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Environmental, Social and Governance Reporting

Contents

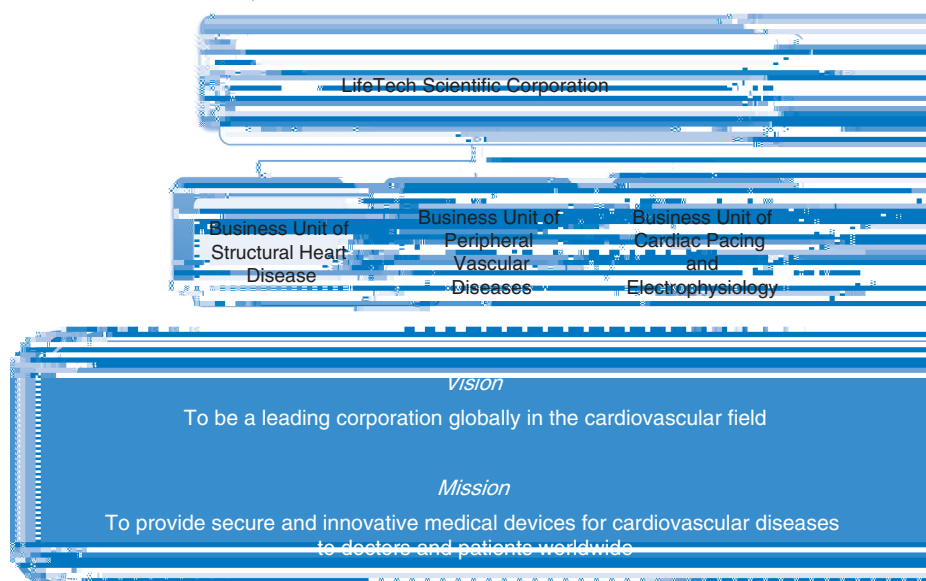
ABOUT THE GROUP	2
ABOUT THE REPORT	3
STAKEHOLDERS' COMMUNICATION	4
CHAIRMAN'S COMMENTS	5
EMISSIONS	6
USE OF RESOURCES	7
SAFETY AND HEALTH	8
SUPPLY CHAIN MANAGEMENT	11
INDEX TO THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE	13

AB

LifeTech Scientific Corporation (“LifeTech or the “Group”) is a leading supplier of minimally invasive interventional medical devices mainly for structural heart diseases (SHD), peripheral vascular diseases (PVD) as well as cardiac pacing and electrophysiology. The Group adopts an integrated business model of research and development, manufacturing and sales, with products delivered to Asian markets as well as Africa, North America, South America and Europe. Currently, the Group is a constituent stock in the Hang Seng family of indexes.

In pursuit of excellence, LifeTech has established a professional R&D center with staff accounting for nearly a third of its total employees, focusing on the extension of product portfolio, R&D of new patented products and the continual optimization of existing products. With emphasis on innovation and quality, the products of the Group have been widely recognized, and was rewarded this year with the “Patent Award of Guangdong” issued by the People’s Government of Guangdong Province, PRC, as well as the “Patent Advantage Enterprise in Biomedical Engineering Industry of Guangdong Province” jointly issued by the Medical Device Management Society and Patent Information Association of Guangdong Province. Working alongside its strategic partners, the Group is dedicated to staying ahead of competitors, expanding the Chinese and global market, while at the same time facilitating access to affordable and qualified products for the wider population.

LifeTech’s corporate values are “Innovation, Cooperation, Undertaking, Implementation and Recognition”. LifeTech is dedicated to continuing to provide a wide range of medical devices to doctors and patients worldwide, and to promoting the advancement of healthcare around the world.



Environmental, Social and Governance Reporting

ABSTRACT

This is the first Environmental, Social and Governance Report issued by LifeTech in its openness and transparency initiative. This report discloses the measures and performance of the Group on the subject of

Environmental, Social and Governance Reporting

4.2.1 Materiality

According to the Guide from HKEx, the four reporting principles of materiality, quantitative, balance and consistency forms the basis of this Environmental, Social and Governance Report. The Guide provides that participation of the stakeholders should be a point of evaluation for materiality. Focusing on communication with various stakeholders, LifeTech remains informed of their interests and could better pinpoint environmental and social issues.

To LifeTech, stakeholders refers to parties with significant impact to or have been impacted by the business of the Group. Stakeholders of the Group include our staff, customers, business partners, investors, regulators and various community groups. Last year, the Group communicated with key stakeholders through different channels. In the preparation of this report, the Group specifically commissioned professional consultants to implement management interview, materiality analysis and expert opinion to clarify important reporting issues in order to set the direction of the Groups' sustainable development.

4.2.2 Stakeholder Engagement

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• Directors of LifeTech • Management • Administrative staff • General employees	• Shareholders • Investors/Investment analyst • Rating/Research institution • Government Regulatory authorities • Employees' family • Trade/Industry Association • Bank/Financial institutions • Customers • Media
Communication methods: Direct mails, shareholders' general meetings, performance announcements, telephone, industry organization activities, exhibitions, presentations, regular meetings, interviews, workshops, training and internship, visits, and corporate activities	

The businesses of LifeTech have an impact on different stakeholders, while stakeholders may have different expectations on the Group. We will be continuing to improve communications with stakeholders to collect more extensive comments through various channels so as to further complement our materiality analysis. Meanwhile, the HKEx reporting principles of quantitative, balance and consistency are also taken into consideration to define the contents of this report and the presentation of information in away which better meets the expectations of our stakeholders.

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Since its establishment, LifeTech has set up several subsidiaries and sales offices in different cities around the world, and has become the leading supplier of cardiovascular and peripheral vascular minimally invasive interventional medical devices.

As we conduct R&D, manufacturing and sales of high risk, implantable medical devices, it is very important to ensure product quality through an effective quality management system. LifeTech operates a qualified R&D center with staff accounting for nearly one third of its total employees, these R&D staff are in charge of product development, development of technology and equipment, clinical research, product registration, designs and intellectual property management. With an earnest attitude, our R&D team tirelessly pursue quality and innovation in high quality cardiovascular medical devices as well as in related technologies. State of the art equipment, advanced facilities and quality control instruments have been installed in our production plant, all for the production of safe and reliable medical devices to doctors and patients around the world.

Facing challenges from intense global competition, our goal is not only to be a global leading enterprise in the cardiovascular field, but also to shoulder the environmental and social responsibilities that comes with being an industry leader. We understand that the only way to command respect within the market and enhance the value of LifeTech in the long term is to insist on the business philosophy of sustainable development. The success of a business should never beat the expense of the environment, therefore we have devoted ourselves to lower environmental impacts in our operations, including efficient use of resources and reduction in greenhouse gases emission. We emphasize the importance of safe working conditions because employees are our greatest capital. Strict health and safety measures have been implemented in our operations in order to provide sufficient protection to our staff.

As managers, we are aware of the importance of keeping up with the times. We work to optimize our operational strategies and promote LifeTech's brand in full view of the concept of sustainable development. Expectations from stakeholders are increasing, with differing input from our customers, business partners, staff and adjacent community are different. We are committed to actively communicating with our stakeholders; improving the channels of dialogue; establishing a cooperative relationship and fulfilling our commitment to sustainable development.

Looking forward, we will continue to provide high quality medical products backed by our strong research and development capabilities. Meanwhile, we will undertake more social responsibilities through measurable actions, taking into full account the impact of our operations on the environment and the society, and work on channelling innovations into momentum for our sustainable business development.

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Chairman

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Climate change has brought unexpected challenges to global economic development. Extreme weather resulting from climate changes directly or indirectly affects the abilities of different institutions to access resources and to maintain operations. In the Sustainable Development Summit held in 2015, all the members of the United Nations formally adopted 17 sustainable development goals, of which “taking urgent action to combat climate change and its impact” is one of them.

In November, 2016, the *Paris Protocol* went into effect with the aim of slowing down global temperature increase to 2 degrees Celsius above pre-industrial levels by the end of this century, with further pursuits to limit the increase to 1.5 degrees Celsius.

In the global trend of emission reduction, we not only comply with environment laws, but also conform to leading industry practices in order to reduce the emission of greenhouse gases and other wastes. *The Environment Management Regulations of the Group* was formulated in 2015 to lay down the Group’s principles and measures of environment management to be implemented in relevant operations. The main emissions generated at the Shenzhen plant include wastes, polluted water and exhaust gas. In this regard, the Group had formulated clear desktop procedures and working instructions for handling such emissions respectively.

The emissions from our Shenzhen plant are classified into recyclables, non-recyclables and hazardous waste which have been disposed systematically. To support recycling, relevant departments of the Group scheduled qualified contractors to recycle materials such as packaging carton, waste plastics and scraps. As for household refuse or wastes which are difficult to recycle, we deliver them to local environmental sanitation departments for proper handling. Hazardous waste such as alcohol, lubricants and chemicals generated from plant operation are stored temporarily in a warehouse with anti-corrosion flooring and leakage, to be later collected by licensed contractors for further treatment to prevent chemical leakage and land pollution which would otherwise be hazardous to the surroundings of the plant. We are researching the optimization of our production processes in order to reduce wastage at source, such as using water instead of alcohol in cleaning and using rechargeable batteries instead of disposable batteries.

In respect of the treatment of polluted water, “rain and sewage diversion” has been implemented in the Shenzhen plant, which means segregation of pipe networks for rain and sewage. At the same time, polluted water from the plant is also classified and managed. For waste water from general inspection, hyper filtration washing and workshop cleaning, such water is flushed into sewage treatment plants through urban sewage pipe networks together with the sanitary sewage of the employees. Waste solutions with chemicals from lab testing are treated as hazardous waste. These solutions are collected in containers and delivered to professional institutions for further handling and are prohibited from flushing into the sewage pipe networks. Also, employees are strictly prohibited from washing equipment or placing chemicals near the rain waterpipe networks in order to prevent pollution.

Environmental, Social and Governance Reporting

Some emissions including exhaust have been monitored as well. Exhaust data from the plant, equipment and vehicles are monitored internally and regularly by relevant units of the Group, and are transferred to a monitoring agency for external inspection annually to ensure that the emissions can meet the required standards. Any equipment in the plant will be disabled immediately if the inspection result exceeds permissible safety standards, and can only be reactivated after safety inspection has been passed. We also inspect the plant regularly to monitor and control any violations related to waste, polluted water and exhaust emission, and continuously improve our work and minimize the impact of the business to the environment. Although comprehensive statistics of the emission of greenhouse gases from daily operations has not been fully accounted for, carbon assessment has been included in the Group's working plan in 2017, while independent consultants have been commissioned to analyze the emission of greenhouse gases in our operations. This will become the basis for our measures on carbon reduction, which sets a clear goal with specific priorities and smoother progression in our work to reduce our carbon footprint.

Summary of performance index for emissions

Exhaust	Acid gases (mg.)	912	
	Organic exhaust (mg.)	3,780	
Hazardous waste	Waste acid (ton)	0.61	
	Waste organic solution (ton)	0.96	
	Waste lubricant (ton)	0.04	
Non-hazardous waste	Waste paper (ton)	2	Collected and recycled by recycling company
	Waste plastics (ton)	4	
	Waste plank (ton)	2	
	Household refuse (ton)	25	Collected and treated by local environmental sanitation department

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We understand that an excellent resource management system can improve the efficiency of utilization of resources. Resources consumed in the production lines and offices of our Shenzhen plant are mainly electricity, fuel, water and paper. Our *Energy Resource Control Procedures* have been formulated accordingly at the Shenzhen plant to engage different departments in monitoring the use of resources, specifying the duties and authority of relevant staff members, setting work procedures, reducing resource consumption and avoiding waste of resources.

Measures aimed at controlling the use of the electricity and fuel in air conditioning, lighting, machinery and vehicles, as well as the water consumption in our operations and daily usage by our staff are put in place. For example, the *Use of Air Conditioning Management System* has been implemented across all production lines and offices, which sets out guidance for the usage, management and maintenance of air conditioners, alongside measures such as zoning cooling and regular cleaning to ensure that air conditioners maintain the best energy efficiency. We also arrange for our equipment and vehicles to undergo regular maintenance in order to improve performance and to eliminate high consumption equipment as part of our continuous efforts to conserve resources at source. Furthermore, relevant units of the Group inspects taps and valves etc. from time to time, and installs water meters at different facilities to record water consumption and ensure timely identification and follow-up of any abnormal water consumption.

Environmental, Social and Governance Reporting

We encourage our staff to develop a good habit of effective use of resources through training, such as turning off the electricity consuming equipment everyday, avoiding machines lying idle, encouraging vehicle-pooling when going out for work and decreasing chartered trips etc. The principle of “green office” has been implemented as well, where office paper is purchased centrally and allocated according to each unit’s actual demand by our administrative department to avoid excessive purchase and abuse. Electronic communications are encouraged to reduce the need for printing paper, and our staff are encouraged to reuse paper when possible.

We believe that setting a clear target is necessary to further improve the efficient use of resources. Our departments have been recording and accounting for the electricity, fuel, lubricant, water and paper consumed within the plant. All the departments are required to cooperate in setting quantitative targets of resource consumption in the future and improving the efficiency of use of resources in their daily operation based on those statistics collected.

Summary of performance index for use of resources

Water	Total water consumption (ton)	34,240	Domestic and manufacturing use
	Water density (ton/per square meter of plant)	2.29	—
	Total drainage (ton)		

We insist that the safety risks of different jobs should be identified and evaluated so that occupational injuries and diseases can be prevented effectively. In view of the practicalities at our Shenzhen plant, the Group has identified the following high-risk jobs: chemicals treatment, electrical engineering, metal cutting, thermal operation, aerial work, occupational noise and working in harmful gases or dusty conditions.

Our *Occupational Health Management System* was a fundamental implementation to improve safety of equipment and site management. Occupational safety and health are taken into consideration before the manufacturing layouts were finalized; the layouts are designed to divide hazardous and non-hazardous working processes, and to separate risky operation areas from the staff's living quarters as much as possible. Furthermore, explosion-proof lighting and electrical isolation devices have been installed in the plant, while dangerous chemicals are strictly classified and stored at the operation area at a minimum quantity not more than necessary for production to prevent any leaks, combustion or explosions. A full-time Safety Officer has been appointed specifically to regularly inspect the occupational hazards. If the inspection results return unacceptable risks, an improvement plan must be formulated and implemented within a specified period to eliminate the potential risks as soon as possible.

Moreover, we issue safety guides according to the needs of different positions and provide our staff with adequate protective equipment as required. The *Hazardous Chemicals Safety Management System* has been implemented to set out specific safety operation procedures to the purchase, storage, usage and scraping of chemicals. We also publish the inspection results of the hazard factors on a bulletin board set up in the plant to raise awareness among our staff. According to the *Labour Protection Products Management System* of the Group, the Safety Officer is responsible for purchasing, checking and accepting the protective products which should strictly comply with national and industrial standards. The officer is also responsible for distributing the equipment on-demand, and replacing them regularly after evaluating the specific needs for each type of work. Department managers and the Safety Officer may carry out on-site inspections to ensure the proper use and maintenance of protective equipment to ensure that the equipment are fit for purpose.

Apart from the prevention of accidents, we pay great attention to the personal health of our staff. The Group offers comprehensive physical examination and creates occupational health monitoring files for the staff. In this year, an annual physical examination was offered to all staff at the expense of over RMB160,000. Additional specialized physical examination has been arranged for staff members who are exposed to occupational hazard at the time of job commencement, during their service, during transfer of employment and at their resignation. If one or multiple suspected cases of occupational illness are found, the Group will arrange job transfers, treatment and diagnosis or even conduct a complete inspection of the plant in compliance with opinions of the regulatory authorities in order to identify the causes and remedy the situations swiftly.

We understand that on top of all our facilities, active participation from our staff is required for successful safety and health management. The *Safety Education and Training System* has been formulated and implemented by the Group to offer comprehensive safety training to our staff in different positions and levels. The "Safety Education Level 1-3" program has been prepared for new recruits to be trained at three different levels, i.e. company, department and working team, in which they will acquire knowledge of the manufacturing processes, hazardous factors, safety operation and equipment maintenance. For the Plant Manager, Safety Officer as well as special operation personnel such as electricians and welders, the Group arranges professional training to help them to obtain accreditation from national regulatory authorities. Besides annual training, the plant has been educating its staff through a multitude of practices, such as notice boards, public announcements, exhibitions, incident simulation trainings, etc.. Special training is offered before equipment is put into production or undergoes major overhauls to ensure that its operators have a full command of its technical requirements, reducing the chance of mishandling. In the unfortunate event of incidents, we take them as lessons for on-site training to further enhance our staff's safety awareness.

Environmental, Social and Governance Reporting

Besides production safety, professional development and personal growth of our employees are also the key points of our training policies. Every year, our Human Resources Department creates development plans at the company level and analyzes training needs and plans for the required resources. Each department will then organize the appropriate training programmes, including basic training such as marketing, production technology, research and innovation, and advanced training such as transferrable skills, management skills and career planning. Training is offered in a number of ways. Besides internal training, selected members of staff will attend training by outsourced consultants, industry association or government agencies. Our staff are also encouraged to apply for Group sponsorship for training on their own initiatives. This year, several outreach training were organized for over a hundred members of staff. Furthermore, we analyze and review training effectiveness by setting up training files to summarize, record and reflect on staff performance, allowing them to foster and grow together with the Group.

The International Labour Organization is a specialized agency of the United Nations to enact labor standards in the form of international labor conventions and recommendations, thereby improving the standard of work and living standards around the world. China is a founding member and a permanent member of the organization.

We are also dedicated in creating the ideal working environment through our employment policies. From recruitment, promotion, remuneration, vacation to other benefits, the Group has a fair and transparent management system to evaluate our staff only on the merits of their professional ethics, personal quality and ability to work, and we never treat our staff differently by race, age, gender or religion. In the *Recruitment Management System* and *Promotion Management System* of the Group, the recruitment and promotion processes as well as evaluation principles are expressly stated, and the roles and responsibilities of the management, HR and other departments are clearly defined, thus fair competition and merit-based selection are both guaranteed. The *Staff Manual* is provided to the new recruits for them to clearly understand their rights and responsibilities in group culture, employment arrangements, codes of conduct and career development.

We respect each of our employees and attempt to balance their work and life through a variety of personalized arrangements and leisure activities. For example, the Group offers dormitories with basic facilities to technicians of the plant and fresh graduates with lower financial means in an attempt to improve their quality of life. This year, seasonal food and gifts distributed to our staff for Chinese traditional festivals amounted to RMB370,000, and female staff were entitled to a half-day leave on Women's Day. We also encourage our staff to exercise in order to reduce work related stress and to develop a team spirit. This year, 15 staff members from the "LifeTech Runners Group" participated in the Shenzhen International Marathon on behalf of the Group. Nine sports matches in basketball, badminton and football etc. was organized by the Group, and four friendly matches with other enterprises in the same industry zone was held as well, in which 200 staff had participated. We believe that these activities will not only improve work efficiency, but will also enhance the sense of belonging among our staff members.

We are committed to the protection of human rights and clearly understand that child and forced labour are serious violations of fundamental human rights and the *International Labour Conventions*. As such, a strict age review has been implemented in the recruitment process in accordance with the relevant laws and regulations. Additional background investigation will be launched if concerns were raised on the age of an applicant. The Group will sign and execute employment contracts only under the principle of legality and consent, and we never use any illegal or unfair means to restrict the employment relationship.

Summary of performance index for employment and training

Male to Female employees ratio
1.18:1

		Subjects	Trainees	Training hours	Training hours per capita
Staff training	Internal training	141	2,453	7,086	2.9
	Outsourced training	4	237	1,573	6.6
	Total	145	2,690	8,659	9.5

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Given strong market competition, our customers are expecting no less from the usual high standards of our products and services. We are convinced that the only way to seek long-term trust and support is to create maximum value for our customers. The medical devices of LifeTech are used on human beings and directly relates to the user's safety and health, therefore the Group attaches great importance to operational governance in our Shenzhen plant. We strive to reach a high standard of corporate ethics in our supply chain management, internal controls and product quality assurance in order to ensure compliance with standards established by laws and regulations and to meet the expectations within the industry and our customers.

Lifetech Procurement and Supplier Control Process



Product safety of medical devices depends largely on the quality of suppliers. Therefore, we have formulated our *Procurement Control Procedures*, under which our supply chain management department and quality department team with R&D engineers and technicians to evaluate and select suppliers under a fair and transparent scoring mechanism. The teams review the Group's *Qualified Suppliers Directory* and refer to the exhibition materials, business experts' recommendation and other information to identify potential suitable suppliers; then according to the *Supplier Evaluation* guidelines, the team evaluate the risks and capacities to determine the suppliers' ability in managing quality risk and delivery risk to select the most appropriate institution as the Group's partner.

Environmental, Social and Governance Reporting

We continuously perform due diligence on suppliers through the performance evaluation system, where we re-evaluate the suppliers annually, scoring in the on-time delivery rate, pass rate, customer complaints and other factors to quantify the performance of suppliers. If the supplier's assessment results or the quality of materials supplied are poor, quality assurance engineers or third-party auditors will inspect its plant and sanction improvements within a prescribed deadline, while more serious violators will even be disqualified immediately. The Group implements the *Inspection and Test Control Process* in the production process, and continues to monitor the quality of external supplies throughout the warehousing and production stages. As a result, there are stringent systematic controls on upstream supply chain, throughout the stages of supplier selection, supplier management to supplies quality reassurance.

As a responsible manufacturer, we never fall behind after-sales management. In addition to purchasing liability insurance for products, the Group complies with the applicable laws and regulations of the relevant markets such as China, the United States and the European Union, and we developed and implemented the *Advisory Notice and Recall Program*. Once it comes to our attention that a product in the market may be harmful to the user, the product recall program will be launched immediately where safety notices, recall plans and corrective action reports will be formulated, and close communications will be established with the regulators, distributors and customers in the relevant markets. Ultimately, all defective products will be eliminated or remedied with the utmost care to assure our user's safety.

We believe in "independent innovation" and respect the intellectual property rights of products. We implement a comprehensive system of intellectual property management. The R&D centre of the Group has a professional team with qualified patent agent that will evaluate the risk of infringement at all stages of R&D, apply for patents for the Group's independently developed products, and to strenuously protect the scientific research of our Group as well as those of the industry. The Group currently owns 145 patents, and in this year our efforts were recognized by the "Patent Award of Guangdong" issued by People's Government of Guangdong Province and the "Patent Advantage Enterprise in Biomedical Engineering Industry of Guangdong Province" jointly issued by the Medical Device Management Society and Patent Information Association of Guangdong Province.

We are also committed to the prevention of corruption and we strictly comply with the applicable laws of areas of our operations and markets. The *LifeTech Anti-Corruption Policy* and the *LifeTech Dealer/Agent Anti-Corruption and Compliance Policy* had been formulated and implemented years ago to clarify the standards of conduct which our staff and partners must comply with. Amongst other things, these policies explain the principles of handling of tenders, gifts, hospitality and donations. In addition, we have clearly set out the responsibilities of different departments in conducting anti-corruption work such as recording financial transactions, auditing business partners and carrying out regular internal audits, etc. to ensure that the policies are implemented effectively. The Group offered anti-corruption training for more than 100 new recruits to develop corporate culture of honesty and integrity. We also comply with applicable laws governing health and safety standards, advertising and labelling. Our priority is our customer's confidence in our products and services, and we seek to offer them sufficient information in order to make informed choices.

Environmental, Social and Governance Reporting

With the market's focus on corporate behaviour and "social licence to operate", the short-sighted behaviour of generating maximum financial returns to shareholders is no longer the only business management goal. As a responsible company, we are committed to extending the Group's efforts from its own operation to the wider society. We believe that staff members are the core value-makers in our society. In 2015, a group of our enthusiastic staff members set up the "LifeTech Volunteers Association", rendering volunteer services for urban development, community building, poverty alleviation and development and environmental protection. Their spirit of care has motivated many others among our peers. In this year, the Group helped one of its employees who had a premature birth during her difficult times through donations, while some employees raised funds under their own initiative for a sick workmate and was supported by near 300 employees with around RMB350,000 raised. Further on, we will continue to pool our strengths and commit ourselves to increase community participation, balance the interests of shareholders and other stakeholders, and strive to bring more positive impact onto our society.

Environmental, Social and Governance Reporting		
A1 Environmental Protection		
General Disclosure	Relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	6
A2 Resource Efficiency		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7-8
A3 Environmental and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	6

B1 E		
General Disclosure	Relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	9-10
B2		
General Disclosure	Relating to providing a safe working environment and protecting employees from occupational hazards: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	8-9
B3 D		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work and description of training activities.	9
B4		
General Disclosure	Relating to preventing child and forced labor: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	10
B5 C		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	11
B6		
General Disclosure	Relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	11