



2015 Environmental, Social and Governance Report

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Chairman's Statement

With “Love China and For China” firmly in our mind, The United Laboratories has developed with a strong sense of gratefulness and aspires to make contribution to the country by developing the industry. With great social attention and support, we achieved remarkable success and received widespread trust and acclaim. In future, we will continue to seek development, value, wealth and benefits to share with our customers, shareholders, staff and society. In the presence of the deepened medical and health system reform and continued integrated optimization in medicine circulation, we realize that we are shouldering heavy responsibilities. Together with our friends from various sectors, The United Laboratories is looking forward to composing a new chapter for the development of pharmaceutical industry.

Tsoi Hoi Shan
Chairman of the Board



About Us

The United Laboratories was established in Hong Kong in 1990, after over two decades of development, it has evolved into a comprehensive pharmaceutical enterprise integrating R&D, production and sale of medical intermediates, APIs and pharmaceutical preparations. With currently 5 production bases in China, over 10,000 staff and a marketing network that spread throughout both nationally and globally, it has a business network coverage that positions in Hong Kong, serves China and embraces the world. The Group adheres to its corporate culture of “Love China and For China” and is dedicated to integrate environment, society and governance into its daily operations and management. It proactively fulfills its social responsibilities and is committed to the interests of the staff, customers and shareholders in order to achieve optimum benefit and an enduring and sustaining development for the Group.



Honors and Recognitions



China Pharmaceutical Industry Association

Outstanding Enterprise in
China's Chemical Pharmaceutical Industry in 2015



China Pharmaceutical Industry Association

Top 100 Industrial Enterprises with
the Best Comprehensive Strength in
China's Chemical Pharmaceutical Industry in 2015

Guangdong Provincial Department of Science and Technology



Recognizes
Zhuhai United Laboratories Co., Ltd.
as "High-technology Company"

Guangdong Provincial Department of Science and Technology

Guangdong Diabetes Biological Medicine
Engineering Technology Research Center



Chinese Pharmaceutical Enterprises Association

Top 10 Most Popular Listed Companies in 2015



China Pharmaceutical Industry Information Center

2015 Best Industrial Enterprise with
Pharmaceutical Product R&D and
Production Line in China



China Southern Medicine Economy Research Institute

Ranked 23rd among
the 2014 Top 100 Chinese Pharmaceutical Companies



CHINA CHAMBER OF COMMERCE FOR IMPORT
& EXPORT OF MEDICINES & HEALTH PRODUCTS

Top API Exporter in 2014



CHINA CHAMBER OF COMMERCE FOR IMPORT
& EXPORT OF MEDICINES & HEALTH PRODUCTS



Chinese Pharmaceutical Enterprises Association

Pioneers in Preparation Products Internationalization
Among China's Pharmaceutical Companies



China Pharmaceutical Industry Association

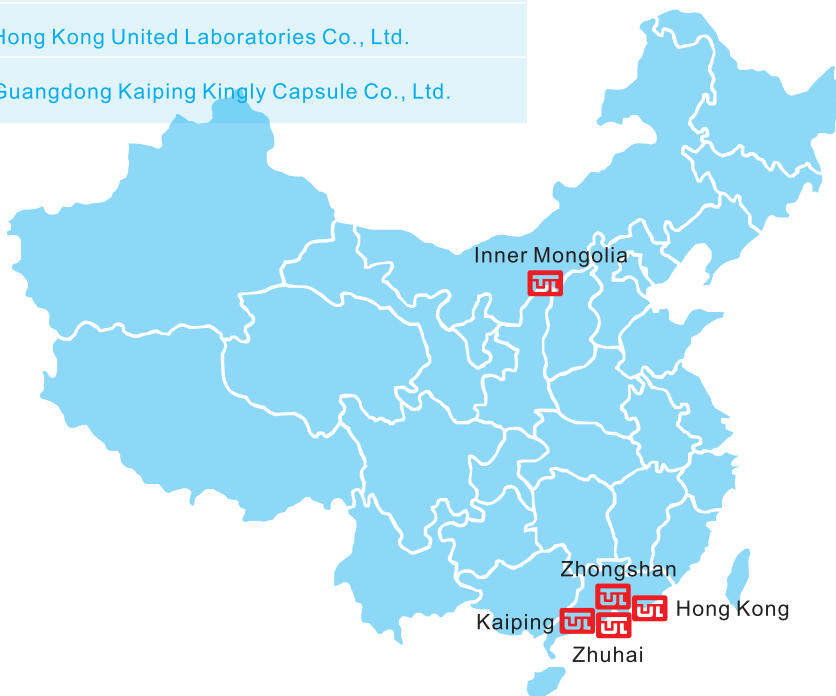
Top 100 Industrial Enterprises with
the Best Comprehensive Strength in
China's Chemical Industry in 2015

Workplace Quality

【Equality, Care and Joint Development】

The Group has 5 production bases in China, including Hong Kong United Laboratories Co., Ltd., Zhuhai United Laboratories Co., Ltd., Zhuhai United Laboratories (Zhongshan) Co., Ltd., United Laboratories (Inner Mongolia) Co., Ltd. and Guangdong Kaiping Kingly Capsule Co., Ltd., and a total of 11,500 staff. Our united, hardworking and energetic staff enables the Group to fully grasp every development opportunities. The Group has always dedicated to cultivate talents and provide fair remuneration, benefits, training and promotion prospect for each staff. In the meantime, the Group assesses its staff remuneration system from time to time to ensure its fairness and competitiveness. Furthermore, the Group purchases various insurances for its staff, including medical, endowment and maternity insurances.

Product	Production Bases
Intermediate products, bulk medicines and finished products	United Laboratories (Inner Mongolia) Co., Ltd.
Bulk Medicines, biological and finished products	Zhuhai United Laboratories Co., Ltd.
Finished products	Zhuhai United Laboratories (Zhongshan) Co., Ltd.
Finished products	Hong Kong United Laboratories Co., Ltd.
Empty Capsule casings	Guangdong Kaiping Kingly Capsule Co., Ltd.



Health and Workplace Safety

The United Laboratories persists in safe production and devotes itself to providing a healthy and safe working environment for its staff. The Group has put in place safe production SOP for all production-related positions, and organized activities on safety for staff from time to time, such as safe production fire drill, workshop safety training and occupational health training. The safety awareness and skills of the staff are constantly improved, ensuring safe operation for the Group and building a satisfying and safe production environment. In addition, the Group regularly arranges full medical check-up for its staff, invites experts to lecture on health and hygiene and provide comprehensive health guidelines and related trainings for our staff.



Staff fire emergency drill

Staff Training

Staff training and education is key to maintain an energetic enterprise. The United Laboratories considers staff training a constant propeller for the enterprise to improve efficiency and thus provides induction training and a variety of individualized on-the-job trainings for each staff. In line with the national pharmaceutical policies, and in accordance with the training needs of each functional department, the Group formulates annual training program to continually enhance our staff's professional standard. Our daily training program includes team outward bound, GMP training, management training and product specialist training. Drug safety concerns the life and health of the public, therefore, being the first pharmaceutical enterprise in China with all

workshops passed the national GMP certification on the first attempt, The United Laboratories aims to produce the best quality products, foster deeper understanding of GMP management standard for our staff, prudently handle each step of the drug manufacturing process and ensure the quality and safety of our product.

Furthermore, the Group encourages its staff to engage in advanced studies and acquire relevant professional qualifications. As of this date, our staff comprises 0.71% of master degree and PhD holders, 13.97% of undergraduate degree holders and 85.22% of college degree holders and others, 93 of which possess licensed pharmacist qualification.



New employee induction training



New employee outward bound



Staff Participation

The Group attaches great importance to the work-life balance of its staff. In order to enrich staff's leisure time, the Group has assisted in setting up various clubs and hobby groups, including the ping-pong club, the badminton club, the football club, the billiards club, the mountaineering club, the cycling club and the dancing club, among others. During the year, numerous cultural and sports activities were held by such groups and an increasing number of people were drawn to take part in their activities.

In order to promote our corporate culture, the Group has successively set up in-house publications since 1997, namely *The TUL's People and Pictorials*, all contents of which were originated from staff contributions. Such publications provide a valuable platform to promptly follow news and trends of the enterprise.



Staff performance



In-house publications *The TUL's People and Pictorials*

The subordinate units of the Group has in succession set up groups to organize various corporate cultural activities on a regular basis, such as basketball, badminton, fun marathon and TUL Cup Skill Competition, holidays and festivals-themed activities including Women's Day Speech Contest, Mid-Autumn Festival Garden Party and evening party for New Year. Such activities not only boost festivity, but also encourage exchanges among staff and increase their sense of belonging.



Badminton tournament



Fun marathon

Environmental Protection

【 Green Production and Sustainable Development 】

Environmental protection is the lifeline of an enterprise. The United Laboratories, with a strong sense of social responsibility, adheres to the sustainable development concept of “environment priority” and properly handle the relationship between development and environment. Embracing the national environmental protection strategy, the Group invested resources, imported international advanced technology and equipment and assembled first-rate professional team to build green productivity and an economic industry chain of environmental friendliness and recycling and achieve a win-win for both environment and economic development.

Well-Established Environmental Protection System

The environmental protection system of The United Laboratories, as compared with those of its peers in China, is among the better configured and has a higher proportion in the investment. It is a large comprehensive wastewater treatment system that integrates biochemistry, physical chemistry, aerobiotic and anaerobic, with wastewater and exhaust gas emission both in conformity with relevant national standard and environmental requirements. In order to elevate our level of environmental management, improve our environmental performance and environmental awareness of the staff, the Group has successfully adopted the ISO14001 International Standard for Environmental Management Systems. In light of the considerable attention and innovativeness the Group attached to environmental protection, was invited to become a “governing unit of China Environmental Friendly Enterprise Alliance”.



Governing unit of China Environmental Friendly Enterprise Alliance



Outstanding Enterprise in Environmental Protection



Wastewater Treatment

The United Laboratories always adheres to green environment and sustainable development and considers environment friendliness as a priority in the process of engineering construction, enterprise development and production and operation. Wastewater is treated with the “preprocessing – hydrolytic acidification - Upflow Anaerobic Sludge Blanket (UASB) – Cyclic Activated Sludge System (CASS) – catalytic oxidation – secondary sedimentation tank – measuring tank” procedure, with multiple workshop sections including biochemical operation, environmental detection room, four-effect evaporation, machine maintenance, polarization instrument scrutinizing at every step, assisted with various contingency plans and management systems to ensure to the utmost extent the 24-hour continuous functioning of sewage treatment facility and up-to-standard wastewater discharge. Moreover, the Group invested in and set up COD online monitoring system, through which wastewater is monitored at the outfall and discharged if its COD is up to standard. The system is interconnected with the government environment online monitoring platform and achieved real-time data transmission and monitoring.



The Group's environmental indexes, including chemical oxygen demand (COD), biochemical oxygen demand (BOD_5), suspended solids (SS) and pH value are all in accordance with national and governmental standards.



Waste Gas Treatment

The Group established deodorization system and biogas desulphurizing system which primarily comprise induced draught system, plasma decomposition system, caustic soda liquid spray absorption, biosorption, etc., to undertake sealed treatment to the emission source of odorous gas originating from the running environmentally protective facilities, such as anaerobic UA reaction tank and hydrolysis acidification pool. Complete deodorization is achieved by collecting gas with sealed pipeline to be discharged after being processed up to standard.



The Group's environmental indexes of sulfur dioxide (SO_2), oxynitride (NO_x) and dust are all in accordance with relevant national standards.



Solid Waste Treatment

The Group, strictly in compliance with the national administrative regulations on hazardous and solid waste and with corresponding management system, records and contingency plans for hazardous and solid waste, disposes its wastes in a legal, appropriate and explicit manner. Among the wastes, zymophyte residue is transferred and disposed of at a company with hazardous waste business license qualification to be recycled for organic fertilizer production; and sludge is transferred to a company with hazardous waste business license qualification to be comprehensively disposed of and utilized.

Environmental Sustainability

The Group strives to forge a sustainable business model which is "safe, environmentally friendly and efficient", with an aim to improve its production process in both advancement and environment-friendliness. With persistent innovation and exploration, we will keep up our endeavour to be an admired company celebrated for its environment-friendliness, energy saving and internationalized management while continuing our pursuit of green production and sustainable development.

• Cyclic Economic & Industrial Chain

Our subsidiary in Inner Mongolia managed to boost local economy through purchase of local premium corn, which in turn enhanced the income of the farmers. Up to now, it has established a cyclic economic & industrial chain that runs Corn Fermentation – 6-APA Intermediate Products – Amoxicillin Bulk Medicine – Amoxicillin Finished Products, the upper end of which connects with the origins of corn and starch processors, the middle section connects with intermediate bulk medicine and finished products, and the lower end connects with the organic fertilizer producers, with the by-products (fungi residue) turned into organic compound fertilizer after non-hazardous treatment, undergoing a magic conversion from waste to wealth. By forging such a beneficial cyclic economy & industrial chain, we strive to achieve higher standard.

• Optimization of Production Process

Our proprietary "Green Enzymatic Method" Amoxicillin bulk medicine process is the most advanced production process in the world. It underwent significant improvements in environmental friendliness compared with the traditional chemical processes.

• Optimization in Waste Water and Gas Treatment

By recycling the reclaimed water, we have reduced the consumption of one-off water; and we deployed MVR (ultra-condensation for high-density waste water) technology in high-density waste water treatment, which enabled us to significantly reduce the production of pollutants such as COD, BOD and inorganic salts at source. In respect of waste gas treatment, we applied the low-temperature plasma technology in the end treatment and subsequent treatment of waste gas.

• Resource Recycle

Methane, the product of solid waste treatment, can be piped to the burner for heating the boilers after desulphurization, saving 15 tons of standard coal a day. It contributes to energy saving, emission reduction and resource recycling.

• Landscape Gardening

We have been constantly increasing the area of plant coverage, trying to make our factory a green and comfortable workplace.

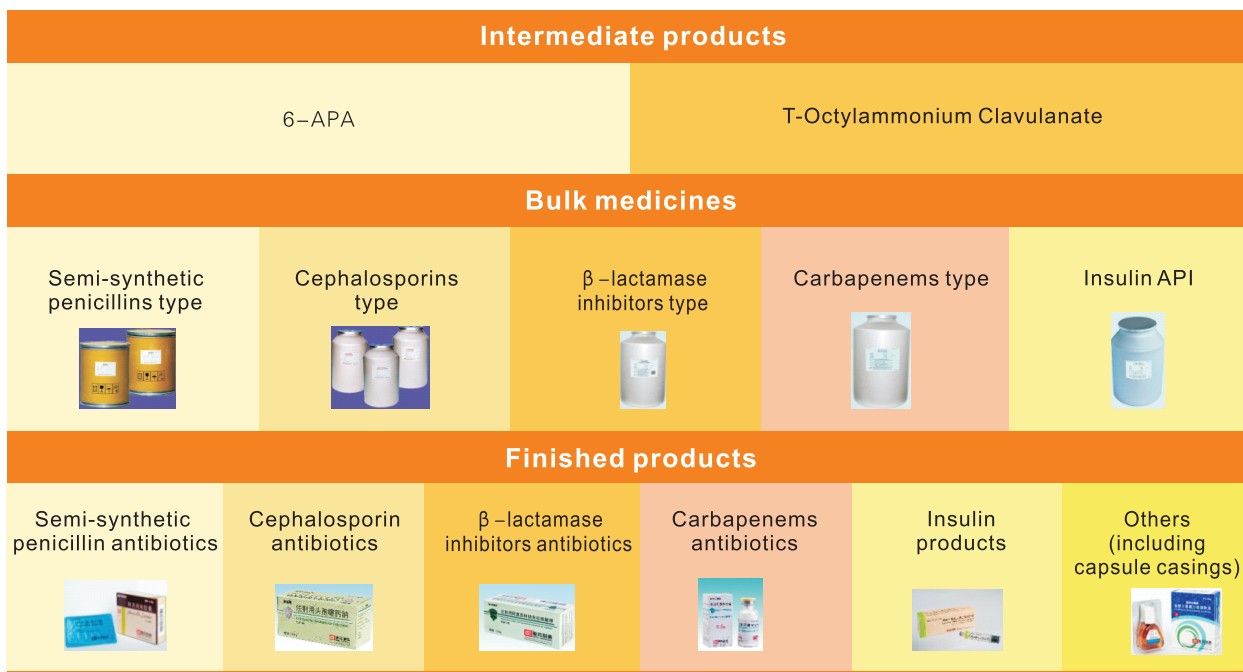


Operating Practices

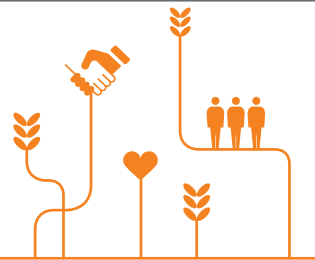
【 Quality Forges Our Corporate Image and Integrity Shapes Our Future 】

Since its inception, the Group has established an operation management and supervision mechanism and has been constantly improving it, so as to ensure its sustainable development. It is the common goal of the United Laboratories people to develop products of superior quality for the benefit of human life, and "making life more valuable" is our perpetual endeavour.

Vertically-integrated Production and Operating Model



Note: areas in the same colour represent products of the same series, which will go through the production processes of intermediates products - bulk medicine - finished products from upstream to downstream.



Supply Chain Management

We have a strict internal control system in place, which is in compliance with the applicable laws and regulations of the state. In selecting our suppliers, we always resort to fair and transparent bidding process. We believe in fair competition under good business practices, and aim to establish long-term cooperation with our suppliers and partners based on mutual trust. Accordingly, our selection of suppliers is based on a number of criteria, i.e. demand, price, quality and reliable service. In addition, we have a vertically integrated production model, and the pharmaceutical intermediate products and bulk medicine we produce can be used in the production of finished products at the lower section of the chain, with which the costs are under good control while the product quality can be assured, giving us remarkable competitive advantages.

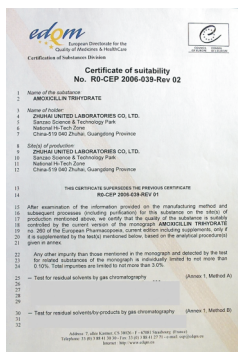
Product Responsibility

We explore the market under the brand of The United Laboratories and secure it with quality. We carry out our production and management in strict compliance with the GMP standards. We have established a complete quality assurance system and after-sales service system, and we are the first pharmaceutical company in China that passed GMP certification. In addition, we have many bulk medicine products which have obtained certification of EU CEP and USFDA as well as the authorities of Japan and Russia. We are committed to providing consumers with safe, effective and high quality drugs.

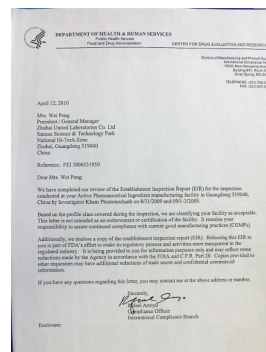
Operating Practices



Certificate of Outstanding Product Award



CEP Certificate of Amoxicillin



Certification of Ampicillin from USFDA

Anti-corruption

We place great emphasis on integrity and impartiality, which is reflected in our policies and operational procedures. We have set up a comprehensive internal control mechanism, which aims to prevent the occurrence of corruption and fraud.

Our internal auditing and supervision departments perform independent audits in a timely manner, conducting in-depth analysis of the causes of events, processes and solutions, and continue to seek and promote preventive and management measures with better effects, and make regular arrangements for the staff to receive training and education in relation to the subjects, which works to make the mechanism more reliable and effective, and protect the assets and interests of our shareholders.

Community Involvement

【 Love China and For China 】

We have adhered to our motto known as “Love China and For China” since the Group's inception. While providing our customers with quality drugs, we got actively involved in the charity cause, repaying the society whole-heartedly. As of December 2015, we have made over 30 donations, amounting to nearly RMB100 million, mainly for education, disaster relief and poverty alleviation projects.

The United Laboratories Education Scholarship

Since 1998, the Group has donated a total of RMB46 million and set up dedicated " The United Laboratories Education Scholarship" in 38 medical and pharmaceutical universities all over China, as a support to the development of China's pharmaceutical education. According to the statistics, the Group donated RMB30 million from 1998 to 2008 and RMB16 million from 2010 to 2015 to fund the scholarships, benefiting 48,000 students in more than 50 colleges and universities, including China Medical University, Capital Medical University, China Pharmaceutical University, Shenyang Pharmaceutical University, Chongqing Medical University, Tongji Medical College. We will continue to champion the development of medical education and support the training of medical personnel in the future.



Since 1998, we awarded scholarships amounting to **RMB46 million**.



We have established the "United Laboratories Education Scholarship" in **38 universities** all over the country.



We financially supported more than **50 colleges** and universities



48,000 students benefited from our contribution

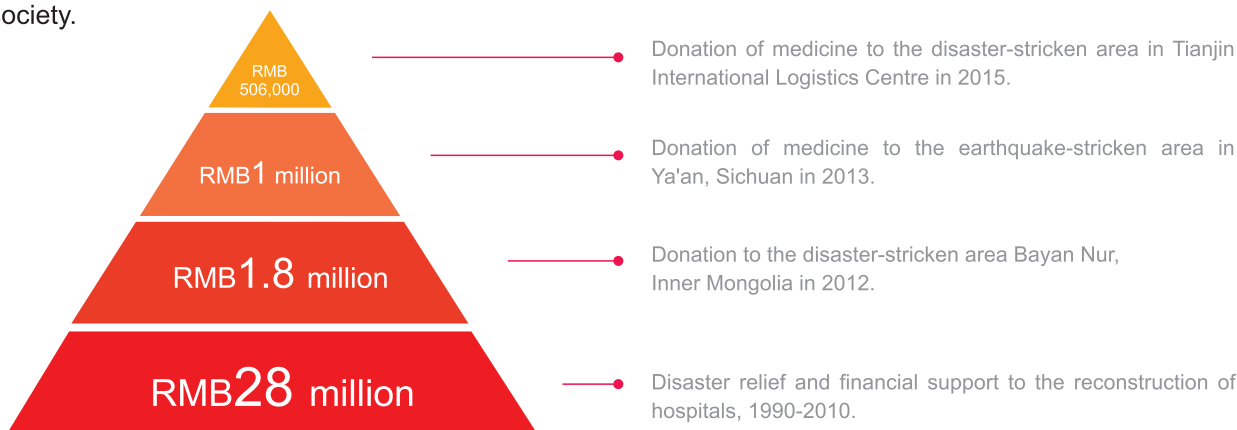
Connection to Disaster-Stricken Areas

For over 20 years from the early days of the Group to 2010, we have donated money and supplies amounting to RMB28 million to the people suffering from serious disasters, such as SARS, the earthquake in Wenchuan and Yushu in Qinghai province. In 2008, we donated RMB12 million to build a United Laboratories Hospital in the eastern earthquake-stricken area of Sichuan, in addition to the medical and supporting equipment including X-ray machines, multi-function anesthetic machine, fully-automatic biochemical analyzer and ambulances worth RMB1.2 million, with an aim to better cater for the needs of the hospital. In 2012, the Group donated RMB1.8 million to help Bayan Nur, Inner Mongolia with flood relief and reconstruction. In 2013, the Group donated medicine worth RMB1 million to the earthquake-stricken area in Ya'an, Sichuan in support of the disaster relief efforts.



Donation to Tianjin disaster-stricken area in 2015

Since the massive explosion of the Dangerous Goods Warehouse in Tianjin Port International Logistic Centre in August 2015, we have been paying close attention to the progress of the rescue work, preparing the most-needed medicine for the disaster-stricken area, during which we have donated drugs worth RMB506,000 for the treatment of respiratory tract and skin tissue infection. We adhered to our motto known as "Love China and For China", and won widespread recognition of all the sectors of society.



Volunteer Activities



As an enterprise enthusiastic about public welfare cause and with a strong sense of social responsibility, The United Laboratories has organized its employees to donate blood for a number of times, for which it was dubbed a company with love "enthusiastic at charity and blood donation". During the year, the Group's labour union also organized its members to donate blood for a number of times. In September 2015 alone, over one hundred employees answered the call and donated more than 50000 ml of blood, showing their great love in selfless dedication and serving the community.

Repay the Society



► Care for Our Children

We care about the poverty-stricken young generation, and are committed to the construction of the Hope Project. On the 2015 World Book and Copyright Day, we launched a campaign and encouraged our employees to participate in the "donate a good book and help a group of children" campaign, and collected books for the poor children in Zhuhai city. Our people even trucked the books to the volunteers' base in person, extending their deep love and care to the children.



► Care for the Elderly

We advocate the Chinese traditional culture of "charity begins at home", and are always ready to undertake the social responsibility, whereby we make social support for the elderly our top priority. Our employees answered the call enthusiastically by visiting and taking care of the elderly, making every effort to make it a common scene.

In July 2015, our Inner Mongolia subsidiary and Zhuhai subsidiary paid a joint visit to the Home of the Elderly in Bayan Nur City, Inner Mongolia, bringing gifts to the old people living there and staging a special performance for them.



Helping the Poor and Disabled ◀



We advocate the spirit of "Enjoying helping and loving people". In 2015, we initiated the movement of clothing donation to the poverty-stricken areas in Bome, Nyingchi, Tibet, which met with positive response from our employees. A wide range of items (totalling over 1,000 pieces) were gathered, including clothing, stationery, books and sporting equipment. We were honoured by the Seventh Tibet Support Workgroup of Guangdong Province with the award of "Helping Tibet with Love".

Strengthening Relations with the Army ◀

The United Laboratories puts into practice its in-depth understanding of mutual support between the garrison and local people in the new era, and in adherence to its commitment to "A strong enterprise should never forget to payback the country and contribute to national defence", it donated RMB500,000 to help the PLA border regiment build a "United Laboratories Frontier Post", which significantly improved the living conditions of the soldiers there, and further inspired their willingness to stay at and defend the country's border, representing its care and concern on national defence. In addition, on the Army Day in 2015, the Group organized a greeting team to visit the local Armed Forces Department in Guangdong Province, presenting them with gifts in cash and festive greetings.



Our mission is to make life more valuable



聯邦制藥國際控股有限公司
The United Laboratories International Holdings Limited