



深圳市海王英特龍 生物技術股份有限公司

SHENZHEN NEPTUNUS INTERLONG
BIO-TECHNIQUE COMPANY LIMITED*

(a joint stock limited company incorporated
in the People's Republic of China)

Stock Code : 8329

* For identification purpose only

2017 Environmental, Social and Governance Report



Environmental, Social and Governance Report

CONTENTS

2	1	About this Report
4	2	Message from Chairman
6	3	Corporate Operation and Development
9	4	Responsibility Governance Mechanism
13	5	Environmental Protection
18	6	Product Responsibility
23	7	Staff Growth
26	8	Community Investment
26	9	Future Development
28	10	Table of Environmental Key Performance Indicator Data
30	11	ESG Guide Content Index
35	12	Feedback Form

Environmental, Social and Governance Report

1. About This Report

1.1 Overview

This report is the Environmental, Social and Governance (“ESG”) Report issued by Shenzhen Neptunus Interlong Bio-technique Company Limited for the purpose of providing information about the Company’s economic, social and environmental performances. It is expected that through this report you will have a better understanding of what we have done in achieving sustainable development and revert to us your expectation so as to strengthen mutual communication.

1.2 Basis of Preparation

This report is principally prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The procedures for the preparation of this report include identifying major stakeholders and ESG-related issues, defining the scope of this report, collecting relevant materials and data, preparing data based on the information collected, and examining the data in this report.

1.3 Interpretation

This report is issued on an annual basis covering the period from 1 January 2017 to 31 December 2017. Part of the contents may be dated back to before 2017 for comparison purpose. The scope of disclosure of this report is consistent with that of the 2017 Annual Report of the Company. Information and case studies disclosed in this report are derived from the Company’s official documents, statistics reports or publicly available information.

Terms and Short Names: For the convenience of expression and reading, the “Company” used herein shall refer to Shenzhen Neptunus Interlong Bio-technique Company Limited; the “Group” and “we” shall refer to the Company and its Subsidiaries; “Subsidiaries” shall refer to the subsidiaries of the Company; the “Board” shall refer to the board of directors of the Company and “PRC” shall refer to the People’s Republic of China.

1.4 Reliability Assurance

The Board and senior management of the Group have reviewed and approved this report and guarantee that it does not contain any false information, misleading statement or material omission.

1.5 Access to This Report

This report is prepared both in Chinese and English. In case of inconsistency, the Chinese version shall prevail over the English version. Electronic version of this report is available for downloading from the website of the Company at <http://www.interlong.com>. For enquiry or suggestion regarding this report, please feel free to contact us at:

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2 Message from Chairman

Looking back on 2017, the industry restructuring resulting from supply-side structural reform in China continued to progress. China's economic reform and development gradually stabilized, and this propelled the development in the direction of pursuing for higher quality. Under the influence of pharmaceutical reform policies, the growth rate of the pharmaceutical industry in China slowed down, though still exceeding most other industries in China and the growing trend of the industry remained strong, healthy and steady. Policies such as premium controls in medical insurance, control on proportion of drug cost and quality consistency evaluation for generic drugs have brought significant impact on chemical agents, leading to substantial differentiation among pharmaceutical manufacturers. As some provinces have implemented "two invoice system" (兩票制) or "one invoice system" (一票制), the pharmaceutical business has entered a phase of integration. With the weakening effect of policies on decreasing drug prices in tender processes and driven by promotive measures of the government for traditional Chinese medicine, the industry's recovery has become increasingly evident.

Facing the opportunities and challenges brought by national policies on the pharmaceutical and healthcare industry, the Group closely monitors new development of the pharmaceutical industry and the guiding direction of national policies. While realising its business and development goals, the Group adheres to the mission of "serving the health of the public" and infuses the enterprise slogan of "responsibility, honour and motherland" into the Group's management. It actively shoulders corporate social responsibility, maintains a harmonious relationship with stakeholders and pursues sustainable development of the economy, society and environment with joint effort.

"Sticking to rightness and making innovations" By upholding the Group's working style of being "pragmatic, innovative and progressive", establishing a flexible and efficient operating framework, resolutely rejecting corruption and extending the reach of internal supervision system, we vigorously promote the construction of credibility culture and institutional constraint and are committed to the principle of integrity management. We make innovation the source of power for enterprise development and incorporate innovation plan into the overall development strategy. By achieving innovation breakthroughs in technology R&D, products and services and business models, we infuse innovative concepts into every aspect of production and operation.

"People-orientated" We adopt supplier assessment and approval management processes, and strictly control drug warehouse management. We implement standardized procedures for product recall and put in place a quality control system that covers the whole life cycle from the source to the end, in an effort of offering quality and safe products to customers. The Group endeavours to provide quality services to customers. We improve procedures for complaint relating to product quality and enhance the confidentiality of customer privacy to ensure the effective operation of the customer feedback system. We attach great importance to the development of our staff and provide diversified training courses and extensive development platform for them. We actively build up a reserve of excellent talents for the development of the Group and the society.

"Green development" We embrace the State's decision of construction of a resource-saving and environment-friendly society, strictly comply with relevant laws and regulations on environmental protection, formulate sound environmental management principles and push ahead the EMS management system. We strictly control pollutant discharge, attach importance to resources management and ecological protection and strenuously implement energy saving and emission reduction strategies. Furthermore, we hold a series of environmental activities with special features and establish a culture of environmental protection within the enterprise.

“Connecting with community” Giving full play to the advantages of our enterprise platform and resources, we sponsor charity and poverty alleviation activities and help the disadvantaged in the community. Based on needs of the society, we provide funding and resources support to create sustainable community value.

Looking into 2018, the Group will align with the development of the times and policy reforms, proactively respond to opportunities and challenges arising from adjustment of the industry. While maintaining the good and steady momentum of business growth, the Group will be more active in fulfilling corporate social responsibility and make more contribution to the sustainable development of the pharmaceutical and healthcare industry and the health of mankind.

Zhang Feng

Chairman of the Board

14 May, 2018

3 Corporate Operation and Development

3.1 About Neptunus Interlong

Introduction to the Enterprise

The Company was established in 1994, and listed on GEM of The Stock Exchange (Stock Code: 8329) in September 2005. The controlling shareholder of the Company is Shenzhen Neptunus Bio-engineering Company Limited, a joint stock limited company incorporated and domiciled in the PRC and its shares are listed on the main board of Shenzhen Stock Exchange (Stock Code: 000078).

The Group has always focused on the pharmaceutical and healthcare industry and seized opportunities in the fast-growing pharmaceutical market in China. Its businesses cover several important links in the pharmaceutical and healthcare industrial chain, which make contributions to the health of the populace in research and development, pharmaceutical manufacturing and distribution. The Group's manufacturing and selling of medicines business mainly covers areas such as herbal medicine, generic drugs, transfusion and anti-tumor drugs. There are various types of dosage forms, mainly including large volume injections, small volume injections, solid preparation, oral liquid preparation and tablets. The Group's purchase and sales of medicines and healthcare food business possesses a distribution network covering 29 provinces and cities, which mainly includes the distribution of medicines and healthcare food products, and related products mainly include anti-tumor drugs, cardiovascular drugs, cold medications and health food. As for innovation and research, two pharmaceutical manufacturing Subsidiaries under the Company are national high-tech enterprises. The Group has a total of 31 patents in force (including 17 patents of invention) and a number of products with intellectual property rights.

Corporate Culture

Tenet

To contribute quality products and services and endeavor to improve the living quality of people is the sole objective for the Group's progress and development.

Mission

"Serving the health of the public": To concern about life, care for health and through our continuous efforts to provide more quality products and services for human health is the most fundamental momentum for the Group's progress and development.

Objective

To establish a flexible and efficient operating framework, adhere to the working style of being pragmatic, innovative and progressive, strive to become a world first-class enterprise and shoulder the important task of revitalizing national industry.

Slogan

“Responsibility”: The notion of responsibility is the core value of the Group. The Group always keeps in mind its responsibilities for the people, society and the country, and constantly improves the quality of products and services, which is the source of motivated force for the Group to keep progressing.

“Honor”: Every employee is proud of being a member of the Group and contributing their time and wisdom for its development. Every member will consciously integrate the interests of the individual with that of the Group, think in the direction of the Group’s development goals and take the wax and wane of the Group as their own responsibility.

“Motherland”: The every little bit of success the Group has achieved can hardly be separated from the loving care of the Party and the government as well as the sincere help from all walks of life. The Group always concerns itself over our motherland and bears in mind the important task of returning the nation with industrial development and revitalizing national industry.

Brand Concept of Neptunus

“Health creates the future”: Health makes all efforts possible. Health is the foundation to make career, happiness, life and future possible. Health is also the immortal pursuit and dream of mankind.

Implication of the logo of Neptunus

“Design philosophy of the logo of Neptunus”: It derives from trident, the artifact of “Neptunus” in the ancient Roman mythology. The blue color in the logo stands for the ocean, which is the incubator of all life. The three arrows symbolize marching toward the ocean, challenging new possibilities and pursuing excellence and constant progress.

“Basic color of Neptunus”: Blue, a symbol of ocean and life.

“Eternal pursuit for life and health”: Broad and profound, ocean is the source of life and the mother of mankind. The future of man’s health will certainly return to the sea. “Neptunus” demonstrates our eternal pursuit for life and health.

Environmental, Social and Governance Report

3.2 Corporate Governance

During the reporting period, the Company further improved corporate governance structure and optimized its internal management in accordance with the requirements of Company Law of the PRC, the Articles of Association of the Company, Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) and other laws and regulations and normative documents.

Shareholding Structure of the Group

The Company's Subsidiaries include Fuzhou Neptunus Fuyao Pharmaceutical Company Limited, Fuzhou Neptunus Jinxiang Chinese Pharmaceutical Company Limited, Shenzhen Neptunus Changjian Pharmaceutical Company Limited, etc.

Controlling Shareholder and the Company

The controlling shareholder of the Company has not acted in a way that exceeds the limit of its authority to, directly or indirectly, intervene in the decision-making processes or production and operational activities of the Company, or has performed any acts that damage the interests of the Company and other shareholders. The controlling shareholder and the Company are mutually independent in respect of employees, assets, finance, organization and business. The Board, the supervisory committee and other internal authorities of the Company operate independently.

Management Framework

The Company has established a corporate governance structure comprising general meeting of shareholders, the Board, committees under the Board, the supervisory committee, the management team and functional departments, and formulated multi-level governance rules based on the Articles of Association of the Company to define the power, authority and code of conduct of each party, aiming to improving the Company's operational transparency, independence and efficiency.

The Board comprises 9 directors, including 3 independent non-executive directors. There are three committees under the Board, namely the audit committee, nomination committee and remuneration committee. In 2017, the Company held 2 general meetings, the Board held 16 meetings, the supervisory committee held 5 meetings, the audit committee held 5 meetings, the nomination committee held 1 meeting and the remuneration committee held 3 meetings.

4 Responsibility Governance Mechanism

4.1 Responsibility Governance

As a company listed on the Stock Exchange, the Group attaches great importance to the fulfillment of ESG responsibilities as well as the pursuit of green development, scientific development and long-term sustainable development.

In respect of environment, the Group strictly complies with relevant laws and regulations regarding environmental protection, energy conservation and emission reduction, proactively promote the concept of green and low-carbon office and emphasizes on integrating environmental protection concept into the process of operation and production. With regard to society, the Group also places high importance to guarantee business quality, prevent corruption, protect intellectual property rights, safeguard the rights and interests of clients, support social public welfare undertakings and improve staff protection systems. While actively performing its responsibilities, the Group also takes the initiative in disclosing ESG information and maintaining communication and interaction with stakeholders.

According to the ESG Guide of the Stock Exchange, the Board has overall responsibility for the Group's ESG strategy and reporting. The Board is responsible for evaluating and determining the Group's ESG-related risks, ensuring that effective ESG risk management and internal control systems are in place and supervising the relevant departments and Subsidiaries of the Company over their implementation.

For details of corporate governance policies and practices as well as the internal governance structure of the Company, please refer to the "Corporate Governance Report" in the 2017 Annual Report of the Company.

4.2 Integrity and Honesty

The Group strictly abides by the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》), Anti-Money-laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》) and the Interim Provisions on Prohibiting Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) formulated by the State Administration for Industry and Commerce and has firmly established the concept of legal compliance. The Group formulated its "Integrity Management Rules" (《廉潔管理準則》). Through establishing relevant systems and culture, the Group actively promotes law and anti-corruption with a view to being a corporate citizen that "knows, understands and abides by the laws". There was no corruption-related proceedings involving the Group or its employees in 2017.

4.3 Communication with Stakeholders

We believe that establishing an effective communication system with stakeholders is important in enhancing transparency of the Group and building market confidence. The Company discloses information according to the GEM Listing Rules and publishes regular reports to stakeholders and the general public, updating stakeholders, including shareholders, investors, creditors, suppliers and clients, on the production and operation status of the Group for effectively safeguarding their own rights and interests.

Environmental, Social and Governance Report

Stakeholders	Appeals and Expectations for the Group	Communication and Response
Government	<ul style="list-style-type: none"> Observe law and discipline and carry out business in a legal manner Create employment opportunities and pay taxes according to law Support local economic and industrial development Operation with safety 	<ul style="list-style-type: none"> Continuously strengthen corporate compliance management and ensure the Group's compliance operation Pay taxes in a full and timely manner, create tax income and job opportunities Enhance safety management, build safety culture and uphold safety practices
Investors	<ul style="list-style-type: none"> Implement corporate governance and create value Information disclosure and risk control 	<ul style="list-style-type: none"> Optimize corporate governance and continuously improve corporate value Release operating data in due course, set up investor hotline
Customers	<ul style="list-style-type: none"> Product and service quality Protection of consumers' rights and interests 	<ul style="list-style-type: none"> Give customer satisfaction investigation Deal with quality complaint, customers' letters and visits
Employees	<ul style="list-style-type: none"> Reasonable salary and welfare Employee promotion and development Occupational health and safety Care for employees 	<ul style="list-style-type: none"> Work out competitive remuneration system and make channels for promotion transparent Conduct regular vocational training and establish a platform for the career development of employees Organize physical examination on a regular basis and arrange specific operational training
Industry organizations and partners	<ul style="list-style-type: none"> Maintain healthy industry development Mutually beneficial cooperation with partners 	<ul style="list-style-type: none"> Facilitate the cooperative development with suppliers in a proactive manner and check on the qualification of suppliers regularly
Community	<ul style="list-style-type: none"> Serve the community Provide job opportunities Culture of Health 	<ul style="list-style-type: none"> Proactively carry out and participate in charitable donation and social benefit activities Campus recruitment and social recruitment Disseminate health-related knowledge to the community
Environment	<ul style="list-style-type: none"> Environmental protection Response to climate change Establish a resource saving and environmental protection mechanism in work process 	<ul style="list-style-type: none"> Environmental and energy-saving equipment was put into use Utilize low-carbon energy Classify and recycle hazardous waste to prevent environmental pollution

In the course of preparing this report, we actively collected opinions from various stakeholders to understand their views on the ESG aspects of the Group which will be used as key references for devising our future strategies and policies. We have engaged third party professional institution to conduct comprehensive communication from all aspects with stakeholders by means of face-to-face communication, telephone interview and surveys with questionnaires. The topics that arouse most concern among stakeholders are selected and disclosed in this report.

Materiality Analysis of ESG Issues

Step 1: Identify potential issues – sort out 30 issues with reference to ESG Reporting Guide of the Stock Exchange and the characteristics of the industry.

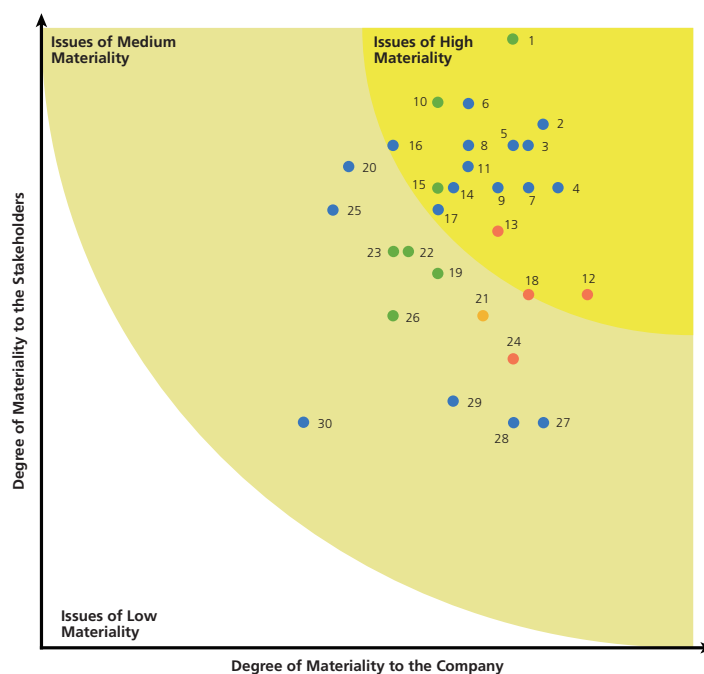
Step 2: Questionnaire for stakeholders-understand and analyze the issues concerned by stakeholders through online questionnaire.

Step 3: Sort issues by materiality – work out a matrix for materiality analysis of ESG issues based on the questionnaire findings.

Step 4: Effective review and examination – upon review by the Company's management and experts, confirm substantive issues and focus on disclosing them in the report.

Based on the findings of questionnaire survey, we have listed the issues according to their materiality to stakeholders and drew up an analytical matrix accordingly.

Analytic Matrix of ESG Issues of Materiality for the Company 2017



Environmental, Social and Governance Report

List of material ESG Issues for 2017 ESG Report of the Company (in Descending Order of Materiality)

Issues of high materiality	1	Waste management
	2	Health and safety issues of products
	3	Personal safety of employees
	4	Employee benefits
	5	Protection of intellectual property rights
	6	Product quality
	7	Research and innovation
	8	Privacy of consumers
	9	Prohibition of use of child labor and forced labor
	10	Management of emissions
	11	Complaints on products and services
	12	Transparency of information
	13	Government relationship
	14	Occupational health and safety measures
	15	Management of greenhouse gases
	16	Staff training and related commitments
	17	Anti-corruption
	18	Compliance
Issues of medium materiality	19	Management of the use of water resources
	20	Supplier management
	21	Community investment
	22	Environment and natural resources
	23	Management of packaging materials for products
	24	Information security
	25	Green supply chain
	26	Management of the use of energy
	27	Employment status
	28	Staff turnover
	29	Supplier distribution
	30	Lost days due to work injury

5 Environmental Protection

5.1 Management of Emissions

Policy for Managing Emissions and Wastes

The Group attaches great importance to the impact of production process on the environment. In respect of environmental management, the Group strictly complies with environmental laws and regulations such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Water Pollution Prevention and Control Law (《水污染防治法》) and the Air Pollution Prevention and Control Law (《大氣污染防治法》). In respect of management of emissions, the Group strictly complies with standards such as the Emission Standard for Air Pollutants from Boilers (《鍋爐大氣污染物排放標準》) and the Emission Standard for Pharmaceutical Industrial Water Pollutants from Mixing and Formulation Category (《混裝製劑類製藥工業水污染物排放標準》). At the same time, the pharmaceutical manufacturing Subsidiaries formulated a range of internal management policies, such as formulating the Hazardous Waste Management System (《危險廢棄物管理制度》) in accordance with the Law on Prevention of Environmental Pollution Caused by Solid Waste (《固體廢物污染環境防治法》) and the Management Measures for Hazardous Waste (《危險廢物管理辦法》) of China. The Group endeavours to minimize the discharge of pollutants in its entire production process and controls the impact on the environment.

Types of Emissions and Wastes

Emissions produced by the Group in the course of production and operation mainly include exhaust gas and waste water, while wastes include hazardous and non-hazardous waste. The data of key indicators for emissions and wastes of the Group for 2017 are as follows:

Environmental, Social and Governance Report

Indicator	Unit	Data for 2017
Air emissions		
Sulphur dioxide	kg	91
Nitrogen oxides	kg	3,084
Dust/particulate matter	kg	549
Greenhouse gas emission		
Direct greenhouse gas emission (Scope 1)	tonne carbon dioxide equivalent	85
Indirect greenhouse gas emission (Scope 2)	tonne carbon dioxide equivalent	6,606
Greenhouse gas emissions in total ¹	tonne carbon dioxide equivalent	6,691
Greenhouse gas emission intensity	tonne carbon dioxide equivalent/million RMB revenue	8.47
Discharge of waste water		
Production waste water	tonne	92,971
Chemical oxygen demand (CODcr)	kg	1,737
Ammoniacal nitrogen	kg	206
Hazardous waste		
Medical waste and waste drugs	kg	7,589
Other hazardous waste	kg	2,983
Non-hazardous waste		
Waste packing material	tonne	144
Office and domestic garbage	tonne	194

¹ The calculation of the greenhouse gas emissions and relevant parameters are from the "Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions in Enterprises in Other Industries (Trial)" (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》) of the National Development and Reform Commission of the PRC.

Treatment Measures of Emissions and Wastes and Results

We manage emissions and wastes in accordance with laws and regulations and internal rules. The pharmaceutical manufacturing Subsidiaries place general solid waste in an interim centralized stacking yard for classified storage according to the internally formulated General Solid Waste Management System (《一般固體廢棄物管理制度》). For non-recyclable wastes such as waste newspapers and cartons, they will be sold to salvage stations. Caps for waste glass bottles and glass fragments are bought back by suppliers. Recyclable waste cartons are processed into gaskets for external packaging use in the injection workshop.

In order to reduce the exhaust gas produced in the process of production and operation, relevant pharmaceutical Subsidiaries replaced the original coal-fired boilers with formed particle biomass boilers successively since 2016, and completed the replacement of all coal-fired boilers in the beginning of 2017. The use of new boilers not only reduced the consumption of fossil fuel, but also reduced the production of air pollutants and emissions effectively. The new boilers can reduce the emission of sulphur dioxide by approximately 18 tonnes and air particulate matter by approximately 12 tonnes and the production of cinder by approximately 600 tonnes.

5.2 Energy and Resources Management

Policies on the Use of Energy and Resources

Building a resource-saving enterprise is a longstanding goal of the Group. In strict compliance with laws and regulations, such as Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and Clean Production Promotion Law of the People's Republic of China (《中華人民共和國清潔生產促進法》), we proactively lead the Subsidiaries to practice green resources management and encourage employees to start from paying attention to details for resource and energy saving.

Environmental, Social and Governance Report

Consumption of Energy and Resources

The data of key indicators for the consumption of energy and resources of the Group for 2017 are as follows:

Indicator	Unit	Data for 2017
Energy consumption		
Electricity consumption	kWh	9,403,196
Petrol	L	34,494
Diesel	L	2,550
Biomass fuel	tonne	5,332
Total energy consumption	MWh	35,838
Total energy consumption intensity	MWh/million RMB revenue	45.35
Water consumption²		
Water consumption in production	tonne	290,461
Office water consumption	tonne	5,327
Total water consumption	tonne	295,788
Total water consumption intensity	tonne/million RMB revenue	374.28
Packing material used		
Packing materials measured by pieces	10,000 pcs.	37,904
Packing materials measured by weight	tonne	280

Resources Saving Measures and Results

We reduce the use of resources during our operation process by modifying electrical equipment and establishing good practice of the employees. For energy saving modification, relevant pharmaceutical manufacturing Subsidiary changed the incandescent lights in their small volume injection workshop and solid preparation workshop to LED energy-saving lights in 2017. A total of 2,000 LED energy-saving lights were installed which can save electricity of approximately 237,600 kWh or electricity charges of around RMB190,000 per year. At the same time, the Group encourages employees to establish a clear awareness of conserving resources. For example, double-sided printing is adopted to save paper. Turn off computers and lights after work to save electrical energy. Adjust the flow of water according to production needs in a timely manner to conserve water.

² All of the water consumption of production and office usage is from municipal water supply and we have no issue in sourcing water that fits our needs.

5.3 Ecological Protection

Policies on Reduction of Impact on the Environment

In the area of pharmaceutical production, to bring down the output of hazardous waste in pharmaceutical process and their impact on environment, pharmaceutical manufacturing Subsidiaries have formulated Hazardous Waste Management System (《危險廢棄物管理制度》). The system stipulates that hazardous waste must be placed by category and location, managed by designated person and entrusted to qualified solid waste treatment companies for disposal. Machine account and handover work are recorded properly to guarantee sufficient and effective supervision and management and prevent from causing harm to the environment as a result of the scattering or discarding of dangerous waste.

Departments and individuals littering or disposing hazardous waste randomly without permission will be dealt with seriously. Related individuals will be investigated for legal responsibility if their behavior of throwing away hazardous waste at will has caused serious environmental pollution.

Control and Improvement Measures

By strictly implementing the “Three Simultaneities” system stipulated by the Environmental Protection Law of the People’s Republic of China (《中華人民共和國環境保護法》), all environmental impact assessment on projects have been approved and accepted. Biomass fuel is used in the boilers, and exhaust waste is treated through dedusting cloth bag facility before discharging to meet the required standards. Both waste water and exhaust gas treatment facilities are under normal operation in accordance with operational specifications. A third party will monitor the emissions every year and the charges for pollutant emissions are paid in full and in time. The Group has always focused on the balance between enterprise development and environmental protection. Our production and operation activities in 2017 caused no material impact on the environment and natural resources.

6 Product Responsibility

6.1 Product Protection

Product Quality Control System

As a pharmaceutical enterprise group with the mission of “serving the health of the public”, we deeply know the importance of maintaining the quality of products and services to the trust of customers and the development of an enterprise. To ensure strict product and service quality control, the pharmaceutical manufacturing Subsidiaries have enacted Standard Operating Procedures for the Warehousing Management of Pharmaceutical Precursor Chemicals (《藥品類易制毒化學品倉儲管理標準操作規程》), Quality Accident Report and Management System (《質量事故報告及處理管理制度》), Return Management System (《退貨管理制度》), Drug Recall Management System (《藥品召回管理制度》), Quality Complaint Management System (《質量投訴處理管理制度》) and other normative documents to strictly control quality in the process of drug research and development as well as production, so as to ensure safe, green and reliable drugs.

The Group strictly complies with requirements of the Administrative Rules Governing the Certification of Good Manufacturing Practice for Drugs (《藥品生產質量管理規範認證管理辦法》) and its related documents. Once any product or production line is found not complying with the standards, strict rectification, suspension of production and remedial measures will be taken and checking and reviewing of production issues will be carried out seriously. We will accept relevant decision and arrangement of the FDA, take such issue as a guide in the future production and propose higher demand for quality management accordingly.

Pharmaceutical Warehouse Management

To regulate safe production, the pharmaceutical manufacturing Subsidiaries strictly control the warehouse management of special drugs and chemicals from warehouse facility, warehouse entry inspection, drug storage and drug distribution, and have enacted Standard Operating Procedures for the Warehousing Management of Pharmaceutical Precursor Chemicals (《藥品類易制毒化學品倉儲管理標準操作規程》), Standard Operating Procedures for the Warehousing Management of Narcotic Drugs (《麻醉藥品倉儲管理標準操作規程》) and Standard Operating Procedures for the Warehousing Management of Inflammable and Explosive and Other Hazardous Articles (《易燃易爆及其它危險品倉儲管理標準操作規程》) for this purpose. The procedures state that precursor chemicals, narcotic drugs and inflammable and explosive hazardous articles should be stored in a separate warehouse equipped with corresponding guard against theft and fire prevention facility. For precursor chemicals and narcotic drugs, relevant warehouse personnel should have them inspected prior to stocking, checked carefully and properly recorded with special account book. The procedures also specify that warehouse administrators should be those who are principled and conscientious.

Quality Appraisal and Product Recall

The Group strictly controls the quality of products to strengthen drug safety control and safeguard the public's medication safety. Relevant persons in charge inspect the quality of outsourced materials and medicines, intermediate products and self-produced products in accordance with quality standards and inspection procedures. The related materials and medicines, semi-finished and finished products can be put in storage only when they meet quality standards. Self-produced products can be delivered for sale only when a release permit is issued by the Quality Assurance Department and quality director. In addition, outsourced drugs can only be delivered for sale when they meet quality standards in re-inspection.

In the meantime, the pharmaceutical manufacturing Subsidiaries strictly enforce Drug Recall Management System (《藥品召回管理制度》) to recall the drugs that have been on sale in the market and exist potential safety hazard in a timely manner to bring down the influence of defective products on the public. The system details the recall classification, recall principles, the responsibilities of recall organization, recall procedures and other relevant matters of the defective products. When the sold drugs are found to have quality problem and potential safety hazard, the recall team should take immediate action to initiate recall, monitor the whole recall process, appropriately deal with the recalled products and make relevant conclusion and record.

6.2 Customer Service

Service Quality

It has always been the development objective of the Group to contribute quality products and services and endeavor to improve the health conditions of people. In order to continuously improve customer service, the Group has formulated Customer Satisfaction Questionnaire Management System (《顧客滿意度調查管理制度》) to collect and analyze the customer satisfaction information and objectively evaluate the effectiveness of the corporate management system to ensure its continuous improvement, striving to meet customers' needs to the greatest degree.

Meanwhile, the Group has also formulated and implemented Quality Complaint Treatment and Management System (《質量投訴處理管理制度》), Adverse Reaction Monitoring and Reporting Management System of Drugs (《藥品不良反應監測和報告管理制度》) and other policies to regulate the management of quality complaint, customer letters and visits. The systems detail the responsibilities of the complaint classification and complaint management departments and personnel, time limit for handling complaint, the retrospective analysis of the complaint and other requirements.

Manufacturing and Selling of Medicines Business

Upon receipt of complaints, the Quality Assurance Department or Complaints Department should give a preliminary classification and registration audit of the nature and severity of the specific complaint. Subsequently, relevant department will conduct an investigation to find out the root cause and then give feedback to the Quality Assurance Department after a written report thereof is prepared. The Quality Assurance Department should follow up the remedial actions and preventative measures thereafter to assure their effective completion, and then the complaint can be closed. Finally, the Quality Assurance Department and the Sales Department should give a formal reply to customers of complaint from the aspects of quality and business, and make supplemental reply, if possible, until the problem is finally resolved.

Purchase and Sales of Medicines and Healthcare Food Products Business

The quality control departments, upon receipt of complaints, will make a good record in a timely manner, and conduct investigation and treatment within a prescribed time in accordance with the required operational procedures and requirements. The quality control departments should response to customer's complaint and make proper treatment in time according to the verified results. If the complaint is related to the quality of products, immediate feedback should be given to suppliers and the sales of such drugs should be suspended.

Data Confidentiality and Privacy of Consumers

To properly manage the archival data of customers that have business contact with us and to earnestly protect the information privacy of customers and consumers, the Group has enacted Customer Filing Management System (《客戶檔案管理制度》), which sets out that specifically-assigned personnel in the Sales Department should be responsible for establishing and managing the archives of customers who have business contact with us and keeping such archives classified. They can only be viewed or invoked after the approval of department head. Customer satisfaction questionnaires are filed every year after verification.

6.3 Intellectual Property Rights

The Group has always attached great importance to safeguard and protect intellectual property of product technology. In order to protect intangible assets and encourage scientific research and innovation, the Subsidiaries engaged in research and development businesses have formulated relevant confidentiality management system, which stipulates that all staff should keep confidential of internally-developed new products, new varieties, new production process and technology as well as various scientific and technological achievements of importance. Confidential data can only be accessible to personnel directly involved in the research. Extract, reprint, copy or carry them out of the company is not allowed. Demand for confidential data where such personnel is outside the company is subject to approval.

6.4 Supply Chain Management

Supplier Management Policy

While maintaining a long-term good cooperative relationship with suppliers, the Group also seeks for constant perfection for the quality of products and services provided by suppliers. We hope to fulfill corporate responsibility and push forward the sustainable development of its own and the suppliers with practical actions. To this end, Subsidiaries have enacted different supplier management policies according to their own type of business and operational and managerial requirements, such as Supplier Evaluation and Approval Management System (《供應商評估及批准管理制度》), Material Supply Management System (《物料供應管理制度》) and Supplier Filing Management System (《供貨商檔案管理制度》), to regulate the practices for the evaluation, election and management of external suppliers and ensure that the materials and medicines purchased can meet quality requirements.

Supplier Assessment and Selection

The Group's external suppliers for the manufacturing and selling of medicines business mainly supply raw materials needed for production and packaging materials for medicines. We adopt the following key measures for the effective management of the selection of such external suppliers:

- Each department should assume their own responsibility for the assessment and approval management of suppliers;
- Suppliers must be chosen according to the principles of enterprise legitimacy, legal materials, reliable quality, guaranteed supply, convenient transportation, moderate cost, good after-sale service and high corporate reputation;
- Strict scrutiny over the qualification of suppliers, which include material legitimacy, sales personnel qualification of suppliers, supplier quality management system and so on;
- Conduct qualification audit on first-time suppliers and periodic evaluation for suppliers that have passed quality system assessment. Specific appraisal methods include data investigation, field audit and sample verification.

Environmental, Social and Governance Report

The Group's external suppliers for the purchase and sales of medicines and healthcare food products business mainly supply medicines and healthcare food products. In screening external suppliers, the Group will first of all consider the scale, history, production capacity, product categories of enterprises as well as their certifications in production and operation. Meanwhile, the Group will also ask for and examine the following materials, including but not limited to: Drug Production Permit (《藥品生產許可證》), Business License (《營業執照》) and the GMP Quality Management System Certification Credential of the enterprise.

Supplier Diversity

The Group actively supports the development of local suppliers and also encourages suppliers with different backgrounds to participate in our supply chain cooperation in a just and equal manner, striving to bringing down operational risks and establishing a more mature and complete supply chain system. In 2017, the Group had a total of 317 external suppliers for materials and drugs, spreading over various areas, such as East China, North China, Central China and South China, of which, East China has the largest number of suppliers of 172, representing approximately 54%.



7 Staff Growth

The Group has formulated and implemented policies such as Human Resource Management System (《人力资源管理制度》) and Staff Handbook (《员工手册》), and conducted systematic standardization and management for various aspects such as recruitment, hiring, promotion and dismissal of employee, staff training, code of conduct, working hours, performance appraisal, benefits and welfare, diversity and anti-discrimination.

The Group strictly observes the requirements of the Labor Law of the People's Republic of China (《中华人民共和国劳动法》) to forbid the use of child labor and forced labor. We also follow the principles of equal competition and that all are equal before a job. We recruit the fittest employees according to their talent, regardless of location, units, positions, qualification and seniority. We adopt internal priority employment. Vacant jobs are preferred for internal staff, and under the same conditions, current employees enjoy the priority in applying for changing posts. For avoidance system, the Group explicitly states that in principle, no Subsidiaries are allowed to recruit the relatives of the current employees of the Group, and stringent assessment is applicable to the qualification of candidates recommended by related companies. To standardize management, the Group also has complete internal and external recruitment procedures in place. At the same time, the Group implements the management of labor contract system for all staff.

With the principle of fairness, equality and openness, we strive to make our promotion channels transparent through a set of standard procedures from promotion nomination, qualification screening and work report. To optimize internal human resources allocation, the Group implements rotation management and internal deployment management.



Environmental, Social and Governance Report

7.1 Rights Protection

Remuneration and Benefits

In order to more effectively enhance the working enthusiasm of staff, the Group has formulated a Remuneration and Benefits Management System (《薪酬福利管理制度》), which stipulated that the remuneration of an employee is comprised of fixed salary, merit pay, benefits and allowance, bonus, annual seniority compensation and so on. The Group also provides all kinds of benefit packages for its employees, such as paid holidays, social insurance, annual physical examination, additional activities, company trip, individual development (such as training or advanced study), love rescue and colorful recreational and sports activities, such as badminton game, tug-of-war and the Lantern Festival party.

Working Hours and Holidays

The Group has worked out a Work Attendance and Vacation System (《考勤休假制度》) in accordance with relevant national laws and regulations. Regular employees of the Group are entitled to paid holidays such as statutory holidays, annual leave, marital leave, maternity leave, family planning leave, breastfeeding leave and bereavement leave.

Diversity and Equality

The Group lays emphasis on the diversity of employees and equal treatment of every member of staff. As at 31 December 2017, the total number of staff members of the Group was 1,231, of whom 735 were female and 496 were male. The total turnover rate of all employees in 2017 was about 21.20%³.

7.2 Safety and Health

Safety in Production

Pursuant to the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the pharmaceutical manufacturing Subsidiaries have established safe production responsibility system, including safety training, safety inspection, accident prevention, safety technology, dangerous material management and accident handling. Regular inspection on factors such as occupational hazard and professional physical check on relevant personnel are given. Trainings covering fire safety and production safety are also arranged every year. Moreover, training materials on basic knowledge of production safety, safety protection of APIs (Active Pharmaceutical Ingredients) and specific operation are also prepared. It's required that relevant personnel should conduct regular safety check on equipment to make sure the safety protection measures of equipment and machinery are complete and effective. In addition, technical measures for safety prevention and falling prevention, including setting safety warning signs, training operators, improving working disciplines and allocating articles for labor protection are effectively implemented.

The pharmaceutical manufacturing Subsidiaries not only have standard safety production management system in place, but have also established Safety Production Management Committee to safeguard and supervise safety in production. The general manager of the relevant pharmaceutical manufacturing Subsidiaries serves as the director of the Safety Production Management Committee and under which deputy director, professional committee members and department members are set up to earnestly guarantee the safety in production.

³ turnover rate = number of employees left during the year / (Total number of employees at the end of last year + number of new employees hired during the year)

Occupational Health

In order to reduce occupational hazard, prevent occupational diseases and protect the health and relevant rights and interests of employees, the Group strictly abides by the Law of Occupational Disease Prevention and Treatment of the People's Republic of China (《中華人民共和國職業病防治法》), and provides its employees with a working environment and condition that meets the requirements of occupational health. In 2017, there was no case of significant casualties and the number of work accidents was nil.

7.3 Training and Development

To raise the personal quality, job skill and integrity management standards of the employees, the Group has specifically formulated the Training Management System (《培訓管理制度》). In accordance with the overall strategic objectives and development plans of the Group and on the basis of needs and budget, departments of the Group formulated respective training programs. Training includes induction training and on-the-job training. In the training management among new staff, they receive trainings covering culture, vocation, system, techniques and skill as their entry guidance. On-the-job training includes internal training and external training, of which, course fees and travel expenses incurred by external training on department-based professional courses can apply for reimbursement upon presenting relevant bills. Meanwhile, the Group carries out internal lecturer system, by self-recommendation or department recommendation, to encourage employees to improve their personal quality.

Throughout the year 2017, the total hours of trainings received by the staff amounted to around 21,992 hours. Of which male staff's training hours amounted to around 8,432 hours, with an average of approximately 17.6 training hours per person, female staff's training hours amounted to around 13,560 hours, with an average of approximately 18.0 training hours per person.

8 Community Investment

While achieving its own stable development, the Group always keeps in mind to give back to the society. We actively conduct and sponsor various charitable and poverty alleviation activities to give full play of the platform and resource superiority of the Company. Based on social needs, we help the disadvantaged by giving financial and resource support to them, thus creating sustained social value.

Caring for the Elderly Charity Activities

In July 2017, Neptunus Interlong organised its staff to perform caring for the elderly activities at the Wanjia Fuyi Nursing Home of Xili, Shenzhen to care for the health of the elderly and express our love. During the activities, Neptunus Interlong donated Neptunus healthcare products to the nursing home, and our staff helped the elderly with their cleaning and hygiene and accompanied them to join community activities. The nursing home and elderly expressed appreciation and thanks for the caring and love we brought.



9 Future Development

In the future, we will make the adjustment and enhancement on the Group's social responsibility objectives according to the actual situation, show the Group's efforts on social and environmental issues more comprehensively and at the same time, we will work with more stakeholders to create a jointly a business ecological circle with sense of social responsibility to achieve the win-win situation in business value and social benefits.



Environmental, Social and Governance Report

In 2018, the Group has made the following commitments to stakeholders:

ESG Issues	Commitments
A1 Emissions	To use advanced pharmaceutical technique and clean energy to reduce the waste gas and water generated in production process To track and record emissions of greenhouse gas during operation to develop the emission reduction plan
A2 Use of resources	To use energy-saving technique and equipment to reduce annual energy consumption To develop the water-saving plan to improve water use efficiency
A3 Environment and natural resources	Continue to strengthen the management of recovering various types of hazardous chemicals generated in the pharmaceutical process, and prohibit the random disposal of hazardous waste to damage the ecological environment
B1 Employment	To implement the anti-discrimination recruitment policy strictly to promote the diversity of our employees
B2 Health and Safety	Continue to improve construction of the safety production management system, and enhance safety awareness and skills of staff To equip professional protection tools for staff exposed to hazardous chemicals, arrange medical examination for staff in occupational health and safety regularly
B3 Development and Training	To develop reasonable training programs to enhance the knowledge and skills of staff in performing their duties
B4 Labour standards	To prohibit child labour and forced labour strictly
B5 Supply chain management	To communicate the Group's corporate social responsibility philosophy to suppliers, requiring suppliers to execute practices of the Group in products and services strictly, and remove the unqualified suppliers timely
B6 Product responsibility	To strengthen the control and supervision of the pharmaceutical production process, test the quality of drugs strictly to ensure the safety of public medication To develop a sound consumer privacy protection policy to improve the quality of service
B7 Anti-corruption	To strengthen the corporate incorrupt construction based on the anti-corruption policy and whistleblowing supervision procedures
B8 Community investment	To encourage Subsidiaries to carry out community welfare activities actively and strengthen the promotion of health and safety knowledge in community where it operates

Environmental, Social and Governance Report

10 Table of Environmental Key Performance Indicator Data

Indicator		Unit	Data for 2017
Emissions			
Air emissions	Sulphur dioxide	kg	91
	Nitrogen oxides	kg	3,084
	Dust/particulate matter	kg	549
Greenhouse gas emissions	Greenhouse gas emissions in total ⁴	tonne carbon dioxide equivalent	6,691
	Greenhouse gas emission intensity	tonne carbon dioxide equivalent/ million RMB revenue	8.47
	Direct greenhouse gas emission (Scope 1)	tonne carbon dioxide equivalent	85
	Indirect greenhouse gas emission (Scope 2)	tonne carbon dioxide equivalent	6,606
Discharge of waste water	Production waste water	tonne	92,971
	Chemical oxygen demand (CODcr)	kg	1,737
	Ammoniacal nitrogen	kg	206
Hazardous waste	Medical waste and waste drugs	kg	7,589
	Other dangerous waste	kg	2,983
Non-hazardous waste	Waste packing material	tonne	144
	Office garbage	tonne	194

⁴ The calculation of the greenhouse gas emissions and relevant parameters are from the “Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions in Enterprises in Other Industries (Trial)” (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》) of the National Development and Reform Commission of the PRC.

Environmental, Social and Governance Report

Indicator		Unit	Data for 2017
Energy consumption			
Total energy consumption	Total energy consumption	MWh	35,838
	Energy consumption intensity	MWh/million RMB revenue	45.35
Energy consumption of various sources	Petrol	L	34,494
	Diesel	L	2,550
	Biomass fuel	tonne	5,332
	Electricity consumption	kWh	9,403,196
Water consumption			
Total water consumption		tonne	295,788
Total water consumption intensity		tonne/million RMB revenue	374.28
Type of water consumption	Water consumption in production	tonne	290,461
	Office water consumption	tonne	5,327
Packing material used			
Packing materials measured by pieces		10,000 pcs.	37,904
Packing materials measured by weight		tonne	280

11 ESG Guide Content Index

The content index states the compliance of the Group with the requirements of “comply or explain” and recommended disclosures of the ESG Guide during the reporting period.

Subject Areas, Aspects, General Disclosures and KPIs		Corresponding Section
A. Environment		
Aspect A1	Emissions	
A1 General disclosure	Policies on emissions of exhaust gas and greenhouse gas, emissions to water and land, generation of hazardous and non-hazardous waste.	Management of Emissions
A1.1	Types of emissions and related emission data.	Management of Emissions/ Table of Environmental Key Performance Indicator Data
A1.2	Total emissions and intensity of greenhouse gas.	Management of Emissions/ Table of Environmental Key Performance Indicator Data
A1.3	The total amount and intensity of hazardous waste generated.	Management of Emissions/ Table of Environmental Key Performance Indicator Data
A1.4	The total amount and intensity of non-hazardous waste generated	Management of Emissions/ Table of Environmental Key Performance Indicator Data
A1.5	To describe measures to reduce emissions and results achieved.	Management of Emissions
A1.6	To describe the methods of handling hazardous and non-hazardous wastes, measures of reducing the quantity of production and results achieved.	Management of Emissions

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs		Corresponding Section
Aspect A2	Use of Resources	
A2 General disclosure	The policies of using effectively resources (including energy, water and other raw materials).	Energy and Resources Management
A2.1	Total energy consumption and intensity.	Energy and Resources Management/Table of Environmental Key Performance Indicator Data
A2.2	Total water consumption and intensity.	Energy and Resources Management/Table of Environmental Key Performance Indicator Data
A2.3	To describe the energy use efficiency initiatives and results achieved.	Energy and Resources Management
A2.4	Description of any problems in obtaining the applicable water supply and enhancement of the water consumption efficiency initiatives and results achieved.	Energy and Resources Management
A2.5	The total amount of package materials used in the finished product and the amount per unit of production.	Energy and Resources Management/Table of Environmental Key Performance Indicator Data
Aspect A3	The Environment and Natural Resources	
A3 General disclosure	The policies of reducing significant impact of issuer on environment and natural resources.	Ecological Protection
A3.1	To describe the significant impact of business activities on the environment and natural resources and the actions which have been taken for managing such impacts.	Ecological Protection

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs		Corresponding Section
B. Society		
Employment and Labour Practices		
Aspect B1	Employment	
B1 General disclosure	Policies on remuneration and dismissal, recruitment and promotion, hours of work, holidays, equal opportunities, diversification, anti-discrimination and other treatments and benefits and information on compliance with relevant laws and regulations which have a significant impact on the issuer.	Staff Growth
B1.1	Total number of employees by gender, type of employment, age group and region.	Rights Protection
B1.2	Employment loss ratio by gender, age group and region.	Rights Protection
Aspect B2	Health and Safety	
B2 General disclosure	Policies on provision of safe working conditions and protection of employees against occupational hazards and information on compliance with relevant laws and regulations which have a significant impact on the issuer.	Safety and Health
B2.1	The number and ratio of deaths resulted from working relationship.	Safety and Health
B2.2	Loss of working days due to work injury.	Safety and Health
B2.3	To describe the occupational health and safety measures adopted, as well as the relevant implementation and monitoring methods.	Safety and Health
Aspect B3	Development and Training	
B3 General disclosure	Policies on knowledge and skills to enhance employees' performance of duties with description of training activities.	Training and Development
B3.1	Percentage of trained employees by gender and types of employees (for example, senior management, intermediate management, etc.).	Training and Development
B3.2	The average number of training hours per employee by gender and types of employees.	Training and Development

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs		Corresponding Section
Aspect B4 Labour standards		
B4 General disclosure	Policies on prevention of child labour or forced labour and information on compliance with relevant laws and regulations which have a significant impact on issuer.	Staff Growth
B4.1	To describe measures to review recruitment practices to avoid child labour and forced labour.	Staff Growth
B4.2	To describe the steps taken to eliminate the violations when such violations are found.	Staff Growth
Operating Practices		
Aspect B5 Supply Chain Management		
B5 General disclosure	Environmental and social risk policies to manage the supply chain.	Supply Chain Management
B5.1	Number of suppliers by region.	Supply Chain Management
B5.2	To describe the practices of engaging suppliers, the number of suppliers to implement such practices, and the execution and monitoring methods of such practices.	Supply Chain Management
Aspect B6 Product Responsibility		
B6 General disclosure	Polices on health and safety, advertising, labeling and privacy matters and remedial methods for products and services provided, and information on compliance with relevant laws and regulations which have a significant impact on issuer.	Product Protection
B6.1	Percentage of products to be recalled over the total number of products sold or shipped due to safety and health reasons.	Customer Service
B6.2	The number of complaints received on products and services, and methods of response.	Customer Service
B6.3	To describe practices related to the maintenance and protection of intellectual property rights.	Intellectual Property Rights
B6.4	To describe the quality assurance process and product recall procedures.	Product Protection
B6.5	To describe consumer data protection and privacy policies, as well as relevant execution and monitoring methods.	Customer Service

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs		Corresponding Section
Aspect B7 Anti-corruption		
B7 General disclosure	Policies on prevention of bribery, extortion, fraud and money laundering, and information on compliance with relevant laws and regulations which have a significant impact on issuer.	Integrity and Honesty
B7.1	The number of corruption lawsuits filed and concluded against the issuer or its employees and litigation results during the reporting period.	Integrity and Honesty
B7.2	To describe corruption prevention measures and whistleblowing procedures, as well as execution and monitoring methods.	Integrity and Honesty
Community		
Aspect B8 Community Investment		
B8 General disclosure	Policies on understand of needs of community in which it operates by community involvement, and ensuring that it business activities take into account community interests.	Community Investment
B8.1	Focus areas of contribution (for example, education, environmental matters, labour needs, health, culture, sports).	Community Investment
B8.2	Resources (such as money or time) used in the focus areas.	Community Investment

12 Feedback Form

Dear readers:

Thank you for reading this report! In order to further improve the preparation of the Group's environmental, social and governance (ESG) report, we sincerely wish to hear your comment and suggestion. Please help complete this feedback form and fax or send it to us at the following contact:

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Feedback Form on the 2017 ESG Report of Shenzhen Neptunus Interlong Bio-technique Company Limited

Name _____

Organization _____

Position _____

Contact No. _____

E-mail _____

Your comments on this report: (Please tick the appropriate columns)

☐ Very good ☐ Good ☐ Average ☐ Bad ☐ Very bad

Environmental, Social and Governance Report

Do you think whether this report has reflected fully important information of the Group on environmental, social and governance aspects?

Do you think whether the information disclosed in this report is clear, accurate and complete?

Do you think whether the content and style design of this report is easy to read?

Which part of the report are you most interested in?

What information you think is needed to know but not reflected in this report? What advice do you have for the environmental, social and governance report to be issued in future?