufacturing of, and sales and marketing of pharmaceutical products during the fiscal year ended 31 December 2016, and the reporting boundary is limited to the Group's major operating locations such as mainland China, Hong Kong and Taiwan.

This report explains how the Group complies with the "comply or explain" provisions of the "Environmental, Social and Governance Reporting Guide" in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). As this is the first annual ESG report issued by the Company, only general disclosure of required aspects is disclosed.

The details of the Group's corporate governance issue have been set out in the annual report of the Group published on 11 April 2017 under the section headed "Corporate Governance Report". This report highlights the Group's sustainability efforts in:

- Environmental aspects (emissions, use of resources, the environment and natural resources);
- Social Aspects (employment, health and safety, development and training, labour standards, supply chain management, product responsibility, anti-corruption and community investment).

This report has been reviewed and approved by the board of directors of the Company.

This report is available and can be downloaded from the website of the Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.leespharm.com). In the meantime, your feedback regarding the review and its overall sustainability practices is welcomed. The Company's contact details are as follows:

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(A) ENVIRONMENTAL

A1: Emissions

Emissions produced by the Group in the course of production and operation mainly include exhaust gas, waste water, hazardous and non-hazardous waste. The Group has established and implemented corresponding procedures and guidelines to pursue its objectives to reduce emissions.

The Group's production lines in Hong Kong and mainland China abide by applicable laws, rules and regulations in relations to environmental protection, and were not subject to any major penalties or non-monetary sanctions for non-compliance therewith relating to emissions during the year under review. In addition, the Group regularly circulates environmental protection news, such as energy saving tips, via email to raise awareness of employees and encourages them to save electricity, water and paper. The Group believes that due performance of environmental responsibility will improve the utilisation of the resources and will enhance the efficiency of the Group.

A2: Use of Resources

The Group has established relevant guidelines to improve the efficiency in energy, water and other raw materials consumption. In the production sites, the Group strives to lower the energy cost and improve the throughput yield by enhancing the efficiency of its manufacturing facilities via various measures such as the conducting of routine maintenance. In the daily operations, the Group adopted various measures to improve the conservation of electricity, the consumption of paper, and reduce emissions, such as encouraging of paperless office, choosing double-sided printing and reusing used-paper; minimising electricity consumption in the office area by turning off electronic equipment instead of standby mode; and maximizing the use of telephone and video conferences system to reduce staff's business trips.

A3: The Environment and Natural Resources

The implementation of environmental protection procedures is in line with the Group's objectives as the savings in energy, water and other raw materials are not just environmentally friendly but also bring in cost-savings. The Group firmly believes that these will facilitate the sustainability of both environment and the business of the Group. Save as otherwise disclosed in this report, the Group's operating activities have no significant impact on the environment and natural resources.

(B) SOCIAL

B1: Employment

As at 31 December 2016, the Group had 851 employees working in Hong Kong, Taiwan and mainland China. The Group's emolument policies are formulated on the performance of individual employees and on the basis of the trends of salaries in various regions, which will be reviewed regularly. Apart from provident fund scheme, retirement benefit scheme and medical insurance, employees share options and bonus may also award to employees according to the assessment of individual performance. The Group reviews the working hours, paid annual leaves and paid sick leaves, and other employment practices on a regular basis to ensure the compliance with up-to-date labour laws and regulations.

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People with different genders, races or disabilities shall have equal opportunities. The Group adopts non-discriminatory hiring and employment practices and strictly prohibits discrimination of any kind.

The Group was not aware of any material breach of labour laws and regulations during the year under review.

B2: Health and Safety

The Group devotes to create a safe and healthy workplace for its employees to protect them from work-related accidents and injuries. The Group pledges full compliance with relevant occupational health and safety legislations of Hong Kong, Taiwan and mainland China. Suitable insurance schemes which cover medical treatments and accidents have been provided to its staff members.

The Group was not aware of any material non-compliance of applicable occupational health and safety laws and regulations during the year under review.

B3: Development and Training

The Group regularly updates the directors of the Company on the latest development regarding the Listing Rules and other applicable legal and regulatory requirements regarding subjects necessary in the discharge of their duties. In addition, the Group encourages the directors of the Company to attend training courses or via online aids or reading relevant materials on the latest development of applicable laws, rules and regulations so that they can continuously update and further enhance their knowledge and skills. Furthermore, the secretary of the Company has taken no less than 15 hours of professional training to update his skills and knowledge for compliance purpose.

The Group hires external training providers to conduct on-site or off-site training courses for the staff members of various departments such as sales and marketing, accounting and finance, and human resources. The Group also encourages its staff members to pursue various external study courses or various qualification examinations for continuing self-development.

B4: Labour Standards

The Group implements its labour standards as well as the recruitment processes in strict compliance with relevant legal and regulatory requirements in respective territories, and strictly prohibits child labour or forced labour for any position of the Group.

The Group was not aware of any material non-compliance of relevant child and forced labour laws and regulations during the year under review.

B5: Supply Chain Management

Pharmaceutical industry is a highly regulated business and the procurement of each of the licensed-in pharmaceutical products or each of the key raw materials for proprietary products manufacturing are unique and may not have alternative suppliers, as a result, the Group implements stringent due diligence measures during business partners screening process. Cost is one of the key parts in the selection processes but, nevertheless, the Group considers also other factors such as quality control, the compliance of local laws, rules and regulations, as well as their performance on corporate social responsibility.

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Overall, the Group aims to maintain long-term cooperative relationships with its suppliers, service providers and business partners, and encourages them to maintain a high standard of business ethics and conduct.

B6: Product Responsibility

The Group has maintained a comprehensive quality management system, from drug development, clinical trial, drug production to product commercialization. The Group strictly complies the laws, rules and regulations of relevant territories related to quality assurance and product safety such as the Drug Administration Law of the People's Republic of China and Good Manufacturing Practice of China Food and Drug Administration.

The Group demands the labeling of the products and the content of all publicity means must reflect the actual conditions of the products. The Group respects and safeguard data privacy, both personal and business, of its employees, suppliers, business partners and customers. The Group has maintained complete record on the purchasing and selling of drugs and the traceability of drugs has established an effective recall mechanism therefor when needed.

B7: Anti-corruption

The Group highly value honesty and integrity. All employees, including the management, are required to strictly adhere to the internal policy, rules and regulations on anti-corruption. The Group requires all of its distributors to sign anti-bribery agreements when they enter into distributor agreements therewith. In addition, the Group also requests its suppliers and business partners to observe the same ethical standards to minimise the possibility of bribery, extortion, fraud and money laundering. The contravened parties will be terminated in case of any breach of policy, rules and regulations identified with solid evidence.

A whistleblowing policy is in place to facilitate reporting of employees' misconduct. Staff or non-staff can communicate with the audit committee members via email for the matters relating to inappropriate and unlawful behavior or organisational malpractice on confidential and anonymous bases.

The Group was not aware of any material breach of laws and regulations pertaining to the prevention of bribery, blackmailing, fraud and money-laundering during the year under review.

B8: Community Investment

The Group believes that corporate responsibility is a fundamental part of the business and the needs of the communities should be taken into account. During the year under review, the Group made charitable donations to Kanya Lee Scholarship Limited to support education. The Group cares about the community and also encourages its employees to participate in charity events to help people in need.

