



東瑞製葯(控股)有限公司

DAWNRAYS PHARMACEUTICAL (HOLDINGS) LIMITED

(Incorporated in the Cayman Islands with limited liability)

Hong Kong Stock Code : 2348

2016

Environmental, Social and Governance Report

CONTENTS

Introduction	2
Reporting Scope	2
Corporate Review	2
Communication with Stakeholders	3
Environmental Protection	4
-Emissions	4
-Greenhouse Gases.....	4
-Wastewater Management.....	4
-Waste Management.....	5
-Use of Resources	5
-The Environment and Natural Resources	6
-Waste Handling Measures.....	6
-Green Working Environment Measures.....	6
Employment and Labour Practices	7
-Care for Staff	7
-Communication with Our Staff.....	7
-Remuneration and Benefits.....	7
-Occupational Health and Safety	7
-Development and Training	8
-Labour Standards	8
Operating Practices	9
-Supply Chain Management	9
-Product Responsibility	9
-Anti-corruption	10
Community Participation	10
Feedback	10
ESG Reporting Guide Content Index	11

Introduction

Dawnrays Pharmaceutical (Holdings) Ltd. (the “Company”) and its subsidiaries (collectively referred to as the “Group”) operate the pharmaceutical business in “integrity, earnest, cooperative and enterprising” attitude to contribute to the economic growth. The Group is committed to corporate social responsibility with the current technology and resources to make contributions to society with respect to corporate sincerity culture, product quality, supply chain management, environmental friendly production, care for staff and community participation.

The Group is pleased to issue the first Environmental, Social and Governance Report 2016 (the “Report”), for the stakeholders to perceive the Group’s mission and corporate social responsibility committed.

Reporting Scope

The Report is prepared in accordance with the “Comply or explain” Provisions of Appendix 27 Environmental, Social and Governance Reporting Guide of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd.

The Report covers the environmental, social and governance policies and measures taken by the Company’s subsidiaries listed below which are the Group’s important production sites from 1 January 2016 to 31 December 2016 (the “Reporting Period”). Historical data is used for comparison where applicable.

1. Suzhou Dawnrays Pharmaceutical Co., Ltd. (“Dawnrays Pharma”) – a subsidiary wholly owned by the Company, responsible for development, production and sales of pharmaceutical products.
2. Su Zhou Dawnrays Pharmaceutical Science and Technology Co., Ltd. (“Dawnrays Pharma Science and Tech”) – a subsidiary wholly owned by the Company, responsible for production and sales of pharmaceutical intermediates.
3. Dawnrays (Nantong) Pharmaceutical Science and Technology Co., Ltd. (“Dawnrays (Nantong) Pharma Science and Tech”) – a subsidiary wholly owned by the Company, responsible for production and sales of pharmaceutical intermediates.

Corporate Overview

The Group was established in December 1995 with focus on product development, production and sales of cephalosporin antibiotics and system specific medicines. The Company listed on the main board of the Stock Exchange of Hong Kong on 11 July 2003 with stock code 2348.

The cephalosporin products of the Group include intermediates, bulk drugs, powder for injections and oral preparations. Specific medicines cover cardiovascular system, anti-HBV, anti-allergic, digestive system, urinary system and endocrine system. The dosage forms include tablets, capsules and granules.

The Research and Development Center of the Group was established in 2002. The research team is made up with professional technical people and senior researchers with PhD and Master qualification to focus mainly on the direction for generics of system specific medicine and also research and development of new drugs and the exploration of innovative products.

Corporate Overview *(continued)*

At present, the Group has established medicine brands of anti-infective drugs (“先” series) and cardiovascular drugs (“安” series). The Group’s anti-infective Cefoperazone Sodium for Injection (先必先®), Cefoperazone Sodium and Sulbactam Sodium for Injection (先舒®); the specific medicines Amlodipine Besylate Tablets (安内真®), Losartan Potassium and Hydrochlorothiazide Tablets (安内喜®), Cetirizine Hydrochloride Tablets (西可韋®), and Entecavir Dispersible Tablets (雷易得®) are all primarily approved products for production and marketing in mainland China with market share rank in the leading place.

The Group has well established quality management system. Existing production workshops strictly adopt international standards for construction. The Group keeps devoting itself to the health of human being. Relying on the high sense of social responsibility and forward looking thought, the Group continuously delivers safe and effective drugs through constant technological innovation.

Communication with Stakeholders

The Group recognizes its stakeholders from the value chain, including employees, customers, distributors, suppliers, shareholders, investors, regulators, and governmental departments. The Group communicates with stakeholders from different perspectives to understand their expectations of the Group, in order to improve the management level and operating efficiency, which are essential to the daily operations.

In 2016, the Group used various channels to understand stakeholders’ expectations of the Group, for example, telephone interview, meeting or making relevant research study. The stakeholders selected have high influence to the Group. Through effective communication to further understand their expectation of the Group. Stakeholders have special attention to the environmental protection policy, energy consumption, pollution control, supply chain management and operations management. The Report covers all these material aspects and works carried out. During the long lasting operations, the Group will draw up strategic directions to improve the policies and long-term goals.

Environmental Protection

The enterprise development relies on the country's natural resources and therefore environmental protection is crucial to sustainable development. As a manufacturing enterprise, the Group tries to minimize the effects on the environment. If requirements are fulfilled, the Group selects suppliers close to production sites in order to reduce greenhouse gases produced during transportation. The Group's production sites are established with Health, Safety and Environment Protection Departments. Environmental protection guidelines are formulated in accordance with national and local environmental protection laws and regulations. The departments are also responsible for monitoring emission indicators to ensure emissions meet the requirements. Dawnrays Pharma and Dawnrays Pharma Science and Tech have introduced ISO14001 Environmental Management System with third-party certification to regulate the management.

During the Reporting Period, there did not have any cases of noncompliance with environmental laws and regulations that have significant impact on the Group.

Emissions

The Group devotes to reduce emissions to create green production environment.

Greenhouse Gases

The greenhouse gases emissions caused by production needs of the Group are mainly from the uses of water, electricity, and steam in production sites. High energy consumption equipment and procedures are recognized through energy management. Equipment and procedures are upgraded and rectified where possible to improve efficiency of energy use. Production will be halted when excessive emissions are detected in the manufacturing process until the improvement plan implemented and problem is solved. The relative department sets monthly energy usage limit and monitors usage of each month to avoid unnecessary energy consumption. Energy performance is included as an indicator in the department evaluation to raise staff environmental awareness.

Wastewater Management

Water is indispensable in various manufacturing procedures of chemical drug production. Industrial wastewater from production and sanitary wastewater contain chemical substances at different concentrations that cannot discharge directly. The Group has treatment process for wastewater produced from each manufacturing procedure. Priority is given to water reuse after processing at the production sites where possible. If reuse is not workable, wastewater will be dealt with through several treatments and examined to ensure reaching the emission standard before discharge.

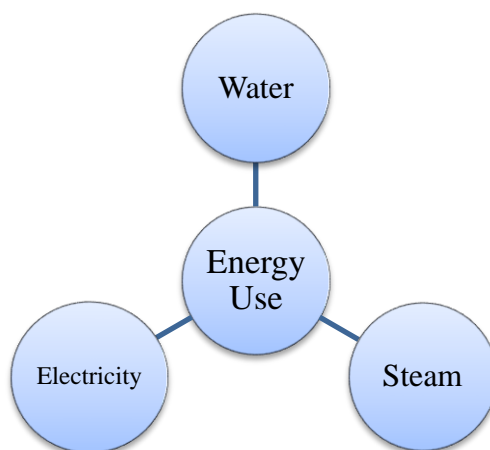
Environmental Protection *(continued)*

Emissions *(continued)*

Waste Management

The Group classifies wastes into general and hazardous wastes according to “National Hazardous Waste List”. General waste is further classified into recyclable and non-recyclable. Improper disposal of poisonous or medical waste may cause serious impact to the surrounding environment and ecology. As a responsible chemical drug manufacturing enterprise, the Group has formulated proper measures and management procedures in accordance with national laws and regulations to ensure hazardous wastes are handled correctly and disposed by qualified service provider. In addition, all staff must be clear about the waste classification and handling procedures. Training for waste management is arranged to staff those who need to handle waste disposal.

Use of Resources



The Group purchases electricity from the electric power supplies to minimize the emissions from fuel and generators. The Group strictly follows national guidelines for the safe use of electricity. High efficiency equipment are used in production for energy saving. Employees are required to switch off electronic equipment when leaving work, and cannot use unapproved electronic instruments.

Steam is also used for production other than electricity. Pursuant to production situation, the Group uses gases properly to save energy. Exhaust pipes and facilities are examined and preserved at planned intervals to avoid waste from steam heat lost. Equipment filters and steam trap valves are regularly clean up to ensure pipes operate in utmost efficiency.

In view of the particularity of pharmaceutical production, use of the principal raw materials and packaging materials must follow requirements of relevant laws, regulations and industry standards. The Group centralizes purchase and supply in order to avoid duplicate order that may lead material idleness and waste.

Environmental Protection *(continued)*

The Environment and Natural Resources

The Group pays high attention to the manufacturing process that may cause impact on the surrounding environment and natural resources of the production sites. Other than the management practices stated in the above paragraphs of Emissions and Use of Resources, the Group also adopts the following measures to try effort in creating save manufacture workplace and green working environment.

Waste Handling Measures:

1. Waste storage facilities are clearly marked in the production sites floor plan. Setup of hazardous waste storage adopts the environmental requirements.
2. Waste containers must be covered with lid and must not be left outdoor to prevent hazardous waste leaks into water or air through rain or evaporation. Emergent collectors and cofferdams are set up in storage area for hazardous waste.
3. Waste of explosive and poisonous gas must be stored separately.
4. Sufficient space is reserved in the containers carrying liquid or semi-solid hazardous waste to avoid leakage during transportation.
5. Waste storage area must be equipped with fireproofing facility.
6. Waste is collected and handled by qualified professional service provider.
7. Waste disposed must be registered on the waste-disposal table. Hazardous waste is declared electronically and periodically to the higher government environmental protection department for statistical purpose.

Green Working Environment Measures:

Comfortable and green working environment improve efficiency. To raise staff environment awareness, new staff training includes environmental protection. Meanwhile, resource consumption is one of the departmental performance indicators. The 6S method is referenced to manage environmental hygiene of working area. The Group has implemented the below measures to promote a green lifestyle, including but not limited to:

1. Staff pickup service with rented electric vehicle.
2. Water-saving notice in kitchen or bathroom where water is frequently used daily, remind staff on water saving.
3. Install water saving valves in bathroom to save water without changing the water using habit.
4. Default computer setting to print on both sides. Recycle boxes are put up near printers.
5. Implement intelligent office system to integrate department operations and deliver notice through the system. Some documents are reviewed and approved through system to reduce printing.
6. Replace traditional bulbs with compact fluorescent lamps.
7. Air-conditioning system with temperature adjustment. Default indoor temperature indicators for winter and summer.
8. Reduce unnecessary business travel. Avoid flight travel and consider train or other low-carbon transportation where possible.

The Group will report on key performance indicators related to environment in future.

Employment and Labour Practices

Care for Staff

The Group achievements rely on staff efforts. The Group devotes to provide suitable working environment with necessary assistance and training to staff. In accordance with National Labour Law and Jiangsu Province labour regulations, the Group enacts “Recruitment Management Rules” featuring control on the Group’s personnel management. “Employee Handbook” is given to each of the newly enrolled staff to understand the rights and duties.

The Group adopts equal opportunity principle to ensure recruitment and personnel management fully complies with laws and requirements. Working ability and experience are the main consideration in recruitment and promotion. No discrimination due to age, race or disability.

The Group believes disabled people also have working ability. In 2016, disabled people were recruited for the Group and suitable support had been offered to those staff where necessary in works.

During the Reporting Period, the Group did not find any cases of noncompliance related to the relevant laws and regulations on employment.

Communication with Our Staff

The Group always regards staff as the centre. Understand their needs can help retain talents. The Group uses different ways to communicate with staff, including employee representative congress, notice boards and intelligent office systems. Irregular forums are held for study on relevant topics. Employees can raise complaints for being treated unfairly. The process will be handled confidentially to protect the employee from revenge or disturbance.

Remuneration and Benefits

Remuneration mainly depends on market conditions and position held. The Group offers competitive remuneration and benefits. Staff takes part in the performance assessment every year as an indicator of remuneration adjustment.

Besides ordinary benefits, the Group encourages social gatherings among staff and promotes work-life balance. The Group holds various kinds of social gatherings for staff and also goes through the outward-bound and activities held outside of the Group to build team spirit and excellent enterprise culture. The Group also considers staff daily needs by offer transportation service and free meals at work. The menu is changed regularly to balance out nutritious needs.

Occupational Health and Safety

The Group takes great importance on occupational health and safety of staff. The occupational health and safety policies are implemented and controlled by the General Manager of each subsidiary and Health, Safety and Environment Protection Department is established separately. The production workshop environment is strictly monitored. Appropriate guidelines and personal protective devices are provided to staff. The occupational hazards prevention plan is updated regularly. All departments are required to recognize hazardous factors in the production area. The Group has formulated emergence rescue plans for accidents and practice and training sessions are held.

Employment and Labour Practices *(continued)*

Occupational Health and Safety *(continued)*

Dawnrays Pharma and Dawnrays Pharma Science and Tech have been certified OHSAS 18001, the internationally adopted Occupational Health and Safety Management System. They also work with reference to the 6S method to regulate working environment, safety and behaviour of staff.

During the Reporting Period, the Group strictly complied with relevant laws and regulations, there was no serious accident happened.

Development and Training

Excellent staff is an indispensable resource. The Group encourages staff to learn and improve their personal ability and expertise. Accordingly, training courses are provided to broaden their horizons.

The induction training for newly enrolled staff includes but is not limited to the following three aspects:

1. Company overview, management structure, safety operation and production, occupational disease prevention.
2. Knowledge of GMP, laws and regulations on drugs, microorganisms and sanitation, adverse drug reactions.
3. International integrated management system - including Quality ISO 9001, Environment ISO14001 and Occupational health and safety OHSAS18001.

Annual training plan is discussed and established by the human resources department with other departments for existing staff development in professional skills and management capabilities. In 2016, the Group organized several trainings relating to production, management, safety, environmental protection and personal development, for example, “Lean Production” and safety training with focus on each department environment.

Through performance assessment the Group discovers high potential talents and provides promotion ladder to staff. Moreover, the Group keeps reviewing the needs of human resources in accordance with business development. Vacancies are filled up through internal promotion or external recruitment.

Labour Standards

The Group considers children are in course of a growing up period, generally they should not participate paid works that will interfere with personal development. Thus, the Group declines to recruit child labourer. On the other hand, production schedule is arranged by the Group’s production department head based on delivery time to minimize staff overtime work. The Group has never forced staff to unwillingly work overtime. When necessary, compensation is given according to the law.

There was no case of noncompliance with laws and regulations relating to child labour, or compulsory labour identified by the Group during the Reporting Period.

Operating Practices

Supply Chain Management

Product quality and efficacy is the Group's priority. Any errors in the supply chain might affect the drug efficacy.

According to the requirements of GMP production, the Group establishes long-term partnership with high-quality suppliers to provide high quality materials, joint hands to explore ways to improve quality, and form a win-win situation. The Group has set up purchase center to centralize the purchase function and contact with suppliers to enable more efficient quality control and cost reduction.

Suppliers are examined by the Quality Assurance Department before qualified as the Group's supplier. The evaluation includes both documentation and on-site audit. In addition to concerns for product quality and on-time delivery, the corporate philosophy, occupational health and safety, and service attitude of the suppliers are also taken into account. The Group will formulate annual audits every year to assure suppliers' qualifications are valid. Plan and frequency of audit are considered and depend on the type of material supplies by the supplier. All results of audit will be recorded in the system for future follow up.

The Group takes great concern to environmental protection and staff safety throughout the industry chain. Questionnaire regarding the environmental factors and danger sources is distributed to relevant interested parties to understand their expectation of environment and occupational safety. All relevant interested parties are required to hold relevant licenses and strictly adhere to the Group requirements.

Distributors are important partners of the Group in the product sales process. The Group works closely with distributors to supply reliable medication and simultaneously to enhance Dawnrays' brand value and attract and retain customers. Distributors must follow the policies and standards of promotional activities formulated by the Group.

Product Responsibility

The Group's well established management system enabled the Group as one of the first enterprises achieved the China GMP certification. The production sites are constructed according to international standards for safe and reliable production systems. Among the sites, Dawnrays Pharma and Dawnrays Pharma Science and Tech have achieved the ISO9001 certification. Besides concerns essentially for the quality of research & development and production, transportation process, drug labelling, packaging, advertising materials and the application method are also included in the quality management system. Notwithstanding the Group devotes to monitor the product safety, for preventive measures, the Group establishes pharmaceutical recall system to recall incompliant products. To ensure recall can be processed systematically, the Group makes assessment of the recall system and recall simulation regularly. Recall is led by relevant chief and reported to the regulators.

Generally speaking, the Group does not sell pharmaceutical products directly to consumers and hold their personal data, nevertheless, the Group highly concerns feedback of customers from different categories in order to improve service and product quality. Customer service department and quality department communicate with customers for their opinions on products. The Group sets up customer service hotline to let customers make enquiries relate to the products. Customer Service standard and complaint management system is established to improve customer service quality. All complaints and feedback are recorded in details for future follow up and analyze for continuous improvement.

Operating Practices *(continued)*

Product Responsibility *(continued)*

During the Reporting Period, there was no case of noncompliance with relevant laws and regulations that have a significant impact on the Group related to health and safety, advertising, labelling and privacy matters related to products provided.

Anti-corruption

Since establishment, the Group operates with “integrity, earnest, cooperative and enterprising” as core principle. Any activities on bribery, extortion, fraud and money-laundering will drag down the brand image and customers' confidence that established by the Group over years. The Group has zero tolerance on bribery, extortion, fraud and money-laundering. The Group processes open tender, reviews tender documents and confirms tendering results in accordance with the “Purchase and Tender System” in order to avoid insider dealing between staff and suppliers on purchase of substandard materials. The Group requires staff and suppliers to commit to business ethics. For any suspect conflict of interest with staff, it must be declared to the management. The whistle blowing contact information is available on the Group website for report on bribery, extortion, fraud and money-laundering. Illegal or unethical behaviour will be dealt by the judicial authorities.

A detailed description of the Group's Corporate Governance Report is contained in the Company's Annual Report 2016 from page 17 to page 30. During the Reporting Period, the Group strictly complied with relevant laws and regulations, and did not identify any cases involving bribery, extortion, fraud and money laundering.

Community Participation

In the business development process, the Group also supports and develops the communities continuously with existing strengths and resources. In 2016, Dawnrays Pharma donated RMB65,000 to Suzhou Wuzhong Charity Foundation to assist rural and municipal residents with special difficulties to access to medical care, education and basic living. Through the local government, Dawnrays (Nantong) Science and Tech has continuously participated poverty relief work in the village near the production site. In addition, the staff exerted great support in charitable activities, for instance, participated blood donation activities organized by the local communities. In the future, the Group will keep track of the business development to promote public welfare activities and put on resources for community health and poverty relief to positively deliver corporate social responsibilities.

Feedback

Stakeholders' valuable opinions can help the Group continue to improve performance on environmental, social and governance. Please feel free to contact the Group with any comments or suggestions related to the Report.

Address: Units 3001-02, 30/F, CNT Tower, 338 Hennessy Road, Wan Chai, Hong Kong

Telephone: 852-21119708

Email: info@dawnrays.com.hk

Website: www.dawnrays.com

ESG Reporting Guide Content Index

Material Aspects	Content	Page Index
A. Environmental		
A1: Emissions	General Disclosure Information on:	4
	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4
A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	5
A3: The Environment & Natural Resources	General Disclosure Policies on minimising the Group's significant impact on the environment and natural resources.	6
B. Social		
B1: Employment	General Disclosure Information on:	7
	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	7
B2: Health and Safety	General Disclosure Information on :	7
	(a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.	8

ESG Reporting Guide Content Index *(continued)*

Material Aspects	Content	Page Index
B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	8
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 Group relating to preventing child and forced labour.	8 8
B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	9
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 Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	9 10
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 Group relating to bribery, extortion, fraud and money laundering.	10 10
B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the Group operates and to ensure its activities take into consideration the communities' interests.	10