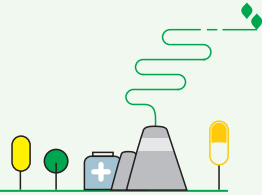


2017



Environmental, Social and Governance Report

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ABOUT THIS REPORT

The Environmental, Social and Governance Report (“ESG Report”) issued by The United Laboratories International Holdings Limited (the “Company”) (Stock Code: 03933.HK) elaborates the various works of the Company and its subsidiaries (collectively the “Group” or “We”) during the period from 1 January, 2017 to 31 December, 2017 (the “Year”) in the aspect of supporting sustainable development, as well as its performance in corporate governance.

SCOPE OF THE REPORT

The content of ESG Report mainly states the environmental and social policies of the Group in pharmaceutical research and development, production, and sales businesses, as well as its performance on environmental and social aspects in the Year. The key performance indicators disclosed in the Year are mainly based on the production department of The United Laboratories (Inner Mongolia) Co., Ltd., not including the fossil-fuel power station in Inner Mongolia. The Group will gradually promote the disclosure of environmental data to other subsidiaries. For further details of corporate governance, please refer to the Corporate Governance Report of the Company's Annual Report set out on pages from 28 to 33.

STANDARDS OF REPORTING

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

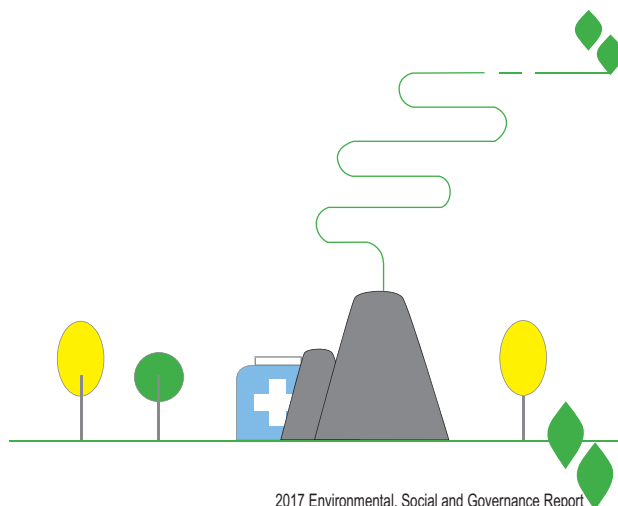
PARTICIPATION OF STAKEHOLDERS

The joint participation by the colleagues of various departments enabled us to better understand the Group's current environmental and social development level when drafting the ESG Report. The materials we collected are not only the summary of the Group's works in the Year on environmental and social levels, but also the foundation for us to form short-term and long-term sustainable development strategies.

INFORMATION AND FEEDBACK

For further details regarding the Company's environment and corporate governance, please refer to the official website of The United Laboratories International Holdings Limited (<http://www.tul.com.cn/>) and the Annual Report. If you have any opinion or suggestion regarding this report, please feel free to contact us through our email: tulir@tul.com.hk.

01





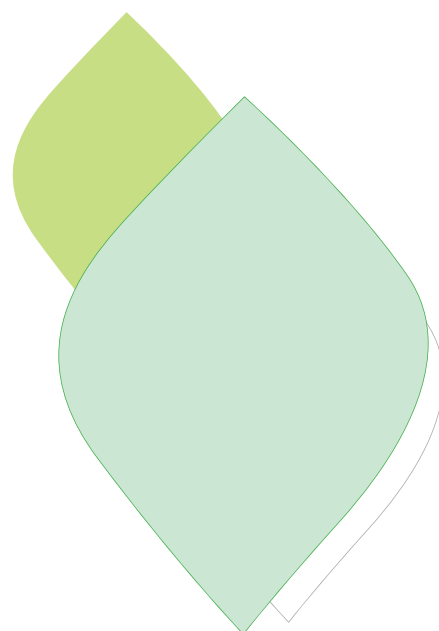
02

With the support and care of the society and the joint effort of all employees since our establishment, the Group has become a comprehensive pharmaceutical enterprise involving in pharmaceutical research and development, production and sales after the development for over 20 years.

The United Laboratories people adhere to the mission of "Love China, For China", marching forward with gratitude, and serving the country through industrial services. With the care and support of all walks of society, The Group has made remarkable achievements, and won trust and recognition of the society. From now on, we will, as always, jointly seek development with customers, create value with shareholders, seek prosperity with employees, and create benefits for the society.

Facing the medical and health system reformation as well as the integration and optimization of the pharmaceutical supply chain, we understand our role to shoulder heavy responsibilities in such development. The Group is willing to join hands with the society and create a new chapter of pharmaceutical industry development.

Tsoi Hoi Shan,
Chairman of the Board



ABOUT THE GROUP



The Group is a comprehensive and modernized pharmaceutical enterprise involving in the research and development, production and operation of intermediate products, bulk medicine and finished products. The Group currently has six major production bases including The United Laboratories Co., Ltd., Zhuhai United Laboratories Co., Ltd. ("Zhuhai Company"), Zhuhai United Laboratories (Zhongshan) Co. ("Zhongshan Company"), Guangdong Kaiping Kingly Capsule Co., Ltd., The United Laboratories (Inner Mongolia) Co., Ltd. ("Inner Mongolia Company"), and The United Animal Healthcare (Inner Mongolia) Co., Ltd.. We have about 12,000 employees in total.

Since establishment, the Group has been dedicating to the production of high-quality pharmaceuticals. All our factories have passed the certification of the new edition of Chinese Good Manufacturing Practice ("GMP"), and multiple products have obtained official certifications such as the Certification of Suitability to the Monographs of the European Pharmacopoeia ("CEP") Organisation and the US Food and Drug Administration (FDA). We adhere to independent innovations and have strong research and development capabilities. Our products cover multiple fields including antibacterial drugs, diabetes drugs, nervous system drugs, ophthalmology drugs, medicine for external use and other drugs, while multiple scientific and technological results of ours have obtained national patents.

Talents are the primary productive force for an enterprise. The Group emphasizes on high-quality workforce construction, continuously improves human resource management, establishes and improves our talent training, selection and cultivation mechanism, and has gradually formed a workforce that is "Friendly, Responsible, Hardworking and Highly Efficient". We always adhere to the philosophy of "Making Life More Valuable" to promote the development of environmental protection and charity industry with high sense of social responsibility. In the aspect of environmental protection, we have made huge investment in creating green productivity; we actively support charities in multiple fields such as education, disaster relief and social welfare, and our efforts have been recognized by all walks of society, which reflected the responsibility and mission as a modern enterprise.

In the future, the Group will continue to be dedicated to the creation of outstanding national pharmaceutical brand, promoting the national medical and health industry development, and creating more high-quality and highly-efficient pharmaceutical products for the society.





FULFILLING CORPORATE ENVIRONMENTAL RESPONSIBILITY

In the Year, China continued to focus on environmental protection. Based on the ecological environment protection planning of the “Thirteenth Five-Year Plan”, China has increased their efforts in environmental governance, actively and orderly promoted green and circular low-carbon development, accelerated the construction of ecological civilization, and built the new orientation of harmonious and modernized development between human and the nature. The Group has realized the resources and environmental problems brought by the acceleration of industrialization and urbanization process, so we have enforced and implemented the enterprise's environment approach of “Law Abiding, Integrity, Prevention and Control, Environmental Protection, Continuous Improvement, and Harmonious Development”, and gradually strengthened the Group's environmental protection performance.

In consideration of the severe situation of environmental protection in China such as heavy environmental pollution, poor environmental landscape and large-scale ecological damage, there is a large discrepancy between the public's expectation and the ecological environment reality. China has promoted the “Thirteenth Five-Year Plan”, and outlined the seven main tasks, including the three major battles of pollution prevention and control, namely air, water and soil. Among these tasks, many policies and measures are closely related to the operation, environmental protection and technological transformation of the industry where the Group belongs to, including:

- Implement the three main action plans for prevention and treatment of air, water and soil pollutions;
- Heighten the requirements on environment-protective energy consumption, encourage enterprises to accelerate their upgrading and transformation progress, fully promote energy conservation in key fields such as industry, construction and public institutions, etc.;
- Promote the development of energy conservation and environmental protection industries, promote the research and development and industrialization of core environmental protection technical processes and material medicament of low-carbon circulation, sewage treatment, emission reduction and monitoring;
- Establish the enterprise emission permit system that covers all the stationary pollution sources, and ecological environment damage evaluation and compensation system; and
- Implement key projects of environmental governance and protection, make efforts to realize up-to-standard discharge of industrial pollution sources.

In order to respond to national policies, the Group has been actively complying with the laws, regulations and emission standards on national and local levels regarding pollution control and environmental governance, and integrating the ideas such as green manufacturing, energy conservation, emission reduction, waste reutilization into our production, operation and management, as well as implementing strict control and management of air emission, water pollution and wastes, etc.



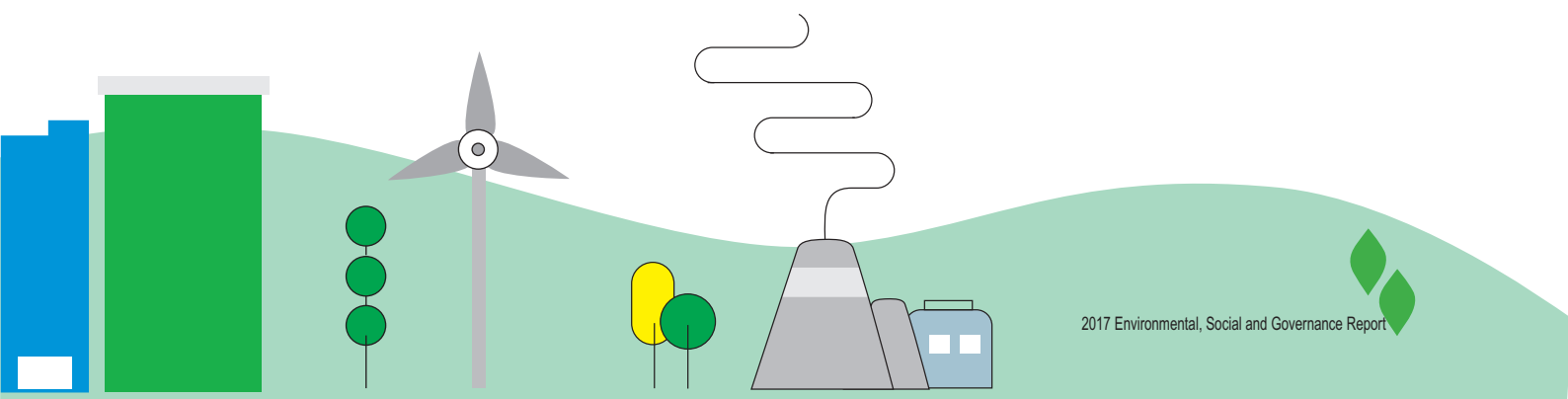
EMPHASIS ON ENVIRONMENTAL PROTECTION

The Inner Mongolia Company of the Group is our largest and mostly invested production base that mainly manufactures intermediate products and bulk medicine. The environmental protection system of the Inner Mongolia Company is also the most representative among all manufacturing bases of the Group. In order to implement environmental protection policies more effectively and realize higher environmental objectives, the Inner Mongolia Company has formulated, on the basis of the ISO14001:2015 Environment Management System, a series of environmental protection management and responsibility systems, so as to realize its environmental objectives.

Environmental Objectives of the Inner Mongolia Company

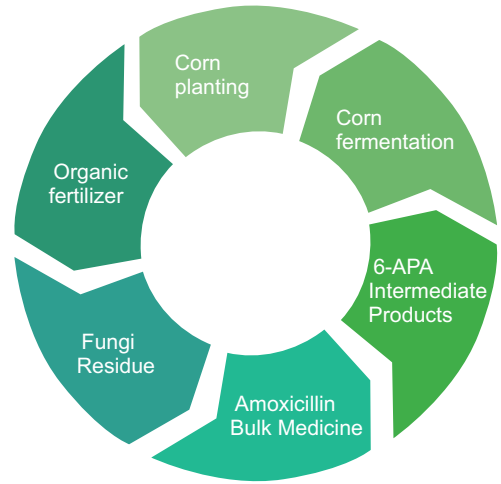
- Discharge of sewage and emission of exhaust gas and noise shall meet national standards
- The generated solid wastes shall be collected in categories, and collectively treated
- Energy consumption shall be decreased year by year

As a responsible enterprise, the Group always considers the possible impact of industrial operation on the environment, promotes environmental protection and avoids occurrence of environmental disasters by improving production processes, forming emergency handling plans for environmental emergencies and providing environmental protection trainings. The Group always firmly believes that environmental protection and economic development could complement each other and realize synergies. Therefore, while pursuing economic benefits, we spare no effort in promoting energy conservation, water saving, waste reduction, pollution reduction and other related works. We closely follow the steps of China, and hope to gradually march forward in the field of energy conservation and emission reduction. When constructing new facilities and implementing new engineering projects, the Inner Mongolia Company implemented environmental impact evaluation according to national regulations, and obtained approval of competent authorities before formal commencement and construction, which reduced the impact on the environment to the minimum.



Improvement of Manufacturing Technique

Through the improvement of manufacturing technique, the Inner Mongolia Company continues to promote the development of the industry chain of circular economy, and realizes the comprehensive utilization of resources. The “Corn Fermentation – 6-APA Intermediate Products – Amoxicillin Bulk Medicine” cyclic economic industry chain created by the Inner Mongolia Company turns the fungi residue generated from production into organic fertilizer, then introduces it into corn planting again, so as to realize resources recycling and reutilization, as well as reduce the resource consumption and impact of disposed wastes on the environment. Besides, the Inner Mongolia Company continues to adopt the “Green Enzymic Method” amoxicillin technique to produce bulk medicine, which not only enhances energy consumption efficiency, but also effectively reduces the use of organic solvent and generation of related wastes, so as to further strengthen environmental protection.



Energy Conservation

In the aspect of energy management, the Inner Mongolia Company has further improved the various related systems of energy according to the *Requirements on Energy Management System* issued by China, which is for the purpose of effectively coordinating the energy consumption and energy conservation measures of various factories and hierarchy levels through an excellent management system. Meanwhile, the Inner Mongolia Company has formed the control indicators of energy consumption, material consumption and pollutant production and discharge, implemented the goals and tasks of energy conservation and emission reduction in specific factories, teams and positions, so as to implement energy conservation and emission reduction work in a practical attitude.

Besides, the Inner Mongolia Company has established the Energy and Material Control Center. Through automation, computerization and other technical means, the Control Center can control and analyze the data of energy consumption, material consumption and pollutant production of the Inner Mongolia Company, implement collective monitoring management on the production, transportation and usage of the energy, raw materials and auxiliary materials of the Inner Mongolia Company, so as to effectively enhance energy efficiency and reduce waste. The Inner Mongolia Company also has reward and punishment systems for energy conservation, which includes the fulfillment of energy conservation and emission reduction goals in the scope of employee performance assessment, so as to raise the awareness of all employees for energy conservation and emission reduction.

Energy Conservation Work of The Year

The Inner Mongolia Company enhances the efficiency of energy consumption by regularly inspecting the machinery operation of various factories, studying the feasibility of various technology update and transformation, practically implementing power saving and energy conservation measures and other methods. Through the implementation of the following measures, the Inner Mongolia Company realized energy conservation volume of about 2,776 tons of standard coal in total in the Year, which not only reached the target of 2,700 tons of standard coal, but also broke the record of approximately 2,706 tons of standard coal in 2016.



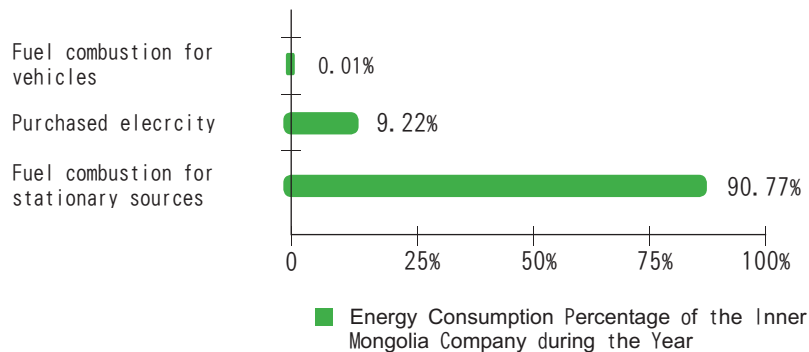
Factory Production:

- Implemented power-saving project transformation in the factories and transformed 8 fermentation tanks to realize power saving rate of 26.6% on average, each tank had power saving volume of approximately 18,709 kWh;
- Established the boiler coal standard usage assessment system;
- Maintained boiler furnace wall and fire separation wall intact, no air leakage and no composition of smoke shortcut;
- Noticed the changes of steam, air and electricity usage from time to time, actively coordinated with various factories to guarantee balanced supply of steam, air and electric power;
- Improved the operation technique of stokers, enhanced combustion efficiency to save fuels; and
- Primarily selected high-efficiency and low-consumption equipments when renewing and transforming boiler room equipments.

Daily Office Work:

- Primarily purchased the energy conservation equipments or products with national certifications and adopted environment-friendly and energy-saving electric appliances and equipments, gradually eliminated the equipments with high energy consumption and low efficiency;
- Reduced the electric consumption of lighting equipments, turned on necessary lamps only when in need, ;
- Set computers, printers, copy machines and other office equipment to low-consumption sleeping mode automatically while not in use, so as to reduce standby power consumption; and
- Advocated the use of air conditioning for 1 hour less every day, and not turning on air conditioning when only a few people working overtime or during holidays.

Under the joint efforts of various factories and departments, the total energy consumption of the Inner Mongolia Company in the Year was 3,694,101 MWh, and the average energy consumption per ton of product was 105.19 MWh.



Reduction of Water Consumption

In the process of pharmaceutical product production, water resource is essential. With the severe water pollution and shortage of water resources nowadays, the Inner Mongolia Company deeply understands the preciousness of water resources. Therefore, the Inner Mongolia Company has implemented the wastewater reuse scheme to recycle the wastewater from production factories to the largest extent, and try the best to enhance the reusing rate of wastewater. For example, the cooling water used in production process would be collected to the recycled water reusing system, and then reused in the cooling process, so as to form a set of recycled cooling system, and greatly reduce the consumption of water resources.

In the Year, the Inner Mongolia Company has not only reduced energy consumption through technological transformation, but also implemented multiple water saving projects;

- Replaced water with industrial drinking water as boiler make-up water to reduce boiler make-up water volume and reduce heat loss;
- Recycled cooling water in steam pipeline network of plant area as boiler make-up water;
- Adopted recycling water pump to recycle water draining from water tank to circulating pool for reuse; and
- Strengthened daily maintenance management of water-using equipments, strictly forbade leakage and prevented water from running all the time.

In the Year, the total water consumption of the Inner Mongolia Company was 2,033 m³, and the average water consumption per ton of products was 578.87 m³. The Inner Mongolia Company adopted multiple measures in the aspect of water saving, which have brought remarkable results. The Inner Mongolia Company will continue to implement the existing measures, actively make use of innovative technologies, and make contribution to the protection of water resources.

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Reduction of Packaging Material Usage

On the production lines, besides the various measures of emission reduction, pollution removal and reduction of energy consumption, the Inner Mongolia Company has actively reduced the use of packaging materials under the precondition of meeting the related packaging requirements.

Types of packaging materials	Total quantity (Kg)	Intensity (Total Quantity/Ton of Products)
Paper products	2,228,880	63.47
Plastic products	337,740	9.62

Emergency Handling

In order to prevent the impact of the hazardous substances generated from production process and discharge treatment process on the surrounding environment, the Inner Mongolia Company has formed the emergency environmental accident response plan, and established the emergency rescuing system and procedures to handle potential accidents. The Inner Mongolia Company has established the emergency rescue command center. In case of emergency events, the Command Center is responsible for collectively coordinating the emergency rescue work. The establishment of the Command Center has greatly strengthened the capability of the Inner Mongolia Company in crisis solving and accident responding. For the hazardous chemicals that may cause high risk of accident, the Inner Mongolia Company has established specific hazardous chemical leakage treatment method for various types of products, so as to reduce the risks of environmental disasters to the minimum. In the Year, the Inner Mongolia Company has organized comprehensive environment emergency drill, which enabled employees at all positions to understand and be familiar with the procedures and responsibilities of emergency handling.



Environmental Protection Training

In order to strengthen the environmental protection awareness of employees and deepen their knowledge of the possible environmental impact of the businesses of the Inner Mongolia Company, the Inner Mongolia Company will form annual environmental protection training plan, undergo environmental protection promotion, education and training as planned, and implement assessment on training contents.

Every new employee of the Inner Mongolia Company will be arranged to receive new employee environmental protection knowledge training, so as to deliver the most basic knowledge of the environmental issues of the Inner Mongolia Company. For the employees of higher levels or with environmental protection related work duties, the Inner Mongolia Company will provide them, in the middle of year and in form of intensive teaching, with the training of environmental protection regulations, accident cases, related knowledge of hazardous wastes, and the management system regarding treatment of wastewater, waste gas and solid wastes, so as to strengthen their understanding of environmental management system and methods. The Environmental Protection Commissioner and Environmental Protection Internal Auditor of the Inner Mongolia Company will receive more professional trainings, including learning the contents such as environmental factor identification and evaluation procedure, environmental target indicator and management scheme, emergency environmental incident management method and effect evaluation, etc. Through written examination and oral examination, the Inner Mongolia Company will understand the learning outcome of employees more clearly, and ensure employees accurately master and apply the knowledge related to environmental protection.





EMISSION TREATMENT

Proper treatment of the emission generated from production and operation has always been one of the most important parts of enterprise management of the Group. For this reason, we have strictly complied with the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, Law of the People's Republic of China on the Prevention and Control of Water Pollution, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste and other related laws and regulations. Although the Zhuhai Company of the Group was required to rectify due to emission problems, the rectification had been timely completed according to related requirements, and approved by the authority. The Group is committed to forming a clear and complete emission management system, systematically treating discharges with the help of advanced treatment equipments, and is dedicated to the control and reduction of impacts of pollutants on the surrounding environment.

Exhaust Treatment

The air pollutants generated by the Inner Mongolia Company are mainly the exhaust gas with peculiar smell generated from sewage treatment process, the exhaust gas generated from production process, the phenylacetic acid exhaust gas generated from fermentation process of phenylacetic acid recycling, smoke of coal-fired boiler and the exhaust gas emitted by the used motor vehicles. Targeting various types of exhaust gas, the Inner Mongolia Company has set corresponding treatment facilities and system to implement recycling or purification treatment, so as to ensure all the waste gas have reached the emission standard required by laws before emission.

Air Pollutants Generated by the Inner Mongolia Company

Types of Air Pollutants	Standard Parameter ¹	Emission	Unit
Nitric oxides (NOx)	820	677	Tons
Sulfur dioxides (SOx)	805	337	Tons
Particulate matter (PM)	246	80	Tons

1. Standard Parameter refers to the permitted amount of air emission stated on the pollutant discharge license

In order to ensure the emission volume not to exceed the legal standard, the Inner Mongolia Company has formed the related systems of pollutant monitoring and commissioned a third party to regularly monitor the gas from pollution sources in every quarter. In the Year, the gas emission of Inner Mongolia Company did not exceed the standard.



Exhaust Gas Treatment Facility and System



For the exhaust gas with peculiar smell generated in sewage treatment process, the factories adopt sealed collection measure on the odor source. The collected exhaust gas is deodorized through the process of “multi-level alkali spraying + ozonation” to reduce the impact on the surrounding environment.

Targeting the technical processes of different workshops and the waste gas released, the Inner Mongolia Company treats them by adopting carbon fiber absorbing, low-temperature plasma, alkali spraying, catalytic oxidation and other waste gas treatment measures to greatly reduce the emission of pollutants.



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In order to control the phenylacetic acid generated from fermentation factories and the peculiar odor released from phenylacetic acid recycling process, the Inner Mongolia Company adopts the “cooling + alkali spraying + carbon fiber absorbing” and other treatment processes to effectively prevent peculiar odor from dissipation.



Waste Water Treatment

The Group specially lays emphasis on the treatment and discharge of waste water, continuously improves the waste water treatment process and spares no effort in constructing waste water treatment facility. In the production process of intermediate products and bulk medicine, waste water such as waste acid water, cloth washing water, phenylacetic acid waste water, crystallization mother liquor, circulating cooling water, and equipment cleaning water are the main waste water sources of the Inner Mongolia Company. The Inner Mongolia Company has specially established the sewage treatment system that integrates biochemical, physicochemical, aerobic, and anaerobic features, and allocated professional technicians to treat various types of production waste water through the treatment process of "preprocessing + hydrolytic acidification + Upflow Anaerobic Sludge Blanket (UASB) + Cyclic Activated Sludge System (CASS) + catalytic oxidation + secondary sedimentation tank", the daily treatment volume of waste water could reach 48,800 m³. Targeting the high-concentration waste water such as waste acid water, the Inner Mongolia Company has also used advanced technologies and equipments to reduce the chemical oxygen demand (COD) of waste water and also reduce the generation of gas with peculiar odor. According to the relevant national regulations, the Inner Mongolia Company has signed agreement with a legally-established sewage treatment company so that further treatment can be performed by discharging the treated waste water that meets contractual requirements to the sewage treatment company.



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As pharmaceutical wastewater contains a large amount of different types of pollutants, in order to prevent environmental disaster caused by excessive discharge or improper treatment of pollutants, the Inner Mongolia Company has established a comprehensive monitoring system. Through the online monitoring system of COD and ammonia nitrogen (NH₃-N) set at the general outlet of wastewater, the related water quality data at the general outlet of wastewater could be uploaded to the Urban Environment Information Monitoring Center in real time, and the related data would be released on designated information platform at fixed time, which could greatly enhance the transparency of the wastewater discharge management of the Inner Mongolia Company. Meanwhile, the Inner Mongolia Company also commissioned a third-party institution to implement regular monitoring of wastewater on a quarterly basis. In the Year, the Inner Mongolia Company did not have any excessive wastewater discharge. In order to prevent the underground water pollution caused from the "running, emitting, dropping, leakage" of wastewater in production process, the Inner Mongolia Company reduced the possibility of pollution through strict monitoring.

Water Quality Parameters of Wastewater (Processed by Sewage Treatment Facility of the Inner Mongolia Company)

Parameter/pollutant	Parameter standard ²	Average value	Unit
pH	6-9	8.3	/
Chemical oxygen demand (COD)	<300	158.15	mg/L
Ammonia nitrogen (NH ₃ -N)	<20	2.58	mg/L

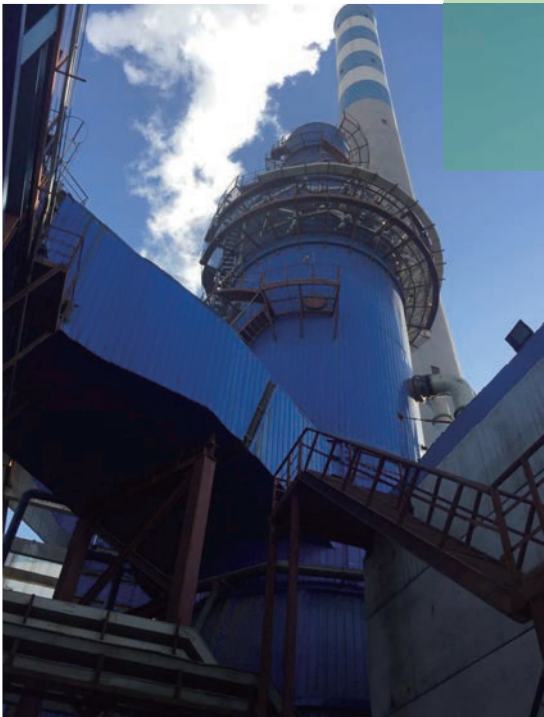
2. The parameter standards were from the "Wastewater Treatment and Acceptance Agreement" signed with the Linhe Dongcheng District Sewage Treatment Co., Ltd. of Bayan Nur City



Waste Treatment

The wastes generated by the Inner Mongolia Company could be classified into two types, non-hazardous wastes and hazardous wastes. The non-hazardous wastes include waste diatomite, sludge and glass generated by the Inner Mongolia Company in production process, as well as the daily living garbage generated in daily work. The Inner Mongolia Company considers recyclable wastes as resources, and would collect them and deliver them to the qualified units for reuse, so as to reduce the disposing volume of wastes to the largest extent. For example, waste diatomite and sludge could be used for manufacturing organic fertilizer and waste glass is used for recycling. In the Year, the Inner Mongolia Company has generated 67,042 tons of non-hazardous wastes in total, while every ton of product has generated 1.91 tons of non-hazardous wastes on average.

The Inner Mongolia Company has formed strict treatment procedures to treat hazardous wastes, including hyphae slag, waste activated carbon, waste enzyme, concentrated solution of phenylacetic acid and used mineral oil. In the Year, the Inner Mongolia Company has generated 250,023 tons of hazardous wastes in total, on average 7.12 tons of wastes for every ton of product. In order to reduce the disposing volume, the Inner Mongolia Company reused the recyclable hazardous wastes, such as concentrated phenylacetic acid, in the production process. For the hazardous wastes that could not be recycled, such as waste activated carbon, waste enzyme, and liquid waste generated from concentration of phenylacetic acid, treatment for turning them into harmless was made through the boiler comprehensive treatment system of the Inner Mongolia Company. The used mineral oil was sealed in form of barrel and transferred to the unit with the qualification for treating hazardous wastes for subsequent treatment under the circumstance of no leakage. The fermented fungi residue was delivered to the qualified unit to produce organic fertilizers.



The Group implements strict regulation and control on the wastes generated in production process, besides complying with the regulations of related national laws, the Inner Mongolia Company has formed corresponding emergency plans and management measures on different types of wastes.

Reduction of Greenhouse Gas Emission

Greenhouse gas emission is the environmental issue that China and the international community paid most attention to. In the production and daily operation of the Group, the main sources of greenhouse gas include fixed sources such as the combustion of fuel from the boiler for production and heating, mobile sources such as the combustion of vehicle fuels, use of refrigerant, electric power purchased, methane generated from disposal of waste paper, indirect emission from treatment of water and sewage as well as the carbon emission by the airplanes for business trips. The Group has adopted many means and tried its best to reduce greenhouse gas emission of the Group. The Inner Mongolia Company has implemented multiple measures from various aspects such as production and daily office work to reduce greenhouse gas emission. Besides adopting the foresaid energy conservation measures, the Inner Mongolia Company has planted 1,766 poplars within the plant area, beautifying the environment of plant area and at the same time reducing the greenhouse gas emission equivalent to approximately 41 tons of carbon dioxide.

Emission of Greenhouse Gas

	Ton CO ₂ e
Total Emission of Greenhouse Gas	1,390,823
Intensity of Greenhouse Gas Emission (Total Emission of Greenhouse Gas/Total Product Weight)	39.61
Scope 1 – Direct Greenhouse Gas Emission and Reduction	1,080,052
Scope 2 – Indirect Greenhouse Gas Emission of Energy	301,167
Scope 3 – Other Indirect Greenhouse Gas Emission	9,604





**Benefiting
Communities**

December 2017, the Group has made over

30 donations

total donation amount of approximately

RMB100 million

The continuous development of the Group completely relies on the great support and trust by the nation and all walks of society. While providing high-quality pharmaceuticals to the Chinese pharmaceutical market, the Group has also been actively devoting to the work for the public good, and fully performing the responsibilities as a corporate citizen, and paying back to the society. As of December 2017, the Group has made over 30 donations with total donation amount of approximately RMB100 million, which were mainly used in the fields of scholarship, disaster relief and poverty support. In order to cater to the different demands in the society, we have actively participated in and invested resources in multiple fields such as education, health, environment, culture, sports, public benefit and disaster relief, so as to help those in need, as well as foster the positive development in the community.

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CARE FOR THE SOCIAL VULNERABLE GROUPS



The Group has always been paying attentions to those people in the society who need help and support, understanding their actual needs and providing them with material or financial aids. In the Year, we have participated in charity donation activities for many times, for example, the Zhongshan Company has participated in the Zhongshan Tanzhou Town Walk for Ten Thousand Fundraising Gala , donated drugs that worth RMB20,000, and donated clothes to Guangning at an “Take targeted measures in Poverty Alleviation” activity. The Group also cares for the old, young, orphans and disabled, through the

development of the “Caring for Orphan and Disabled Children” public benefit activities, the Group donated home electric appliances, food and other living items in nearby regions and even in other provinces and cities in order to benefit the vulnerable social groups.

Besides, in summer of the Year, the Group joined hands with the The Second Affiliated Hospital of Guangdong Pharmaceutical University to take targeted measures in poverty alleviation and offer medicine and free diagnosis in the Boluokeng Village of Dazhan Town of Yingde City. Moreover, we donated over RMB10,000 worth of medicines to the Village Committee. We will also support Boluoken Village based on the “Three One” program, meaning that in every quarter, we will organize one free diagnosis and medicine donation, and sponsor some diabetes patients to use insulin and regularly purchase a batch of products from the vegetable plantation of the Boluokeng Village.



SERVE THE COMMUNITIES

As a large pharmaceutical production enterprise, the Group has always been supporting the various community rescues and supporting works and paying back to the society with real actions. Since 2013, our employees have been actively participating in blood donation activities, and contributing to the society for people in need. In the Year, approximately 200 employees of the Group have participated in blood donation. The active participation of employees reflected the Group's culture of being warmhearted in promoting public good. The efforts made by the Group in blood donation events throughout the years have received recognition in the Year, which is the Award of Free Blood Donation Promotion.



The production bases of the Group located in the coastal regions of Zhuhai and Zhongshan would be subject to windstorms in every summer, the neighboring communities were often subject to severe damages. In August 2017, after Zhuhai was hit by a typhoon, the Group called on one hundred volunteers to form a service team to clear obstacles in nearby villages. Meanwhile, we joined the action of recovering the beautiful home in Tanzhou Town of Zhongshan, assisted the community reconstruction work. We also visited the environment sanitation workers, and donated mineral water and energy beverages to them, so as to help the disaster relief work of the community and resume the normal lives of people.

In the Year, for the disaster relief works, the Group has received the awards of “Advanced Group in Disaster Relief, Production Resumption and Reconstruction” and the “Social Organization with Warmhearted Participation in Disaster Relief Work”.

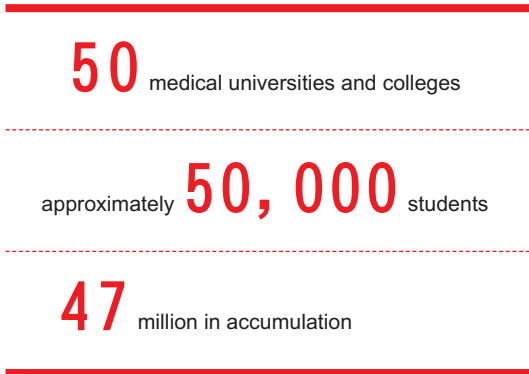




SUPPORT FOR EDUCATION DEVELOPMENT

Under the increasingly competition among pharmaceutical enterprises nowadays, the Group emphasizes on medical education as always, continues to promote the "United Laboratories Education Scholarship" to subsidize students who have good conduct and academic results, and are hardworking and diligent. The "United Laboratories Education Scholarship" represents the education pursuit of two generations of The United Laboratories people. Since the establishment in 1998, it has benefited over 50 medical universities and colleges, approximately 50,000 students have been benefited, and the total rewards provided reached RMB47 million in accumulation.

In the Year, under the leadership by Chairman Tsoi Hoi Shan, the representative of the Group has donated RMB100,000 to Chongqing Medical University to reward 50 excellent students. The Group also signed the 4th "United Laboratories Education Scholarship", and will continue to donate RMB500,000 to Chongqing Medical University from 2018 to 2022, in order to encourage students to study hard and make more contributions to the medical industry .



PROMOTION OF ENVIRONMENTAL PROTECTION

In order to create the Group's good image of adhering to green development and serving the society, strengthening the environmental protection awareness of employees, and promoting the environmental protection culture to the community, the Inner Mongolia Company participated in the Launching Ceremony of World Environment Day Promotion Event held by the Environmental Protection Bureau of Bayan Nur City, which proved the huge support of the Inner Mongolia Company and the Group to large international environmental protection activities. June 5, 2017 was the 46th World Environment Day, which had the theme of "Human and Nature, Mutual Dependence and Correlation", promoting that human must strengthen the association with the nature, and maintain health of the nature. Through the promotional board with clear theme and abundant contents, the Inner Mongolia Company successfully promoted the environmental protection idea and policy of the enterprise, and guided all walks of society to jointly build the beautiful community.





PARTICIPATION IN CULTURAL AND SPORTS EVENTS



The Group has always been emphasizing the succession of traditional culture in communities. For example, the Inner Mongolia Company has arranged personnel to participate in the Dragon Boat Contest of Yellow River Hetao Cultural Tourism Region in the Year. To prepare for this contest, the participant team has been trained for over half a month. While cultivating the team spirit, it also reflected the firm and persistent spirit of our employees. Since the contest was held in cultural and tourism region, the event has attracted a large number of local and external tourists, and successfully

enabled the people from the community and other places to feel the atmosphere of Chinese traditional festival.

Besides, we have also actively participated in sports events. In the Year, the Inner Mongolia Company has participated in an international sports event – the 2017 Bayan Nur International Marathon Contest. The Inner Mongolia Company has invited nearly 200 employees to participate in the contest, which fully reflected the Group's support to sports events. Besides those from various provinces and cities in China, many athletes of this event were from all over the world, such as Ethiopia, Kenya, Canada, the US and Denmark. Through participating in the contest, our employees jointly reflected the spirit of "Establishing Connections through Sports, and Maintaining Friendship with Sports". Besides, marathon contest itself could help foster the spirit of "Challenging Oneself, Exceeding Limits, Persistence, and Never Quit" for the city and its people. Supporting the international marathon contest could also help strengthen the international diversified culture of the city and local community.

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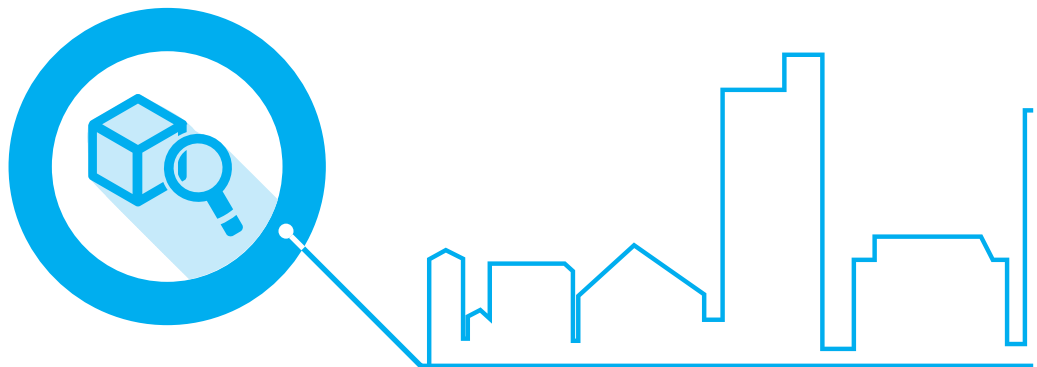


A graphic consisting of two overlapping rounded rectangular shapes. The front shape is a solid blue color and contains the text "Quality Management" in white. The back shape is a lighter blue color and is partially obscured by the front one.

Quality Management

Pharmaceuticals are associated to people's life and health, as a professional pharmaceutical manufacturer, quality guarantee is an essential part, and also the key to success of the Group as always. In order to reach the highest degree of quality guarantee, the Group has been strictly complying with The Pharmaceutical Administration Law of the PRC, the Good Manufacturing Practice, Measures for the Supervision over and Administration of Pharmaceutical Production, Measures for the Administration of Drug Registration and other related laws and regulations. We have established a comprehensive quality management system, which helps realize effective quality control procedures through composition test, sample test, label and packaging inspection, transportation and storage management as well as strict control and testing over every processes from raw and auxiliary materials, unfinished products to finished products. Through our vertically integrated production and operation model, every production process and quality control procedure, starting from the entry of raw materials to the export of finished products, is traceable so as to ensure all the products meet the relevant standards.

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QUALITY CONTROL

The quality management system established by the Group contains a series of comprehensive procedures, such as the warehousing, storage and shipping procedures of raw materials, auxiliary materials and finished products, so as to implement strict quality control on the various raw materials, auxiliary materials and finished products. When raw and auxiliary materials are accepted, the acceptance personnel must confirm the supplier is a qualified supplier, and shall check the packaging completeness, batch number, specification, storage condition and production date of the batch of raw and auxiliary materials. In order to ensure the health and safety of raw materials, we would sign quality guarantee agreements with suppliers, and require the suppliers to provide the related safety evaluation reports. The material storage is also an important step of production process, so the Group has formulated related regulations on warehouse storage, temperature and humidity control, set proper storage environments for different materials to ensure the materials to be properly stored. In the aspect of transportation, we have signed quality guarantee agreement with the commissioned logistic company to guarantee the quality of products while delivering.



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Besides, we have also formed the related procedures for passing products through procedures, which stipulated that only the raw materials, unfinished products and finished products that have passed quality test could be passed to the next procedure, so as to prevent any raw materials, unfinished products and finished products that are nonconforming to standards and specifications being used for production or sales. For nonconforming raw materials and finished products, we will implement identification, investigation, return or collective destruction based on the related management procedures of the nonconforming products. In order to further improve quality management, the Group would implement annual review of product quality in every year, implement evaluation and propose improvement methods for all the quality indicators, deviations in production process and changes of production equipments continuously optimize the quality management system of the Group.





QUALITY CERTIFICATION

The Group's efforts in the aspect of ensuring product quality in the years could be proved by the certifications that we have obtained. In the aspect of production and management, the Group has always been strictly complying with GMP requirements, and is the first comprehensive pharmaceutical enterprise in China that obtained the comprehensive GMP certification. In the aspect of quality management, the quality management system implemented by us was formed in accordance with the national "Quality Management System Requirements", which is equivalent to the adoption of ISO9001: 2008 Standard. Besides, multiple bulk medicine of the Group have obtained certifications from official authoritative institutions, such as China Quality Certification Center, Europe CEP, US FDA, German BGV, Mexico Cofepris, etc. In the Year, the Memantine Hydrochloride Tablets and Memantine Hydrochloride Oral Solution were both included in the 2017-Edition National Health Insurance Catalogue, which further recognized the quality of the Group's products and its status in the pharmaceutical circle.

In the Year, the Quality Inspection Center of the Group's manufacturing base in Zhuhai has obtained the recognition of the China National Accreditation Service for Conformity Assessment (CNAS) for the third times, as well as received the honorable title of the "National 1st May Female Model Position". Besides, the products of the Group, including the insulin bulk medicine, penem-type preparations, Memantine Hydrochloride and penem-type antibiotic bulk medicine received the "Promotion Catalogue Certificate of Key Products of Strategic Emerging Industries in Zhuhai City", which was a major proof of the high-quality manufacturing of the Group. Under the high-level, high-requirement quality control, the Group has obtained multiple awards and honors, for example, the Zhuhai Manufacturing Base received many honorable titles, including the "2017 China Pharmaceutical Industry Top 100 (Overall Power) Industrial Enterprise", the "2017 China Pharmaceutical Industry Bulk Drugs Export Enterprise Outstanding Brand", the "2017 China Pharmaceutical Industry Biochemical Products Outstanding Brand" and the "2017 China Pharmaceutical Industry Anti-Infective Products Outstanding Brand", which has greatly enhanced the good will and brand awareness of the Group.



Zhuhai Company - 2017 China Pharmaceutical Industry Anti-Infective Products Outstanding Brand



Zhuhai Company - 2017 China Pharmaceutical Industry Top 100 (Overall Power) Industrial Enterprise



Zhuhai Company - 2017 China Pharmaceutical Industry Biochemical Products Outstanding Brand





USERS' FEEDBACK

Users' opinions are the source of continuous improvement and advancement of an enterprise. Therefore, no matter if they are positive or negative evaluation, the Group will consider them as valuable opinions. For the complaints of users, the Group treats them even more carefully. We have established a set of comprehensive user complaint handling system based on the related procedures of handling users' complaint to enable various departments to coordinate the acceptance, communication, evaluation and response of complaints with each other. After accepting complaints from users, the related departments will classify complaint types based on the classification method, so as to decide the subsequent investigation directions, such as inspecting the production record, quality situation of raw and auxiliary materials, and environmental factors of manufacturing process, and then adopt corresponding handling methods and reply to users.

In order to further regulate the process of complaint handling, the Group has also established relevant procedures of product return and callback. While maintaining the reputation and interests of the enterprise, such establishment of procedures could also meet the demands of users. As for the adverse reactions that different drugs may cause to individual user, we have also set the related procedures to handle adverse reactions, make efforts to handle such special circumstances as soon as possible, and prevent the effect from spreading. In the Year, the Group has only received 10 complaints, and all the individual cases have been properly handled according to related procedures.



QUALITY MANAGEMENT TRAINING

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The establishment of a comprehensive operation procedure is the foundation of quality management, while the actual operation relies on the professional knowledge and judgment of quality management personnel. In order to enable quality management personnel to familiarize the operation and keys of various procedures, and enhance their professionalism on quality control, the Group regularly holds various types of quality management trainings, the contents of which range from recognition of systems and procedures, mastering of operating procedures, to the studying of theoretical knowledge. Through intensive teaching, on-site instruction and case analysis, along with examination and practice, all the quality management personnel could only start working after mastering the related knowledge, and ensure the level of quality management of the Group.



ADHERING TO THE PEOPLE-ORIENTED PHILOSOPHY

Employees are the most valuable assets and fortune of the Group, the reason why we could always make great performances all relied on our employees who work hard, and devote enthusiasm to their work. Since establishment, the Group has always been adhering to the principle of "People-oriented", maintaining the rightful rights and interests of employees, protecting the work safety, physical and mental health of employees. We also provide good welfare and benefits, as well as establish the platform for joint and harmonious development of the wide employees.





TALENT ATTRACTION

Talents are an important part of the Group's core competitiveness, the unique innovative patent research and development and high-quality products of the Group are all closely related to the high knowledge level, rich creation and diligent and practical performances of employees. In order to attract and retain talents, the Group provides employees with competitive remuneration and benefits, as well as regularly adjusts remuneration level based on employee performance and the company's performance. For the employee who have excellent performance or make special contribution to the Group, we would give them bonus to strengthen their activeness in work.

In order to establish a talent base with excellent quality, we have preliminary examination, written examination and re-examination on candidates based on different position requirements, and implement actual operation test when necessary, so as to ensure employees reach certain knowledge and technical level. In the process of recruitment, the candidates shall meet the conditions required for corresponding positions, such as education background, working experience, skill, psychological quality, health situation, professional ethics, etc. The Group also avoids any discrimination in the aspects of gender, age, race, religion, disability, marital status, etc. so as to ensure all the candidates have fair, justified and open employment opportunities.



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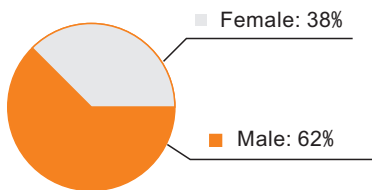
The Group highly regards and protects the lawful rights and interests of all employees according to law, strictly complies with *the Labor Law of the People's Republic of China*, *the Labor Contract Law of the People's Republic of China*, *Speical Rules on the Labor Protection of Female Employees* and other related laws and regulations. We have laid down strict regulation that all employees working at any position of the Group must be no less than 18 years old, and it is strictly forbidden to hire any minors less than 16 years old. If hiring any personnel between 16 years old to 18 years old, the related regulations in the Regulation on Special Protection of Minor Workers shall be strictly implemented. The Group has also clearly listed the work contents of labors in labor contracts to avoid any circumstance of forcing employees to work. Any employee proposing resignation shall make application based on related procedures, so the Group could specifically understand his/her causes of leaving and provide proper leaving arrangement, such as salary payment, etc.



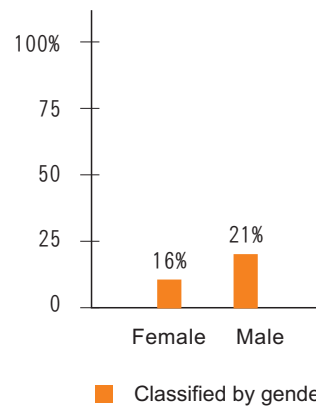
Employees about **12,000**

In the Year, the Group has employed about 12,000 employees, the percentage of employees classified by age, gender and employment type and the employee turnover rate classified by age and gender are as follows:

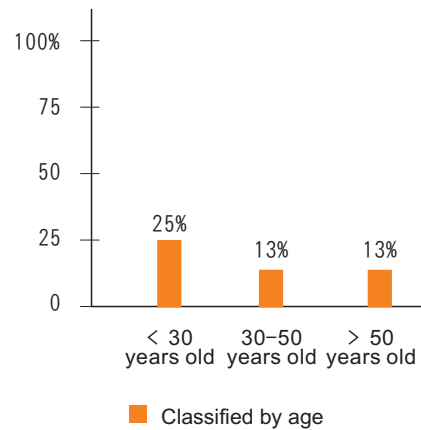
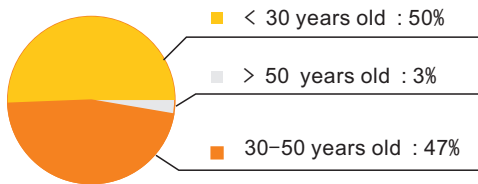
Classified by gender



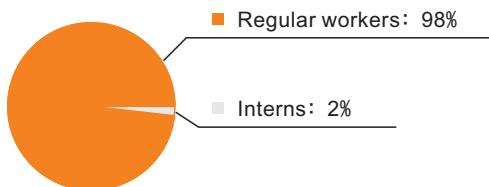
Employee Turnover Rate



Classified by age



Classified by employment type





EMPLOYEE TRAINING

The Group has always been emphasizing on talent cultivation and development, and believing that our advancements are based on the enhancement of employees in the aspects of technology, knowledge, attitude and awareness. Therefore, the Group has established a comprehensive and diversified employee training system, which forms the most suitable training plans for the employees in different departments, positions and levels through the integration of internal and external trainings, the purpose of which is to, while strengthening the various aspects of abilities of employees, enhance the organization's operation efficiency, and enable employees to jointly advance with us.



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In the aspect of production, the Group forms training plan every year and develops various types of training, which are mainly classified into four types: pre-job training, on-the-job training, job-transfer training and professional skill training.

Targeting new employees, the Group has designed and implemented a series of training lessons, the contents of which include recognition of the Group's regulations and rules, position duties and working procedures of various departments and organs, GMP standards, safety production such as fire safety, etc. The purpose of the training is to enable employees to familiarize with the company's situation as soon as possible, master working skills, and bear the supposed work duties. The Group and its various manufacturing bases also provide workshop for employees with various on-the-job skill training and professional skill training. Targeting transfer-job employees, we also provide the technical training related to new positions to help employees to adapt to new positions. Besides, the Group



also arranges professional skill trainings for employees related to time management, establishment of performance management system, etc. We also actively develop internal occupational skill contests, for example, in the Year, we have held the knowledge contest regarding GMP, pharmacopeia, production technology, fire safety and enterprise culture, which promoted interactive learning for employees and rewarded the excellent talents with outstanding performances and high skill levels.





PERFORMANCE APPRAISAL AND PROMOTION

While providing trainings, the Group also establishes occupational development platform for employees to enable employees to select suitable promotion path based on personal abilities. The Group has the performance evaluation management system to evaluate the working performances of employees based on various standards, and the evaluation result serves as the important basis for employee remuneration adjustment, employment by competition, promotion and position adjustment. In order to effectively implement the performance evaluation management system, the department directors have formed monthly performance assessment scheme for employee, the assessment scope comprehensively covers multiple scopes, including production task, quality guarantee, cost control, production safety, fixed assets management, personnel management and environmental protection. The performance assessment of different scopes is handled by different departments so as to make the most appropriate assessment of employee performances in the most accurate method, and provide employees with the reward and promotion opportunities they are supposed to have in the principles of fairness, impartiality and openness.



HEALTH AND SAFETY

Safety Production has always been the highest priority in the operation of the Group. We adhere to the objective of “Safety First, Prevention Upmost”, carefully enforce and implement the safety-related regulations, prevent potential hazards from happening. The Group has formed complete safety systems, established clear safety management principles and safety codes that various departments must strictly comply with the related regulations, regularly analyze safety work situation, find the unsafe factors and potential hazards, so as to form safety improvement measures. The principal of production department or safety management personnel is responsible for having safety inspection and strengthening safety education to strengthen the safety awareness of employees. Targeting safety and work-related accidents, the Group has also formed the related handling procedures, which enables employees to quickly and effectively handle accidents, and reduce the personal injury, death and property loss to the minimum. For any injured employees, the Group strictly implements the related regulations on salary, subsidy and work-related injury expense in accordance with the Rules of Work-related Insurance, so as to guarantee the basic rights and interest of employees. In the Year, the various major production bases of the Group did not have any work-related death accident.

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In order to respond to the policies formulated by China on safety production, the Group sets June of every year as the Safety Month, and promotes the Group's key safety activities in the month, for the purpose of deepening the safety awareness of employee. The theme of Safety Month in the Year is to “Comprehensively implement the enterprises' entity responsibilities on safety production”. We developed many activities such as safety production knowledge contest, suggestions and ideas appraisal, whole-factory major safety inspection, emergency rescue plan drill and training of volunteer firemen, etc. The setting of Safety Month successfully strengthened the safety production atmosphere throughout the Group, enabled employees to be alert at any time, and greatly reduced the occurrence of accidents.





CARE FOR EMPLOYEES

The Group has always been treating employees in the principle of “Equality, Care and Common Development”. In addition to providing career development opportunities and ideal working environment, we also ensure employees obtain benefits and welfares they deserve. We specially emphasize the balance between work and physical & mental development of employees, actively organize various types of cultural and sports activities, encourage employees to enthusiastically participate in the activities and enrich their spare time.

Benefits and Welfare

In order to enable employees to have sufficient resting time, except for special workshops, the Group generally implements the five-day work week and 8 hours of working on every working day. In case of overtime, the Group requires that the overtime shall not exceed a certain length of period and the salary shall be paid strictly according to the related regulations. All employees are entitled to statutory holidays and leaves, such as annual leave, sick leave, marriage leave, maternity leave, funeral leave, work-related injury leave, etc. The Group also provides employees, in accordance with the *Social Insurance Law of the People's Republic of China* and other related laws and regulations, with the “Five Social Insurance and One Housing Fund” and allowance for high temperature. Besides basic welfare, we provide employees with annual and comprehensive free health examination, holiday welfare, free meals, birthday cake and other favorable benefits, for the purpose of establishing the enterprise culture of caring for people. The Group regularly issues the enterprise journal, “*The TUL's People*” and “*Pictorials*” as well as updates the enterprise Weibo account, WeChat Public Account, etc., enabling employees to keep abreast of the latest news of the Group at any time.

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Cultural and Sports Activities

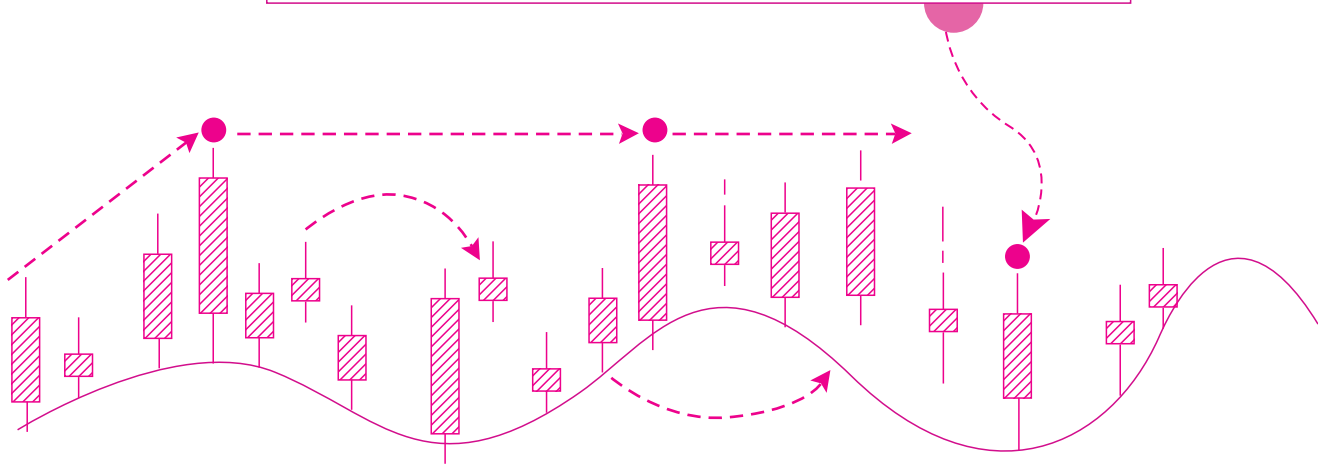
Cultural and sports activities are good for enhancing the physical and psychological quality of employees, as well as establishing the teamwork spirit and friendship among employees, cultivating the sense of belonging to the Group, and promoting our cohesion. Therefore, the Group, including its various production bases and subsidiaries, have established the cultural activity teams, and regularly organized employee activities. The Group has organized many cultural and sports activities in the Year, such as sports contests, tours, outdoor exploration trainings, festival activities, photography and essay contests, etc. Besides internal activities, we also found various external community cultural activities for employees, enabled employees to participate in such events and contents in the name of the Group of subsidiaries. In the Year, our employees have participated in the Dragon Boat Contest, International Marathon Contest, Employee Sports Meeting, Safety Production Essay Contest, as well as various ball games such as football, basketball, badminton, etc. The Group will continue the good enterprise culture of having employees actively participate in activities, and enable all the employees to maintain physical and mental health.



ESTABLISHMENT AND IMPROVEMENT OF OPERATION MODEL

A comprehensive management and operation model

A comprehensive management and operation model could not only enhance the enterprise's production and operation efficiency, and create higher economic benefits, but also bring the society and customers better-quality products, as well as enhance the enterprise's brand reputation. Therefore, the Group has always considered the "Production of First-class Products, Provision of First-class Service, Training of First-class Talents, and Becoming A Model Pharmaceutical Enterprise" as the objective, continues to improve every link of production and sales with the excelsior attitude, strictly implements quality control, and makes all efforts in enhancement of customer service standard, maintenance of personal information security and establishment of a clean operation environment.





SUPPLY CHAIN MANAGEMENT

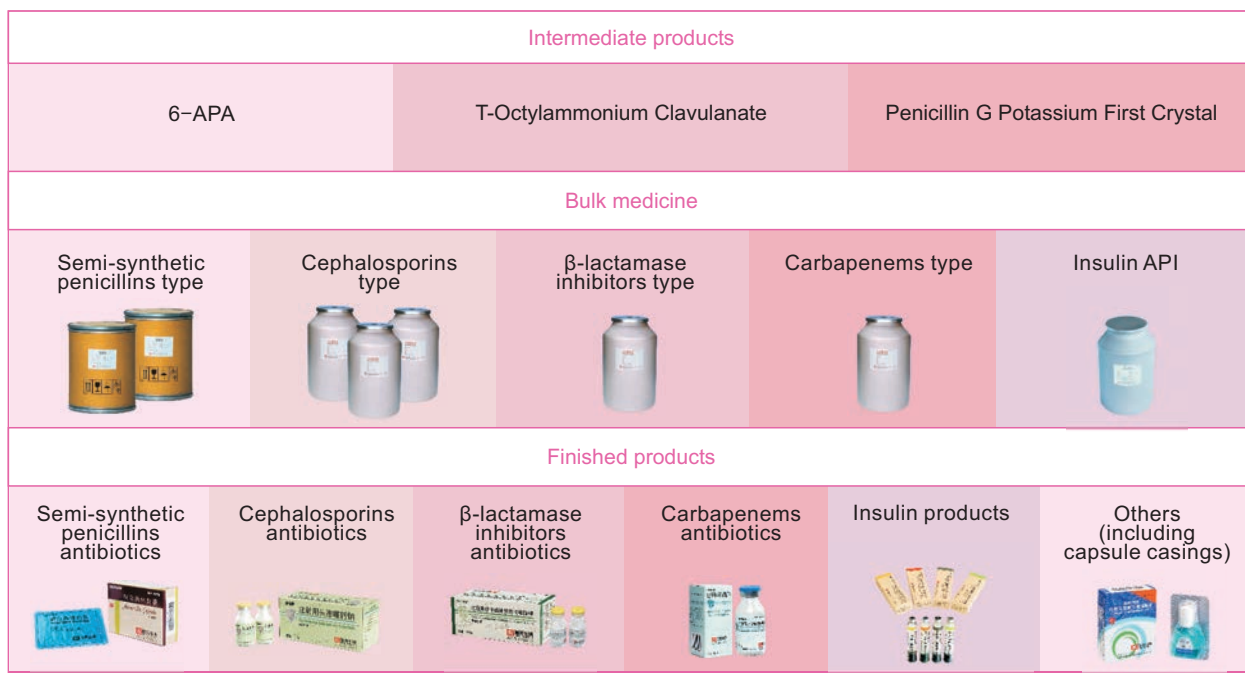
The production of intermediate products, bulk medicine and downstream finished products requires a large quantity of raw and auxiliary materials, packaging materials and production equipments, etc., so the supply of materials and equipments is especially important for the production and operation of the Group. In order to maintain a healthy and ordered supply chain system, ensure the quality of suppliers, as well as reduce the environmental and social risks brought by suppliers with poor performance, the Group has always been dedicating to the improvement of the procurement process as well as the development, supervision, evaluation and management work of suppliers.

The Group has formulated the relevant management procedures of material suppliers to manage the various raw materials and resources. When selecting new suppliers, we conduct comprehensive evaluation on the industrial level, reputation degree, goods price, quality and after-sale service, etc. of the suppliers based on the internal "5S" principles, namely proper price, proper place, proper quality, proper quantity and proper time, so as to ensure the overall quality and material quality of the supply chain. Only the suppliers who meet the related requirements can enter the list of qualified suppliers. Besides, we will implement written or on-site audit on the cooperating suppliers to further determine their performance and service level in order to avoid any suppliers without related qualifications or with unstable product quality from entering the supply chain of the Group and affecting the product quality of the Group.

In order to enable the production process to reach the upmost quality level and effectively control production bulk medicine cost, the Group has established the vertically integrated production and operation model of "intermediate products - bulk medicine – finished products". The Inner Mongolia Company purchases main raw materials to produce intermediate products and bulk medicine, and then transports them to the other manufacturing bases of the Group to produce bulk medicine and finished products. The Group generally observes the principle of proximity during procurement. The suppliers are concentrated in the nearby provinces, which could effectively reduce transportation cost and carbon emission in transportation process. No matter managing the supply chain of the Group or serving as a supplier of other enterprises, we always maintain the best performance and become a reliable partner. In the Year, the Group has received the title of the "Top 100 Enterprises in Pharmaceutical Internationalization in 2017" and the "High-quality Supplier and Partner of International Market in 2017" issued by the Chinese Medicines and Health Care Products Import & Export Chamber of Commerce.

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Vertically Integrated Production and Operation Model³



3. Areas in the same color represent products of the same series, which go through the production process of intermediate products–bulk medicine–finished products from upstream to downstream.





SALES AND PROMOTION

Besides manufacturing and research and development, pharmaceutical sale is also an important sector of the Group's business. The Group implements the distribution and promotion of pharmaceuticals strictly according to the laws and regulations regarding pharmaceuticals, such as the *Advertising Law of the People's Republic of China and the Reviewing and Standards for the Examination and Publication of Drug Advertisements*. According to the related regulations, the Group has formed the standards to regulate the promotional behaviors, and required all the employees on various levels to, while having product sales activities, comply with the related laws and regulations as well as professional ethics. In the aspect of promotion, all the pharmaceutical promotion information released by the Group is based on scientific argumentation and complies with the principles of accuracy, objectivity and completeness. Corresponding package insets are also attached to explain the correct medication methods to make sure everything comply with the requirements of law.

Besides, the Group has also formed and implemented the relevant management rules, according to the *Provisions on the Administration of Pharmaceutical Direction and Labels*, on label-type packaging materials. The contents, patterns, words, etc. of label-type packaging materials are checked by the Quality Management Department before submitting to the typographer for printing. The typographer shall also pass our screening and review so as to avoid the circulation of wrong information or misleading customers due to printing problems.

Although the sales teams of the Group spread across China, the management of sales personnel, including recruitment, performance assessment, training and occupational safety are collectively handled and supervised by the Group's Head Office. This ensures that the related management personnel and frontier promotion personnel can receive necessary trainings, and all the sales personnel can reach the consistent professional level so as to provide customers with the best-quality services. Besides, all the sales personnel shall sign the Letter of Commitment for working according to laws and be committed to complying with national regulations as well as the regulations and rules of the Group in order to prohibit any violation of regulations regarding sales and promotion.

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PROTECTION OF INTELLECTUAL PROPERTY RIGHTS

The Group has made frequent breakthroughs in innovative research and development of pharmaceuticals and production technique, so the protection of product patents and intellectual property rights has become a part that we can't ignore. In order to promote the Group's management of intellectual property rights, fully develop the benefits of patented commodities and assets, we have formed the patent-related management methods to standardize the patent application and maintenance work. The Group has established the department specialized in handling the matters regarding intellectual property rights, and responsible for handling the application and maintenance of patents and intellectual property rights, pressing the related units to stop, report and obtain evidence for the various infringement behaviors found, as well as coordinating with the government in cracking down infringement behaviors. The establishment of the related departments not only effectively protect the intellectual property rights of the products of the Group, the patent rewarding system of the Group also further stimulates the initiatives of research and development personnel and strengthens the Group's technological innovation and production.

While protecting the Group's own intellectual property rights, we never infringe the copyrights of the commodities of other individuals and enterprises. The Group owns the Chemical Research Institute, the Biological Research Institute and the Clinical Medical Department. The invented pharmaceuticals and production techniques are all independently developed and have obtained the patents for invention.





INFORMATION SECURITY CONSTRUCTION

Information security construction is an important method for the Group to protect its internal information and customer privacy. Leakage of enterprise confidential information or customer information would cause adverse effects and loss to the enterprise itself, customers and other stakeholders. Therefore, the Group has established a sound information management and privacy protection system to enable different parties to maintain confidence in the operation and service of the Group.



Information Management

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According to the related regulations of information management of the Group, all the information of the Group is classified into five categories by importance degree, including Top Secret, Confidential, Secret, Internal and Open. Different approval procedures are needed when accessing different categories of information. The use of different information, such as internal information, advertising and promotion information, medication instruction and after-sale service information, etc., is subject to the relevant regulations regarding the use of product information. The purpose and target of the use of information is subject to strict requirements and limitations under related systems, so as to prevent disclosure of wrong information.

Regarding employees, the Employee Confidentiality System implemented by the Group requires all the employees to bear confidentiality obligations on our business secrets such as technology information, operation information, etc., and shall not enable any third parties to know about our business secrets in form of disclosure, release or publishing. In order to further guarantee the interests of the stakeholders and us, all employees bear his/her confidentiality obligation for three years after resignation. On the other hand, while cooperating with suppliers, customers and other partners, the Group shall sign confidentiality agreement with them to ensure the information of both parties not to be disclosed, and the privacy rights not to be infringed.

Privacy Protection

In the process of business operation, the personnel of various departments under the Group are in contact with different personal information such as the information of customers, shareholders, employees and employment candidates. In order to regulate the management process of personal information of the Group, legally obtain and use personal information, protect the lawful rights and interests of information providers, as well as prevent the risks incurred from improper management of personal information, we have formed and strictly implemented relevant systems for personal information protection. The system has standardized the methods on collection, use, transmission and storage of personal information so as to ensure that relevant laws are not violated when handling personal information and avoid negative impacts brought to the stakeholders involved.





OPERATION WITH INTEGRITY

Honesty, law abiding and integrity are always the foundation of enterprises to develop. The Group has always been establishing the good style of operation with integrity and working with diligence and respect, holding the “Zero Tolerance” attitude towards illegal behaviors such as bribery, extortion, fraud and money laundering. Therefore, we strictly comply with the Criminal Law of the People's Republic of China, the Anti-unfair Competition Law of the People's Republic of China and other related laws and regulations, and at the same time formulate a relevant system on anti-malpractice and complaint reporting, for the purpose of preventing corrupt behaviors and reducing the operating risks of the Group.

Main Anti-malpractice Works of the Group

- Advocate honest and upright enterprise culture, create anti-malpractice enterprise culture and environment
- Evaluate malpractice risks and establish specific control procedures and mechanism
- Specify anti-malpractice work duties, organize the receiving, investigation, reporting and handling of anti-malpractice work



Targeting immoral and dishonest behaviors, employees or any partners of the Group may report through the reporting channels in form of real name or anonymity. The Group has arranged related departments to be responsible for organizing and implementing anti-malpractice work, including complaint-handling and malpractice-related matters. In order to enhance the deterrent effect, for any employee with malpractice behavior, the management shall impose corresponding internal economic and administrative disciplinary penalty no matter if it has reached the degree of criminal offense. In the Year, the Group was not involved in any cases of corruption litigation.

During cooperation with different business partners of the Group, both parties shall sign the anti-commercial bribery agreement to ensure the personnel at different levels of both parties observe professional ethics, work with integrity and comply with law, so as to jointly stop commercial bribery behaviors. For any cooperating partners that violate the agreement, the Group preserves the right to terminate the cooperation between the two parties, and include it into the blacklist of integrity, so as to protect the Group's reputation regarding integrity.



APPENDIX: “THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” CONTENT INDEX

ESG indicators	Overview	Chapter	Page
Environment			
A1 Emissions	General disclosure Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Emission Treatment	10–14
A1. 1	Types of discharges and related discharge information.	Emission Treatment – Exhaust Treatment; Waste Water Treatment	10–12
A1. 2	Greenhouse gas emissions in total (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emission Treatment - Reduction of Greenhouse Gas Emission	14
A1. 3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emission Treatment - Waste Treatment	13
A1. 4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emission Treatment - Waste Treatment	13
A1. 5	Description of the measures to mitigate emissions and the results achieved.	Emission Treatment - Exhaust Treatment; Waste Water Treatment; Reduction of Greenhouse Gas Emission Emphasis on Environmental Protection – Energy Conservation	6–7; 10–14
A1. 6	Description of the methods to handle hazardous and non-hazardous wastes, the measures to reduce output volume and the results achieved.	Emission Treatment - Waste Treatment Emphasis on Environmental Protection - Improvement of Production Technique	6; 13
A2 Resource use	General disclosure Policies on effective use of resources (including energy, water and other raw materials)	Emphasis on Environmental Protection	5–9
A2. 1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Emphasis on Environmental Protection - Energy Conservation	6–7
A2. 2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Emphasis on Environmental Protection - Reduce Water Consumption	8
A2. 3	Description of energy use efficiency initiatives and results achieved.	Emphasis on Environmental Protection - Energy Conservation	6–7
A2. 4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Emphasis on Environmental Protection - Reduce Water Consumption	8
A2. 5	Total packaging material used for finished products (in tons) and, if applicable, with reference to per unit produced.	Emphasis on Environmental Protection - Reduce the Use of Packing Materials	8
A3 Environmental and Natural Resources	General disclosure Policies on minimizing the issuer's significant impact on the environment and natural resources.	Emphasis on Environmental Protection	5–9
A3. 1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Emphasis on Environmental Protection - Emergency Handling Emphasis on Environmental Protection - Environmental Protection Training	9
Society			
B1 Employment	General disclosure Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Talent Attraction Performance Appraisal and Promotion Care for Employees	24–28
B1. 1	Total number of employees by gender, employment type, age group and region.	Talent Attraction	24–25
B1. 2	Employee loss turnover rate by gender, age group and region.	Talent Attraction	24–25



B2 Health and Safety	General disclosure Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environmental and protecting employees from occupational hazards.	Health and Safety	27
B2. 1	Number and rate of work-related fatalities.	Health and Safety	27
B2. 2	Loss of working days due to work-related injury.	<i>No disclosure in the Year</i>	
B2. 3	Description of the occupational health and safety measures adopted, as well as the related enforcement and supervision methods.	Health and Safety	27
B3 Development and Training	General disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Employee Training	26
B3. 1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	<i>No disclosure in the Year</i>	
B3. 2	The average training hours completed per employee by gender and employee category.	<i>No disclosure in the Year</i>	
B4 Labor Standards	General disclosure Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	Talent Attraction	24–25
B4. 1	Description of measures to review employment practices to avoid child and forced labor.	Talent Attraction	24–25
B4. 2	Description of steps taken to eliminate such practices when discovered.	<i>No disclosure in the Year</i>	
B5 Supply Chain Management	General disclosure Policies on managing environmental and social risks of the supply chain	Supply Chain Management	30
B5. 1	Number of suppliers by geographical region	<i>No disclosure in the Year</i>	
B5. 2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	30
B6 Product Responsibility	General disclosure Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Quality Management Sales and Promotion Information Security Construction	19–22; 31–32
B6. 1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	<i>No disclosure in the Year</i>	
B6. 2	Number of products and service related complaints received and how they are dealt with.	Users' Feedback	22
B6. 3	Description of practices relating to observing and protecting intellectual property rights.	Protection of Intellectual Property Rights	31
B6. 4	Description of quality assurance process and recall procedures.	Quality Management	19–22
B6. 5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Information Security Construction	32
B7 Anti-corruption	General disclosure Information on: the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Operation with Integrity	33
B7. 1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Operation with Integrity	33
B7. 2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Operation with Integrity	33
B8 Community Investment	General disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Benefiting Communities	15–18
B8. 1	Focus on areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Benefiting Communities	15–18
B8. 2	Resources contributed (e.g. money or time) to the focus are.	Benefiting Communities	15–18



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