Luye Pharma
绿叶制药

Luye Pharma Group Ltd.
绿叶制药集团有限公司
(incorporated in Bermuda with limited liability)
Stock Code: 2186

2022 ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENTS

CONTENTS

1. DEFINITIONS

Unless otherwise stated in the Report, the following terms are defined as follows:

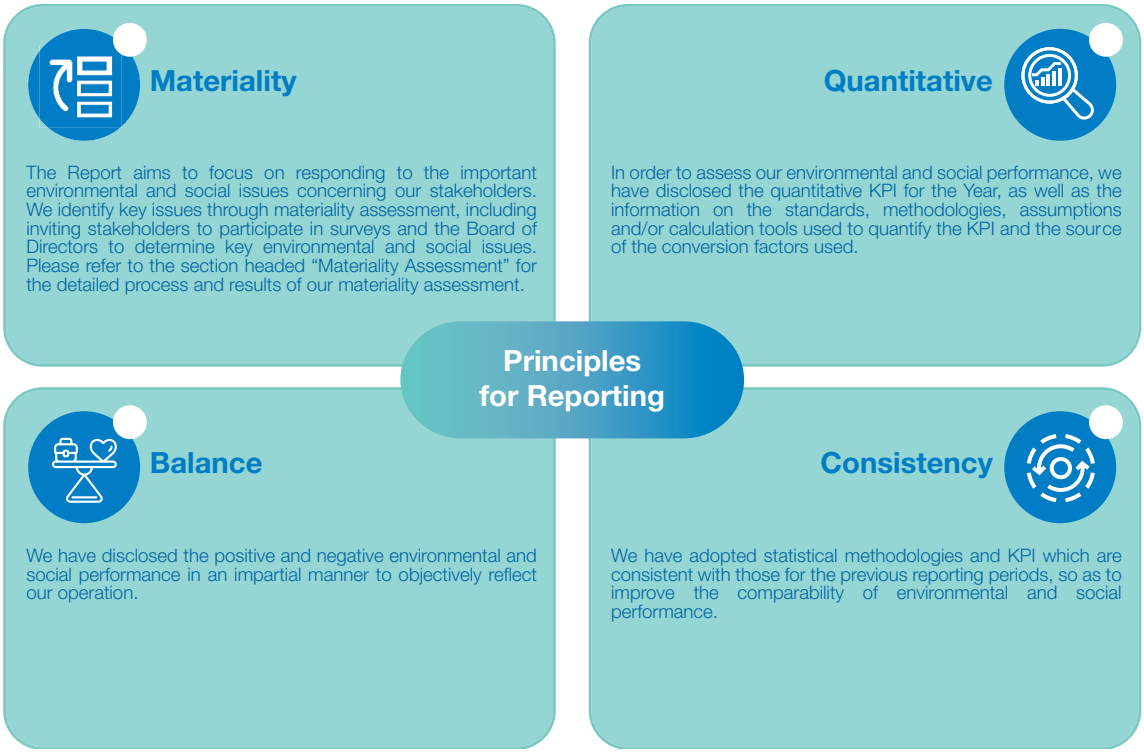
"Boan Biotech"	Shandong Boan Biotechnology Co., Ltd. (山東博安生物技術股份有限公司), a joint stock company incorporated in the PRC with limited liability and a subsidiary of Luye Pharma
"Board of Directors"	the board of directors of the Company
"CMO"	the contract manufacturing organizations commissioned by Luye Pharma
the "Company"	Luye Pharma Group Ltd.
"EHS"	Environment, health and safety
"ESG"	Environmental, social and governance
"ESG Guide"	the Environmental, Social and Governance Reporting Guide as contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by the Stock Exchange
the "ESG Report" or "Report"	the Environmental, Social and Governance Report of the Company
"GMP"	Good Manufacturing Practices for Pharmaceutical Products
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"KPI"	Key Performance Index
"Luye Pharma" or the "Group" or "we" or "us"	Luye Pharma Group Ltd. and its subsidiaries
"PRC"	the People's Republic of China
"QA"	Quality Assurance Department
"QC"	Quality Control Department
"RMB"	RMB, the lawful currency of the PRC
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Year" or "Reporting Period"	the period from 1 January 2022 to 31 December 2022

2. ABOUT THIS REPORT

The Report is our seventh ESG Report addressed to the public and aims to present the ESG performance of Luye Pharma during the Year of 2022. We disclose our management approaches, strategies, goal and performance at the environmental and social levels in the respective sections of the Report.

2.1 Basis for Preparation

The Report has been prepared by the Company in accordance with the ESG Guide issued by the Stock Exchange, and with reference to the GRI Standards issued by the Global Reporting Initiative. This Report has been prepared in accordance the mandatory disclosure requirements and all "comply or explain" provisions in the ESG Guide published by the Stock Exchange, and is based on the four reporting principles of materiality, quantitative, balance, and consistency.



2.2 Scope of the Report

The content of the Report primarily focuses the core businesses of Luye Pharma in Mainland China, with an aim to report on Luye Pharma's policies of and performance in environmental and social aspects. The scope of the Report for the Year is consistent with those of the ESG Report for the year 2021. Unless otherwise stated, the Report covers the period from 1 January 2022 to 31 December 2022.

2. ABOUT THIS REPORT (CONTINUED)

2.3 Review and Approval of the Report

The Report was reviewed and confirmed by the Board of Directors and approved on 29 March 2023.

2.4 Reader's Feedback

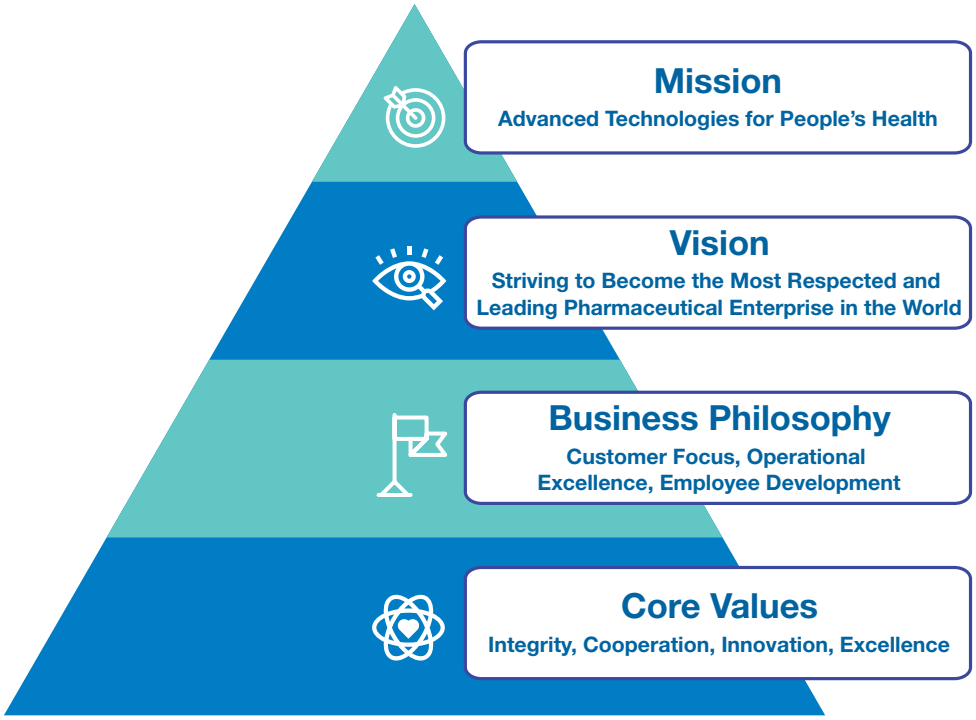
You are welcome to express your opinions on our ESG Report or relevant work by contacting Luye Pharma through:

Address: Unit 3207, 32/F, Champion Tower, 3 Garden Road, Central, Hong Kong
Tel: + 852-3523 0428

3. ABOUT LUYE PHARMA

Luye Pharma, a member of Luye Life Sciences Group, was established in 1994 and listed on the Main Board of the Stock Exchange in 2014. It is an international pharmaceutical company dedicated to the research and development ("R&D"), manufacturing and sales of innovative medications with a focus on central nervous system ("CNS"), oncology, cardiovascular system and other therapeutic areas. We are committed to providing high quality innovative medications for global patients with global R&D, global manufacturing, and the global market as our three main strategic priorities. Luye Pharma strives to become "the most respected and leading pharmaceutical enterprise in the world". We have set up R&D centers in China, the United States and Europe, including 35 R&D pipelines of drug candidates in China and 13 R&D pipelines of drug candidates overseas. In addition, we have 7 production bases in China and 1 production base in Germany. There are over 30 products being sold in more than 80 countries and regions around the world.

3.1 Corporate Culture



3. ABOUT LUYE PHARMA (CONTINUED)

Management Principles of the Group

3. ABOUT LUYE PHARMA (CONTINUED)

3.2 Message from our Employees

Zhong Yan
Beijing Base Government Affairs Department Team

Cooperation promotes development
Whether it is a short-term work task or a long-term corporate strategic goal, it is necessary to form a partnership between functional departments and business departments. The departments need to integrate with each other, understand each other, and support each other. Being professional, knowledgeable, and operational business partners could achieve the goals through mutual cooperation.

Wei Huimin
Boan Biotech Pilot-scale Cell Culture Research Department

Innovation is the cornerstone of development
Only with a strong foundation in R&D can production flourish. Starting with the end in mind, and with strong capabilities in research and development, comprehensive management, and international advanced design concepts and systems, a project can be quickly advanced and smoothly transitioned onto the road to commercial production, forging ahead and winning the initiative.

Liu Juan
Group R&D Center Project Management

Belief is the soul of a team
Teacher Tian Jingwei's most frequently said sentence is, "Encountering challenges is not scary, we just solve them." Therefore, we will not choose a mediocre path just because of difficulties. If we want the best, we must strive for it, even if it means enduring hardship. Behind excellence lies not just tears, but also sweat.

3. ABOUT LUYE PHARMA (CONTINUED)

3.3 Awards and Recognition

Top 100 Innovative Drugs (Boan Biotech)

In June 2022, at the Sixth Future Medical Top 100 Conference Cloud Summit, Boan Biotech was listed as one of the "Future Healthcare VB100-Top 100 Innovative Biomedicine Companies". With a differentiated product portfolio, comprehensive biopharmaceutical platform, and constantly maturing commercial capabilities, Boan Biotech has demonstrated high growth potential and strong innovation, earning its place among the top ten on this value list and being recognized as one of the unicorn enterprises in the biomedicine field.

In 2022, Luye Pharma was honored with two awards: "Outstanding Brand Image Award" and "Excellent Employer Award"

In July 2022, at the 11th China Finance Summit, Luye Pharma was honored with two awards, the "2022 Outstanding Brand Image Award" and the "2022 Excellent Employer Award". These awards recognize Luye Pharma's achievements in the industry, brand influence, and employer brand building as a result of its implementation of the "innovation" and "internationalization" strategies.

2022 China Biopharmaceutical Industry Value Ranking (Luye Pharma)

In August 2022, at the "6th China Biopharmaceutical Innovation Cooperation Conference and 2022 China Biopharmaceutical Industry Value Ranking Awards Ceremony", Luye Pharma and Boan Biotech were awarded the "2022 China Biopharmaceutical Industry Value Ranking" and were respectively named "Top 20 Most Influential Small Molecule Innovative Pharmaceutical Companies" and "Top 20 Most Influential Antibody Pharmaceutical Companies".

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION

Material issue(s) in this section

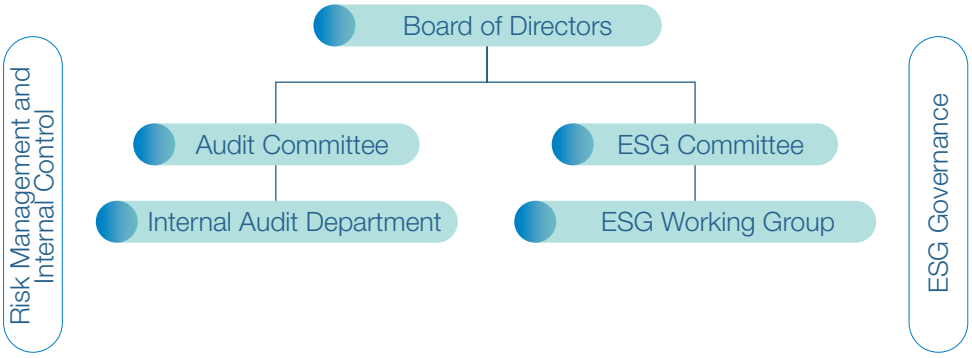
- Operational compliance

Luye Pharma is committed to achieving the vision of "the most respected and leading pharmaceutical enterprise in the world" and promoting the deep integration of ESG matters with its corporate governance framework. To further ensure transparency and accountability in all of the Group's operational activities, the Board of Directors adheres to corporate governance principles, benchmarks legal and commercial standards, and maintains a continuous focus on internal monitoring, fair disclosure, and accountability to all shareholders. During the Year, to clarify the priority for the stakeholders, the Group invited stakeholders to participate in a questionnaire survey to evaluate materiality issues, and through this Report, responded to their key concerns in various aspects to help us continue to manage and monitor the sustainable development performance of Luye Pharma and achieve the best commercial and social value.

4.1 ESG Governance and Risk Management

4.1.1 ESG governance framework

Corporate governance and sustainable development go hand in hand. The establishment of an ESG governance framework helps companies identify and manage risks and opportunities related to the environment, society, and governance. An effective governance framework can better respond to and implement relevant ESG governance strategies and measures. On 29 March 2023, the Group passed a resolution through the Board of Directors to update the term of reference of the Company's Environmental, Social, and Governance Committee ("ESG Committee") under the Board of Directors. Under the ESG Committee, there is an ESG Working Group established to assist the ESG Committee's work. The ESG governance framework of the Group is as follows:



The Board of Directors authorizes the ESG Committee to request any information from any employee or professional advisor of the Group to fulfill its responsibilities, to require any of its employees and professional advisors to prepare and submit reports, and to attend ESG Committee meetings, provide information and answer questions raised by the ESG Committee. The ESG Committee is empowered to prepare ESG reports in accordance with the ESG Guide of the Stock Exchange or collect information from external parties of the Group, and to exercise any powers deemed necessary and appropriate by itself to fulfill its responsibilities.

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

The ESG Committee conducts annual assessments and evaluations of its own performance and the adequacy of its term of reference, and proposes any amendments to the Board of Directors. The ESG Committee should also conduct an annual review of the following aspects related to the Group: (i) whether the resources, employee qualifications and experience, training programs, and budget related to the Company's ESG performance and reporting are sufficient; (ii) changes in the nature and degree of significant ESG risks of the Group since the last annual review; and (iii) the scope and quality of management's ongoing monitoring of ESG risks. All meeting minutes of the ESG Committee, all written resolutions and such meetings are made available for review by the members of the Board within a reasonable time.

The ESG Committee shall hold at least one meeting annually, which shall be convened by the company secretary of the Company at the request of the chairman, to guide and review the specific contents of ESG management within the Group and to timely report on ESG-related matters to the Board of Directors and make recommendations. The main functions of the ESG Committee established by the Group are detailed as follows:

(a) Coordinate, identify, evaluate, and manage ESG matters of the Group, and report to the Board of Directors on any significant issues;

(b) Formulate and review the principles and strategies of ESG policies of the Group, and closely monitor the implementation and effectiveness of ESG policies and measures;

(c) Set ESG-related goals according to the actual situation of the Group, and periodically review the Group's progress and performance based on those goals;

(d) Assist the Board of Directors in reviewing the annual ESG Report and coordinate the preparation of the ESG Report;

(e) Understand regulatory requirements and oversee the Group's compliance with relevant laws and regulations; and

(f) Coordinate any other ESG-related work that the Board of Directors may assign.

The main functions of the ESG Working Group established by the Group are detailed as follows:

(a) Be responsible for the specific implementation of all ESG work and management under the guidance of the ESG Committee;

(b) Assist the ESG Committee in preparing the ESG Report, and prepare to collect relevant data and information; and

(c) Regularly review and report to the ESG Committee on the effectiveness of ESG measures implemented by the responsible department, and communicate with representatives of various departments within the ESG Working Group to promote effective implementation.

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

4.1.2 ESG Risk Management

The Board of Directors assumes overall responsibility for the risk management and internal control systems of the Group, and reviews the effectiveness of its going concern. At the same time, the Board understands the ESG risks of the industry and incorporates ESG risk management into the established risk management and internal control system. Through risk management and internal control procedures, the management of each department regularly identifies and evaluates the key risks of the Group within established policies and procedures in order to implement appropriate risk responses measures, and report the results of the risk assessment (including ESG related risks that have a material impact on the business) to the Board of Directors in accordance with the reporting system established by the organization structure. Please refer to the section "Corporate Governance Report" in the 2022 Annual Report of the Company for the details of the Corporate Governance Function, Policy of the Board of Directors, and Committees of the Company.

Operational Risks

Description of risks: Operational risks refer to the risk of loss resulting from the inadequacy or lack of internal procedures, personnel and system, or from external events. The responsibility of managing operational risks basically vests with every function at divisional and departmental levels.

Response measures: Key functions in Luye Pharma are guided by their standard operating procedures, authority and reporting framework. The management will identify and assess the key operational exposures regularly, so that appropriate risk management measures can be taken.

Risks of Supply and Retention of Personnel

Description of risks: Luye Pharma may be exposed to the risk of not being able to attract and retain key personnel and talents who possess appropriate and requisite skills, experience and competence. Such personnel and talents are necessary to meet the business objectives of our Group.

Response measures: We shall offer attractive remuneration packages to suitable candidates and personnel.

Environmental, Health and Safety Risks

Description of risks: Environmental, health and safety risks refer to the potential loss resulting from inadequacy in environmental management and occupational health and safety management, or from accidents.

Response measures: Luye Pharma has developed an environmental, health and safety management system in these aspects. The management regularly identifies and assesses relevant risks, and implements measures in response to these risks in the product life cycle.

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

4.2 Stakeholders' Engagement

The sustainable development of the Group is closely intertwined with its stakeholders' interests. Their opinions and expectations are key driving forces behind the Group's sustainable development. Luye Pharma is committed to establishing and maintaining good relationships with all stakeholders, and understanding their expectations and needs through diversified approaches, in order to gain a thorough understanding of their expectations, demands, sustainable development concerns, and opinions and suggestions. During the Year, Luye Pharma invited all stakeholders to participate in a questionnaire survey to identify their concerns. Luye Pharma hopes that this Report can serve as a communication bridge between different stakeholders, responding to the concerns of different sectors of the society by reporting on the relevant focus areas.

4.2.1 Communication with Stakeholders

Luye Pharma attaches great importance to the opinions of stakeholders. We have established a systematic communication mechanism to continuously and effectively communicate with different sectors of the society through diversified channels, to understand their opinions and expectations from various perspectives. We have disclosed information on areas concerning our key stakeholders in the corresponding sections of this Report. The focus and expectations of stakeholders on the Group, as well as the communication channels used by the Group on a daily basis, are listed in the table below:

Major stakeholders	Major expectations on us	Our response channels	Respective sections
Government and regulators	• Compliance with laws and regulations • Enhancement of R&D on technologies related to pharmaceutical products	• Optimizing the legal system for risk prevention and control • Significant investment in R&D on pharmaceutical products	• Respective sections in the Report
Investors	• Sound corporate operation management to minimize operational risks • Good investment returns • Transparent information disclosure • R&D ethics	• Holding regular results announcement presentations and general meetings • Optimizing the legal system for risk prevention and control • Updating the Company's website on a regular basis to ensure investors have access to the latest information on the Company	• Respective sections in the Report
Customer	• Provision of safe and quality pharmaceutical products • Continuous R&D on new drugs • Protection of interests of consumers	• Significant investment in R&D on pharmaceutical products • Optimizing the pharmaceutical manufacturing management system • Conducting customer satisfaction survey	• "Professional-led Innovation and Safeguard of Human Health"
Staff	• A pleasant working environment • Bright career prospects	• Offering good packages • Holding a variety of training programs • Organizing various employee activities • Providing a safe workplace	• "Environmentally Friendly and Green Production" • "Reinforcement of Safety and Improvement of Emergency Plans" • "People-oriented Employee Development"

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

Major stakeholders	Major expectations on us	Our response channels	Respective sections
Business partners/ Suppliers	• Mutual benefits and win-win	• Actively seeking quality suppliers and CMO/CDMO partners	• "Sustainable Supply Chain Management"
Peers/Industry associations	• Advancement of industry development	• Actively holding and participating in industry-wide forums and exchange activities	• "Responsible Management and Compliant Operation"
Non-governmental organizations	• Continuous R&D on new drugs	• Significant investment in R&D on pharmaceutical products	• "Professional-led Innovation and Safeguard of Human Health"
Media	• Transparent information disclosure	• Organizing press conferences	• Respective sections in Report
The public	• Serving the community • Public welfare and charity	• Taking an active part in community activities • Taking an active part in charitable activities	• "Contribution to the Society and Cooperation for Win-win Situation"

Case: 2022 Luye Science and Industry Forum

On 23 July 2022, the "2022 Luye Science and Industry Forum" was successfully held in Yantai, Shandong. Top experts, scholars, and innovative pharmaceutical companies from across the country gathered to explore the path of China's medical innovation development in the post-pandemic era.

Case: Healthy China Action

On 10 October 2022, the 31st World Mental Health Day was celebrated globally. In order to further promote awareness and enhance public understanding of mental health, and to focus on the mental health needs of individuals, Luye Pharma, together with the China Health Culture Association and the People's Health TV Channel of National Health Commission, jointly organized the "Healthy China Action–2022 World Mental Health Day Theme Promotion Event".

4.2.2 Materiality Assessment Procedures

The Group regularly conducts materiality assessment and continuously improves the mechanisms and methods for conducting materiality assessment. It invites various stakeholders to participate in the materiality assessment of sustainable development issues, aiming to integrate opinions from all parties on different issues and conduct evaluations to further clarify the key issues and next steps for sustainable development work. The evaluation covers a comprehensive range of internal and external stakeholders of the Group, and involves five major steps, which are detailed below:

1. Identifying Major Stakeholders

   Taking into consideration of the two perspectives of "the influence of stakeholders on Luye Pharma" and "the influence of Luye Pharma on stakeholders", The Group identifies the following categories of stakeholders from a wide range of stakeholders to participate in the materiality assessment:

   - Investors
   - Peers
   - Employees
   - The public
   - Business partners/suppliers

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

2. Identifying Relevant ESG Issues

The Group makes reference to ESG Guide and incorporates ESG trends in the pharmaceutical industry to identify a inventory of ESG issues relevant to the Group.

3. Conducting Questionnaire Survey

The Group invites key stakeholders to rank the importance of the inventory of ESG issues through a questionnaire survey. External stakeholders (investors, peers, employees, the public, and partners/ suppliers) rank the importance of ESG issues from the "materiality to stakeholders", while internal stakeholders (directors and senior management) rank the importance of ESG issues from the "materiality to the Group".

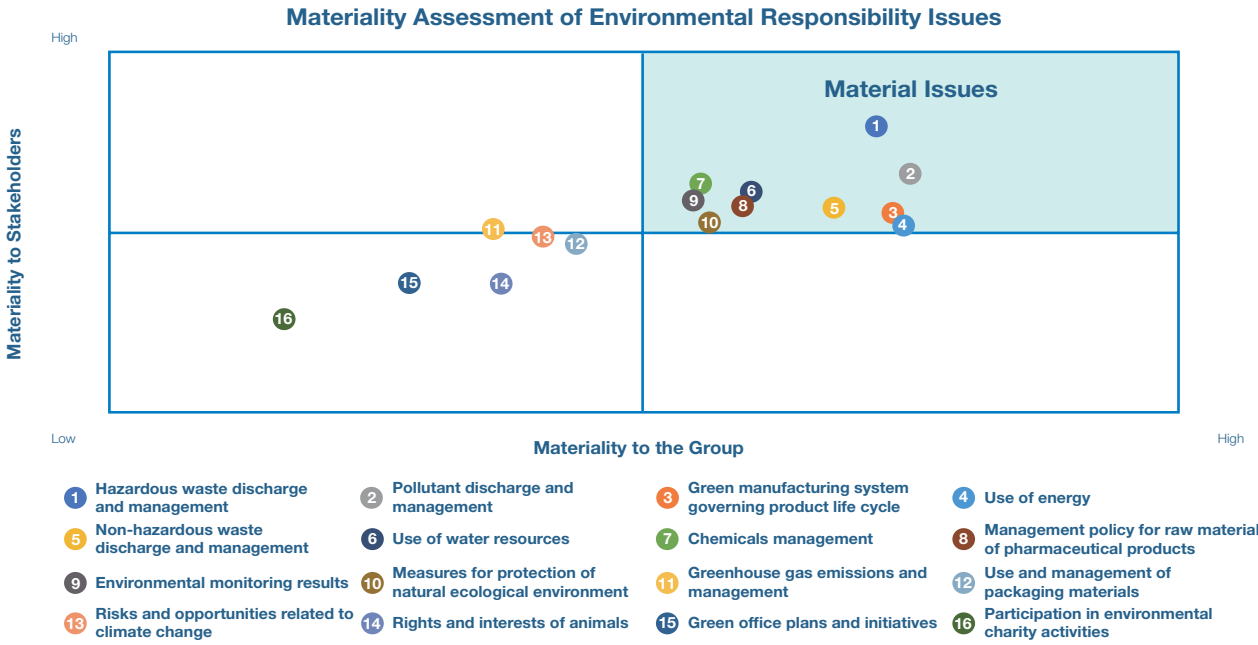
4. Analyzing Survey Results

The Group analyzes the results of the questionnaire survey and constructs a materiality matrix. Issues that scored high on both the "materiality to stakeholders" and "materiality to the Group" dimensions are identified as "material issues".

5. Verifying Material Issues

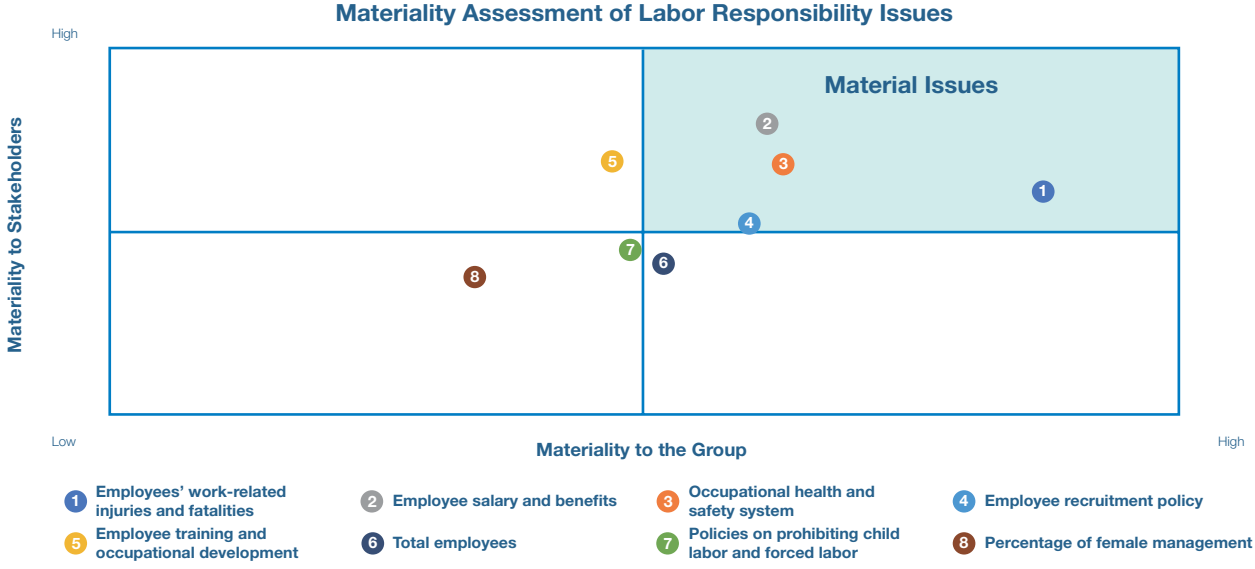
The Board of Directors reviews the survey results and verifies the material issues.

The following shows the material issues matrices in the areas of environmental responsibility, labor responsibility, and operational responsibility for Luye Pharma:



4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

Materiality Assessment of Labor Responsibility Issues



1 Employees' work-related injuries and fatalities
2 Employee salary and benefits
3 Occupational health and safety system
4 Employee recruitment policy
5 Employee training and occupational development
6 Total employees
7 Policies on prohibiting child labor and forced labor
8 Percentage of female management

Materiality Assessment of Operation Responsibility Issues

1 Product R&D and innovation
2 Drugs manufacturing and quality management system
3 Production safety and emergency handling procedure
4 Adverse drug reaction management
5 Operational compliance
6 Selection and management of suppliers
7 Key laboratory management
8 Protection of intellectual property rights
9 Counterfeit and substandard pharmaceutical management
10 National support and encouragement for topic management
11 Safety and rights protection of clinical trial
12 Anti-corruption policies, measures and training
13 Feasibility of healthcare
14 Affordability of pharmaceutical prices
15 Customer complaint handling mechanism
16 Ethical sales and labeling management
17 Anti-monopoly policy
18 Customer privacy protection
19 Community involvement and contribution
20 Peer exchange and cooperation

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

We have identified 10 environmental responsibilities, 4 labor responsibilities and 11 operational responsibilities as 2022 materiality issues:

List of Materiality Issues

Environmental Responsibility	Labor Responsibility	Operational Responsibility
1. Hazardous waste discharge and management	1. Employees' work-related injuries and fatalities	1. Product R&D and innovation
2. Pollutants discharge and management	2. Employee salary and benefits	2. Quality management system for pharmaceutical
3. Green manufacturing system governing product life cycle	3. Occupational health and safety system	3. Production safety and emergency handling procedure
4. Use of energy	4. Employee recruitment policy	4. Adverse drug reaction management
5. Non-hazardous waste discharge and management		5. Operational compliance
6. Use of water resources		6. Selection and management of suppliers
7. Chemicals management		7. Key laboratory management
8. Management policy for raw materials of pharmaceutical products		8. Protection of intellectual property rights
9. Environmental monitoring results		9. Counterfeit and substandard pharmaceutical management
10. Measures for protection of natural ecological environment		10. National support and encouragement for topic management
		11. Safety and rights protection of clinical trial

4.3 Management of ESG Goals and Performance

To promote the implementation of sustainable development strategies, the Group has formulated annual directional and quantitative objectives related to the environment, society, and governance. The Group has established target responsibilities for relevant functional departments and deadlines for achieving these objectives. To ensure that these objectives are completed on time, we regularly review our progress towards them. The Board of Directors of the Company is responsible for monitoring and reviewing the progress and performance of the environmental directional goals set by the Group. During the Year, the Board of Directors of the Company has supervised and monitored specific action measures for implementing environmental directional goals to ensure that the work towards achieving such goals is sustainably progressing.

Goal Indicators	Action Plan	Actions during the Year	Progress
1. Hazardous waste discharge target			
Legal disposal of hazardous waste with disposal rate of 100%	1. Hazardous waste shall be collected according to regulations, stored in compliant locations, and registered in records; 2. A management plan should be formulated at the beginning of the Year; 3. Hazardous waste should be entrusted to qualified third parties for disposal.	1. Hazardous waste has been collected according to regulations, stored in compliant locations, and registered in records; 2. The management plan that was formulated at the beginning of the Year has been completed; 3. The hazardous waste has been entrusted to qualified third parties for disposal.	Completed

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

Goal Indicators	Action Plan	Actions during the Year	Progress
2. Non-hazardous waste discharge target			
Reduction of general solid waste (recyclable, household garbage, food waste)	1. General solid waste generated by each department is collected and classified by employees. Recyclable items such as paper and metal are uniformly sent to the warehouse for sales; 2. Kitchen waste generated by the restaurant should be collected in dedicated bins and disposed of by qualified units; 3. Non-recyclable waste generated by production and daily life is collected and transferred to the domestic waste area for disposal by the sanitation department.	1. Recyclable items such as paper and metal has been collected and delivered to the warehouse for sales; 2. The kitchen waste generated by the restaurant has been collected in dedicated bins and disposed of by qualified units; 3. Non-recyclable waste generated by production and daily life has been collected and transferred to the domestic waste area for disposal by the sanitation department.	In progress
3. Greenhouse gas emissions target			
Reduction of greenhouse gas emissions	1. Use energy-saving and environmentally friendly refrigerants, such as R404A, R407C, and phase out outdated refrigerants such as Freon; 2. Adjust office and production site temperature and humidity in a timely manner according to demand; 3. Encourage the use of video conferencing for non-essential meeting to reduce carbon emissions from business trips and achieve a reduction in greenhouse gas emissions.	1. Non-environmentally friendly refrigerants such as Freon have been phased out, and R404A and R407C have been widely used; 2. Facilities such as temperature, humidity, and lighting in office and production sites have been turned off in a timely manner; 3. ZOOM and Tencent video conferencing have been widely used to reduce business travel.	In progress
4. Atmospheric pollutant target			
100% compliance with emission standards for production and domestic waste gas	1. Commission a qualified third-party monitoring agency to regularly monitor the emissions of pollutants from waste gas; 2. Regularly maintain waste gas treatment facilities and adjust their operation mode and parameters to improve energy efficiency indicators.	Monitoring has been conducted on each pollutant according to the monitoring plan, and regular maintenance has been carried out on the treatment facilities. Third-party monitoring confirms that all waste gas pollutants meet the required standards.	Completed

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

Goal Indicators	Action Plan	Actions during the Year	Progress
5. Water usage target			
Water conservation	1. Use engineering and technical measures to reduce water consumption. 2. Increase the use of recycled water.	1. Use recycled water for green irrigation; 2. Renovate the drainage pipeline of the water production system and build a water storage tank in the basement. Connect the tank to the existing reclaimed water pipeline in the factory. During months when green plants need to be irrigated, use the water in the tank for irrigation, saving 75,500 tons of water annually.	In progress
6. Energy efficiency related target			
Reduction of energy use	By utilizing solar energy and improving the air conditioning system, engineering and technical measures can be taken to reduce energy consumption.	1. Optimize the supply of freezing water in the workshop of the Group during winter by modifying pipelines, adding bypass branches to the cold water pipeline, connecting to the cooling tower, and replacing the cold water generated by the chiller with the cold water produced by the cooling tower. This can reduce the chiller's operating time in winter, saving 770,000 kWh of electricity per year; 2. The Beijing Base of the Group shortens the cultivation time of red yeast rice to two days and three batches, improve energy efficiency, and shorten the cultivation time by precisely controlling the temperature and humidity. By accurately controlling the temperature and humidity for microbial cultivation in the fermentation workshop, the cultivation time is reduced from 30 days to 23 days, saving 3,714 tons of steam and 391,621 kWh of electricity; 3. The Beijing Base of the Group transforms the centrifugal chiller unit by replacing the 20-year-old screw chiller unit with an energy-saving and efficient magnetic levitation centrifugal chiller. In June 2022, the screw chiller unit has been replaced with the magnetic levitation centrifugal chiller and put into operation. By comparing the energy consumption of the four days before and after the replacement (with similar production tasks and climate conditions), the old chiller unit consumes 15,245 kWh of electricity, while the new chiller unit consumes 12,383 kWh of electricity. The magnetic levitation centrifugal chiller unit saves more than 20% of energy compared to the old screw chiller unit, saving 720,000 kWh of electricity.	In progress

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

4.4 Integrity and Compliance

The pharmaceutical industry has stringent requirements for legal compliance due to the characteristics of its industrial products. The obligation of compliance with laws and building the integrity corporate culture are paramount to achieving our sustainable growth. Luye Pharma strictly abides by the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Law Against Improper Competition of the People's Republic of China (《中華人民共和國反不正當競爭法》) and other laws and regulations relating to bribery, extortion, fraud and money laundering which have a significant impact on us. To protect our business operations from all forms of corruption, bribery, extortion, money laundering and fraud, we have implemented the Code of Conduct for Employees (《員工行為準則》), the Anti-Corruption Compliance Policy (《反腐敗合規政策》) and the (International) Third Party Due Diligence Process (《(國際)第三方盡職調查流程》) and other internal policies, which set out requirements and guidelines on employee integrity and self-discipline, supervision mechanism and non-compliance handling procedures. In addition, an anti-fraud supervisory committee has been set up by us to strictly prohibit and monitor illegal acts such as bribery, extortion, fraud and money laundering.

Luye Pharma is committed to establishing a compliance culture through providing training and implementing relevant policies and processes on anti-corruption, and manages the professional ethics of all directors, employees, partners and other relevant personnel acting on behalf of Luye Pharma. We explicitly prohibit Luye Pharma's employees from giving or providing any valuable gifts directly or indirectly to any health care professional, government official or any business partner for the purpose of obtaining or retaining business advantages improperly, nor asking for or receiving any improper payment. For third party business partners who cooperate with us, the employees of Luye Pharma shall take reasonable care to ensure that such third parties conduct their business in a manner that is ethical and in accordance with the terms applicable under the Group's anti-corruption compliance policy.

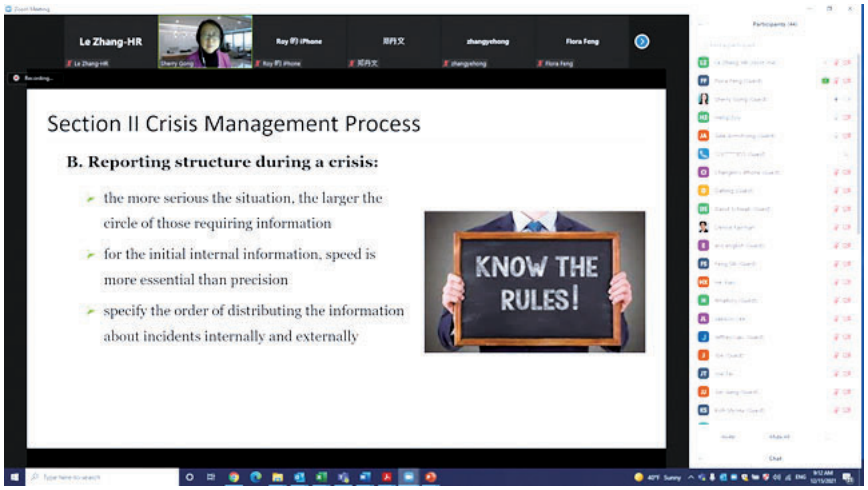
The Group hopes that our employees can express their concerns or report any non-compliant behaviors, and the Group prohibits retaliation against anyone who raises concerns or makes good faith reports of suspected improper conduct. We have formulated the Policy on Handling Hotline, E-mail Box and Staff Whistleblowing of Luye (《绿叶熱線、電子郵箱及員工舉報處理政策》) for our employees to report via Luye Pharma's hotline or e-mail. The Group will take strict confidentiality measures for whistleblowers' personal data to ensure that their legal rights and interests are not violated according to the Policy against Retaliation (《反報復政策》). The Group's process for handling reports is as follows: the hotline staff will report to the president after receiving the report, and formal investigation will be initiated after review and approval. The audit department is the competent authority for the investigation, responsible for verifying the evidence and submitting the investigation results and providing opinions to the president for review and approval. For reported cases involving possible damage to the rights and interests of Luye Pharma, we will temporarily suspend the reported person and give feedback on the investigation and the results to the whistleblower.

During the Year, Luye Pharma has complied with the applicable laws and regulations that are significant to the Group in relation to bribery, extortion, fraud and money laundering, and has not been involved in any corruption-related litigation. In order to further enhance the compliance awareness of directors and employees, we provided a number of compliance training sessions covering anti-corruption content including online and offline training during the Year. Such training has further enhanced the compliance awareness of directors and staff to ensure that the relevant compliance policies of the Group have been better implemented and enforced.

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

In July 2022, the Legal Department provided legal compliance training to new employees of the Group.

In September 2022, the Legal Department provided legal compliance training to colleagues in the Group's Medical Information Department.



In December 2022, the Legal Department provided legal compliance training to overseas employees.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH

5.1 Promotion of Innovative R&D

Material issue(s) in this section

- Product R&D and innovation
- Key laboratory management
- Protection of intellectual property rights
- Adverse drug reaction management
- National support and encouragement for topic management
- Safety and rights protection of clinical trial

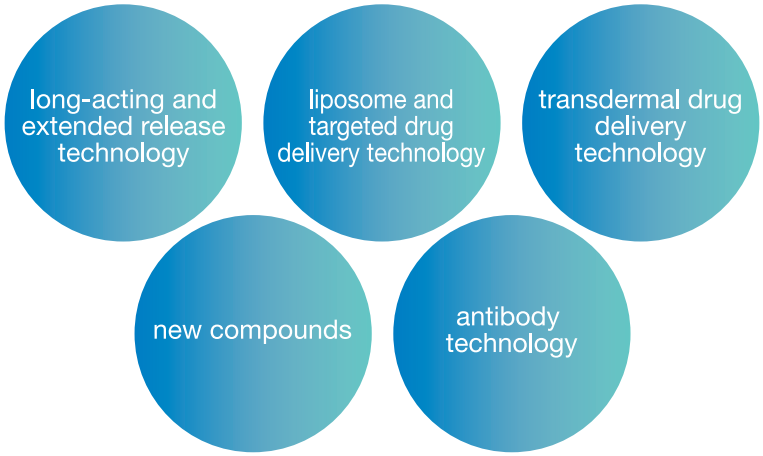
Innovative research and development has always been the core business philosophy of Luye Pharma. The R&D activities of the Group are composed of five chemical drug platforms, namely long-acting and extended release technology, liposomes and targeted drug delivery, transdermal drug delivery, new compounds, and antibody technology. The Group has expanded its R&D capabilities to three cutting-edge platforms supported by Boan Biotech, namely the Human Antibody Transgenic Mouse and Phage Display Technology Platform, Bispecific T cell Technology Platform and ADC Technology Platform in the biological field. The Group strategically allocates resources in developing new formulations and drugs, biosimilars, and new antibody products to balance the risk of clinical development.

The main business of Luye Pharma is the research and development, manufacturing and sales of innovative medications. We invest considerable resources to continuously optimize our own R&D systems, and respect and protect intellectual property rights. We continue to research and develop innovative professional technologies and medications to satisfy the needs of different patients, and cooperate with the National Healthcare Security Administration to include some products in the scope of medical insurance reimbursement to improve patients' access to medical care. Our product portfolio includes more than 30 products, with key launched products covering the therapeutic areas including oncology, CNS, cardiovascular system, and alimentary tract and metabolism. Our businesses cover more than 80 countries and regions worldwide, including China, the United States, Europe, and Japan, as well as rapidly developing emerging markets. At the same time, we attach great importance to R&D ethics to protect the safety, rights and interests of the clinical trial participants as well as the well-being of laboratory animals.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH (CONTINUED)

5.1.1 R&D System

The R&D system of Luye Pharma mainly comprises five platforms:



We have set up research centers in the PRC, the United States and Europe, each focusing on the research of different medical fields. In addition, we own the first national key laboratory for long-acting and targeting drug delivery system in the PRC. The laboratory focuses on the research of innovative pharmaceutical preparations, and its three main research directions include development and research of long-acting drug delivery systems and drug release technologies, targeted drug delivery systems and drug release technologies, and high-end carrier materials for sustained and targeted drug delivery.

Global R&D Centers

R&D Center in the PRC

Mains Direction in R&D:

- Long-acting and extended release technology
- Liposome and targeted drug delivery technology
- Biological antibody technology
- NME technology Platform
- Innovative medical technology

R&D Center in the United States

Main Directions in R&D:

- International R & D collaboration
- Technological exploration in advanced innovative pharmaceutical area
- Innovative medical technology

R&D Center in Europe

Main Directions in R&D:

- Transdermal drug delivery technology

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH (CONTINUED)

During the Year, Luye Pharma had a pipeline of 20 candidate products in the PRC under various stages of development. Furthermore, we have a total of 9 international development projects, 2 clinical trials jointly conducted in China, the United States and Europe. As of the end of the Year, Luye Pharma's R&D team had 934 employees, including 81 holding a Ph.D. degree and 459 holding a Master's degree in medical, pharmaceutical and other related disciplines. The total investment in R&D projects amounted to RMB1,476.4 million.

Case: New drugs for the treatment of breast cancer and prostate cancer are currently in the review stage for market approval

The goserelin acetate extended-release microspheres for injection (LY01005) is a new drug under development by Luye Pharma for the treatment of breast cancer and prostate cancer. On 15 August 2022, Luye Pharma announced that new drug application for the Group's new drug Goserelin Acetate Extended-release Microspheres for Injection (LY01005) for the treatment of breast cancer has been accepted by the Centre for Drug Evaluation of the National Medical Products Administration in the People's Republic of China. The application for the use of LY01005 to treat prostate cancer is also currently in the review stage in China. With its leading microsphere technology platform, Luye Pharma's microsphere product line is accelerating its commercialization process. Following the approval of 瑞欣妥® (Risperidone Microspheres for Injection (II)), the first domestically developed microsphere preparation to be approved and marketed in China, LY01005 is expected to become the only goserelin microsphere preparation globally. This is another validation of Luye Pharma's research and development capabilities and industrialization level in the field of microsphere technology.

Case: Innovative depression drug was approved for market launch

LY03005 (Toludesvenlafaxine Hydrochloride Sustained-Release Tablets) is a Class 1 new drug developed by Luye Pharma based on a new therapeutic entity and new molecule entity technology platform for the treatment of MDD. On 3 November 2022, Luye Pharma announced that its independently developed Class 1 innovative drug Toludesvenlafaxine Hydrochloride Sustained-Release Tablets (trade name: Ruoxinlin®) has been officially approved by the National Medical Products Administration of the PRC for the treatment of MDD. Ruoxinlin® is the first class 1 innovative chemical drug with independent intellectual property rights for the treatment of MDD developed by a local company in China. The launch of this product is a major breakthrough for innovative drugs developed locally in China in this field.

Case: Osteoporosis drug was approved for market launch

Denosumab injection (LY06006) is developed by Boan Biotech, a subsidiary of Luye Pharma, for the treatment of osteoporosis in postmenopausal women with a high risk of fracture; in postmenopausal women, LY06006 significantly reduces the risk of vertebral, non-vertebral and hip fractures. On 10 November 2022, Luye Pharma announced that Denosumab Injection (Boyoubei®) had been officially approved by the National Medical Products Administration of the PRC. Boyoubei® is the first biosimilar to Prolia® (the originator of denosumab) approved for marketing in the world. In addition to China, Boyoubei® is being developed in Europe and the United States, with a plan to be marketed in the global markets.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH (CONTINUED)

5.1.2 R&D Ethics

Protection of the Rights and Interests of Clinical Trial Participants

Ensuring the rights and interests of trial participants is an important principle in the conduct of clinical trials for drugs. The sponsors, researchers, and ethics committees of clinical trials all have an obligation to protect the rights and interests of trial participants. Luye Pharma places the rights and safety of trial participants as its top priority. All clinical trials must be approved by the ethics committee on the clinical R&D project after reviewing and approving the related documentation before their respective commencement, and we also provide clinical trials liability insurance, and drug medical compensation for the participants once the trials have been completed. Prior to the start of the clinical trials, the participants are made aware of the necessary information that they need for a complete understanding in the form of an informed consent agreement, and each participant shall sign the informed consent agreement before participating in the trials. We also protect the privacy of our participants to prevent information leakage. We are committed to ensuring the due rights of the participants when they are participating in clinical trials through the following measures:

Right to know

- Participants are given full explanations of the important matters related to the research, such as the purpose of the study, the study background, methodologies and procedures of the experiment drugs, to ensure that they have a clear understanding of the content and potential risks of the clinical trials.
- Participants will be promptly notified and be allowed to decide whether to continue to participate in the study when the latest information about the drug safety is made available during the course of the study.
- If a participant is unclear about the study or wants to have more information, the participant shall have the liberty to ask questions any time, and study physician or staff will reply as much as possible.

Right to free choice

- The study physician will explain the study in detail to the participants during their first interview, while the latter need to read and sign the informed consent agreement on their decision as to whether to participate or not.
- Participants will be informed that joining the study is not the only option they have; study physician will explain to participants on alternative clinical studies or alternative treatment solutions that are still effective for their ailment, as well as related risks and benefits.
- Participants may refuse to participate in or withdraw from the clinical trials at any time without providing any reasons, and the withdrawal will not have any impact on their medical rights.

Right to privacy

- All information collected from the clinical trials will be kept confidential in accordance with relevant laws and regulations. The personnel, government, national drug regulators and assessment institutions that are involved in Luye Pharma's clinical trials shall have the right to view the medical records of participants to give confirmation to the clinical trial procedures and data but would only do so on the condition that they will not violate the privacy of the participants.
- The personal information and related information of the participants shall be strictly confidential. Study records will not be identified by the participants' full name or any detailed address. Instead, we shall use the participants' pinyin abbreviation, date of birth, gender and assigned number when the relevant study data is to be recorded.

Other rights

- Compensation will be made to the participants for the time and inconvenience incurred due to participation in the study, such as the provision of nutrition subsidies and transportation subsidies.
- All trial-related medications and treatments will be provided to the participants for free during the time period when the trail is proceeding.
- We will take necessary medical measures and active treatments, and take up the responsibility for relevant medical expenses and corresponding economic compensation if the participants suffer from any injuries related to the study.

Animal Experiment Management

During the R&D process of drugs, Luye Pharma may need to carry out drug tests through animal experiments. All laboratories of Luye Pharma that are involved in animal experiment have obtained the Laboratory Animal Use License (實驗動物使用許可證) and the relevant working staff are required to hold a certificate for animal testing practitioners before proceeding with any animal experiments. As for the acquisition of laboratory animals, they are purchased from the suppliers in possession of the Laboratory Animal Production License (實驗動物生產許可證). Laboratory animals can be used in experiments after having passed quarantine observation.

We have formulated the Animal Laboratory Management and Animal Ethics Welfare System (《動物實驗室管理以及動物倫理福利制度》) to regulate all segments related to animal experiments, such as personnel management, laboratory animal use management, breeding environment maintenance, with the aim to strictly control and manage the animal experimental environment and ensure the welfare of the laboratory animals. During the course of animal experiments, Luye Pharma follows the principle of "gentle and stable, kindness and comfort, and reduce the animals' pain and stress response", and without prejudice to the experimental operation, we endeavor to minimize behavioral restriction imposed on experimental animals. At the same time, we adopt effective measures to avoid or relieve the pain or injury caused to animals, which are not directly related to the purpose of the experiment. Our animal experiments are undertaken in accordance with the "Three R Principles" (Replacement, Reduction and Refinement) and the "Five Freedoms" (freedom from hunger and thirst, freedom from discomfort, freedom from pain, injury and disease, freedom to express normal behavior, and freedom from fear and distress) under the Laboratory Animal — Guideline for Ethical Review of Animal Welfare (《實驗動物福利倫理審查指南》) (GB/T 35892-2018). In terms of breeding environment management, we comply with the directives as maintained in "Laboratory animal environment and facilities" (GB 14925-2010). We make purchase from the suppliers who have obtained the "Laboratory Animals' Feed Production License", and seek from them the relevant reports and conduct acceptance test to ensure that they meet the nutritional standards required for the laboratory animals.

5.1.3 Protection of Scientific Research Results

Luye Pharma actively encourages independent innovation and also attaches great importance to the protection of intellectual property rights of scientific research results. Our intellectual property department insists on taking the "Intellectual Property Strategy" as the guide, and "independent technological innovation" as the basis, and integrating the intellectual property rights into the entire process of technical research and development, product manufacturing and marketing, to effectively ensure that we are "advanced in technology, exclusive in the market and adequate in legal protection", with an aim to develop Luye Pharma into an international pharmaceutical enterprise with proprietary intellectual property rights and sustainable and stable development.

Luye Pharma strictly abides by the laws and regulations that have a significant impact on us, such as the Patent Law of the People's Republic of China (《中華人民共和國專利法》) and the Trademark Law of the People's Republic of China (《中華人民共和國商標法》), and has developed and improved a number of systems on documentation and constitution systems on intellectual property rights management, including the Technical Secret Management Standards (Trial) (《技術秘密管理規範(試行)》), the Patent Management System of Luye Pharma Group Ltd. (《绿叶制药集團有限公司專利管理制度》), the Inventor's Recognition System of Luye Life Sciences Group (《綠葉生命科學集團發明人署名制度》), and the Control Procedures for Use of Intellectual Property Rights (《知識產權運用控制程序》) to strengthen the regulations of intellectual property rights management. Among which, the Patent Management System of Luye Pharma Group Ltd. (《绿叶制药集團有限公司專利管理制度》) regulates the requirements for the duties of Luye Pharma's patent work organization and staff, patents and intellectual property rights management system, use of patent information, and implementation of patents. The Technical Secret Management Standards (《技術秘密管理規範》) regulates our technical secret management and strengthens the protection of technical secret in the documents relating to products and technology research and development, so as to further protect the interests of the Company and the inventors.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH (CONTINUED)

As of the end of the Year, the number of patents granted and currently under application of Luye Pharma in the PRC and overseas is as follows:

Patent Registration

	Valid authorized patents	Valid patents under application
PRC	257	81
Overseas	486	180

Trademark Registration

	Valid authorized patents	Valid patents under application
PRC	571	18
Overseas	670	154

5.1.4 Management of National-Supported Projects

Luye Pharma actively responds to the national support policies and participates in national key scientific research projects and topic studies. In terms of managing national-supported projects, Luye Pharma focuses on management and execution to ensure that the project is implemented smoothly and achieves the expected goals.


发 明 专 利 证 书

A method of preparing a local anesthetic liposome (Patent number: ZL 2019 1 1365161.X)


CERTIFICATE OF GRANT OF STANDARD PATENT
BY RE-REGISTRATION
Patents Ordinance (Chapter 514)

Compound, its isolation method, synthesis method, and application (Patent number: HK1239655)

Firstly, we have established a professional project management team, which is responsible for overall planning, organizing implementation, and supervising management to ensure the quality, progress, and effectiveness of the project. Luye Pharma also actively cooperates with universities, research institutions, and experts to form a good research and development cooperation mechanism and resource sharing platform and improve research and development capabilities and levels. Secondly, we pay attention to the supervision and control of the project process and establish strict quality management and risk control mechanisms to ensure the stability and control of the project. At the same time, we attach great importance to the transformation and promotion of project results, actively apply for patents and trademarks, promote the transformation of scientific and technological achievements into practical productivity, and promote the innovation and development of enterprises.

Case: Luye Pharma (Beijing Base) passed the review of Beijing Intelligent Benchmark Enterprises and was selected as one of the 2022 Beijing Intelligent Factories

In December 2022, Luye Pharma (Beijing Base) passed the review of Beijing Intelligent Benchmark Enterprises and was selected as one of the 2022 Beijing Intelligent Factories. Since undertaking the "Construction Project of Intelligent Traditional Chinese Medicine Industry Chain Factory" under the "Zhizao 100 Special Project" for Beijing High-precision and Advanced Manufacturing Industry Support Program of the Beijing Municipal Bureau of Economy and Information Technology in 2019, Luye Pharma (Beijing Base) has continuously improved and optimized the traditional Chinese medicine production model by introducing advanced information automation control equipment and systems, and adopting process analysis technology and new generation information technology, which has initially achieved the intelligent manufacturing goals of integration, digitization, precision, and green of traditional Chinese medicine, laying a solid foundation for promoting enterprise transformation and upgrading and achieving high-quality development.

5.1.5 Key laboratory management

Luye Pharma attaches great importance to the construction and management of key laboratories, and is committed to enhancing research and development capabilities and technological innovation levels. The key laboratories of Luye Pharma include drug development laboratory, formulation development laboratory, production process laboratory, and testing and analysis laboratory. The management and operation of these laboratories are crucial to the development of the enterprise. Firstly, Luye Pharma has established a professional laboratory management team, responsible for laboratory planning, construction, decoration, equipment selection, and daily management. Luye Pharma emphasizes the standardization, digitalization, and informatization of laboratory construction, and enhances the research and development capabilities and efficiency of laboratories through the introduction of advanced equipment and technology.

Luye Pharma (Beijing Base) obtained the laboratory accreditation certificate from the China National Accreditation Service for Conformity Assessment (CNAS)

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH (CONTINUED)

Secondly, Luye Pharma pays attention to quality management and safety management of laboratories, and has established a sound laboratory management system and operating procedures to ensure the safe operation of laboratories and the reliability of experimental data. Luye Pharma also focuses on the training and improvement of laboratory personnel, strengthens teamwork and communication, and improves the overall quality and management level of laboratories. Luye Pharma also strengthens the connection between laboratories and the industry chain. Through cooperation and communication, laboratory research results are combined with enterprise needs, providing strong support for product development and market competition.

5.2 Superior Quality Assurance

Material issue(s) in this section

- Drugs Manufacturing and Quality Management System
- Counterfeit and substandard pharmaceutical management
- Green manufacturing system governing product life cycle

Luye Pharma is a pharmaceutical company dedicated to producing high-quality drugs. In order to ensure the quality and safety of the drugs, Luye Pharma has implemented strict quality control measures and production process management to improve production management and quality control levels from multiple aspects, and ensure that every batch of drugs produced meets national and industry standards and is safe and reliable. We insist on improving our quality management system on the basis of observing the international and national regulations and standards relating to the pharmaceuticals quality to ensure the safe use of pharmaceuticals. Along the same line, we have always been committed to providing quality services to customers and meet their expectations, focusing on customer needs and experiences from product research and development, production to after-sales service.

5.2.1 Drug Quality Management

In compliance with the laws and regulations, including the Law of the People's Republic of China on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》), the Implementation Regulations on the Law of the People's Republic of China on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法實施條例》), the Measures for Supervision and Administration of Pharmaceuticals Manufacturing (《藥品生產監督管理辦法》), and the Good Manufacturing Practices for Pharmaceutical Products (《藥品生產質量管理規範》) (GMP), Luye Pharma has developed a GMP-compliant pharmaceutical quality management system which is applicable to its drugs manufacturing base. Luye Pharma ensures the continuous and stable production of high quality and safe medicines to meet the needs of patients by implementing internal quality management policies and a systematic division of labor between departments. We have formulated quality objectives, quality approaches and quality goals, implementing the requirements on drug safety, effectiveness and quality control into the entire process of drug production, quality control and product launch, storage, and transportation and shipment in order to continuously optimize our quality management system and ensure compliance with the requirement of GMP.

Quality objectives	to pursue higher quality in order to meet customers' needs
Quality approaches	to put quality as primary, integrity as basis, innovation as priority, aiming at serving for human health, pursuing higher quality and satisfying customers' needs
Quality goals	to ensure product quality and supply to meet market demand with 100% passing rate for market sampling of product and zero quality accident throughout the Year. Other factors are determined on an annual basis

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH (CONTINUED)

In order to improve the quality of the pharmaceutical products, each production base of Luye Pharma focuses on developing effective quality management measures to enhance the targeting and effectiveness of the quality management. Based on an overall quality policy, each production base sets their own annual quality objectives and indicators, regularly reviews progress towards these objectives, and proposes corresponding improvement measures as necessary. These improvement measures may involve various aspects such as processes, equipment, personnel, technology, etc., to assure fundamental improvements in the quality level of the pharmaceutical products. Additionally, each production base of Luye Pharma continuously seeks new technologies and management methods to address new challenges and opportunities, further improving their quality management level.

Luye Pharma's GMP Pharmaceutical Quality Management System

Management aspects	Management systems
• Quality management • Deviation management • Plant and facility management • Equipment management • Materials and product management • File management • Manufacturing management • Quality control and quality assurance • Product transportation and shipment, and recall management • Self-inspection management	• Management standards • Operation standards • Process documentation • Risk assessment report • Voucher record • Accounts record • Warehouse cleaning • Process specifications • Batch production, and batch packaging records • Technical standards

Quality Assurance ("QA") and Quality Control ("QC") are the major drug quality management departments of Luye Pharma, whose job responsibilities cover aspects such as quality assurance and quality control. The QA department is responsible for developing and implementing quality assurance plans, drug production standards, and quality management standards, to ensure that the quality of the production process meets relevant regulations and standards. The QC department is responsible for developing and implementing drug quality control plans, inspection standards, and inspection methods, to ensure that the quality of drugs meets standards and regulations. It is also responsible for reviewing the documents relating to the GMP pharmaceutical quality management system, ensuring that production management and quality control activities are complied with relevant laws and regulations for pharmaceutical product, while other functional departments are in charge of cooperating and participating in drug quality management. The management overview of each section under Luye Pharma's GMP quality management system is as follows:

Drug production Process management

- Production management procedures and operation procedures are established under the requirements of GMP to bring the whole process of drug production into the management of the GMP system;
- Production is strictly based on the approved prescription process to ensure that the drugs produced meet the intended use and registration requirements.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH (CONTINUED)

Quality control procedures for drug products	• Establishing quality control system related management documents and standard operation procedures (SOP), including corporate internal control quality standards for materials, intermediate products, and finished goods, various inspection operation procedures, and management procedures for various inspection instruments, equipment and reagents, etc., to realize quality control of the whole process of receiving materials, producing products and inspecting finished products.
Product launch, storage and shipment procedures	• Formulating relevant documents to manage the whole process of product release, storage and shipment to ensure that the whole process of product release, storage, and transportation and shipment can meet the requirements of GMP.
Quality risk management	• Establishing the quality risk management system, which assesses and controls the identified quality risks, minimizes risks, thereby ensuring the safety and effectiveness of drugs and the quality of drugs conforms to legal standards and is suitable for intended use.
Quality assurance procedure	• Formulating and implementing quality management such as the Self-inspection Management Procedures, Quality Review Management Procedures and Corrective and Preventive Actions (CAPA) Management Regulations to standardize verification management, alteration management, deviation management, CAPA, etc., and to control quality risks by corrective actions and preventive measures for ensuring product quality.
Annual product quality review analysis	• Conducting annual quality review on all registered products, assessing whether product quality is under continuous control and whether improvement or preventive actions are needed; • Including the product stability experimental results and any bad trend and all matters in relation to the returns, complaints and recalls resulting from product quality in the key contents of the annual product quality review report.

During the Year, Luye Pharma's various products and production lines have passed the GMP inspection and certification. It also passed the ISO 9001 quality system certification in respect of its R&D and production of drugs, offering comprehensive guarantee to our product quality.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH (CONTINUED)

Quality Inspection and Certification that Luye Pharma's Production Lines have passed

China Production Base

Pass US FDA cGMP Inspection
Pass EU GMP Inspection
Pass Australian TGA GMP Inspection
Pass China 2021 GMP Inspection
ISO 9001:2015 Quality Management System Certification
CNAS Laboratory Accreditation
Pass EU QP Audit

European Production Base

One of the largest independent transdermal system manufacturers in Europe, with a transdermal preparation manufacturing workshop that has the most difficult process and highest technical barriers
Pass US FDA cGMP Inspection
Pass EU GMP Inspection
Pass Japan GMP Inspection
Pass Brazil ANVISA Inspection

During the Year, a total of 4 products of Luye Pharma passed the GMP compliance test in China.


SGS

此为证书 CN15/10028 译本

北京北大维信生物科技有限公司

注册地址: 中国北京市海淀区中关村永丰基地永盛北路 2 号 3 幢
经营地址: 中国北京市海淀区中关村永丰基地永盛北路 2 号

统一社会信用代码 91110108625905531K

ISO 9001:2015

片剂、硬胶囊剂(含中药提取)的生产, 口服固体制剂的开发

该证书的有效期自 2021 年 01 月 08 日至 2024 年 01 月 07 日
组织必须定期接受监督审核并经审核合格此证书方继续有效
持续认证至少在证书失效前 60 天执行
版本号 3. 初始注册日期 2015 年 01 月 08 日

IAF

UKAS MANAGEMENT SYSTEMS 0005

SGS United Kingdom Ltd

ISO 9001:2015 Certification for Luye Pharma (Beijing Base)

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH (CONTINUED)

Luye Pharma has established a product recall process to ensure that effective measures can be taken promptly in the event of quality or safety issues with its products, in order to protect the interests of consumers and the reputation of the brand.

Drugs Manufacturing Management

QC personnel are mainly responsible for the inspection and approval of all incoming materials, intermediate products, products pending for packaging, and finished products, while the QA personnel are responsible for monitoring of the environment surrounding the plants, supervision of water quality, sample observation and management, review and analysis of product quality, supervision of the Company's production activities in accordance with GMP and relevant laws.

Drugs Acceptance

Luye Pharma has developed the Rules for Acceptance, Inspection and Handling of Sample Products (《樣品的接收、檢驗、處理規程》) to regulate the entire process on sample transfer by sampling personnel and the acceptance, inspection and handling of sample products by QC personnel. Upon completion of sample inspection, the QA personnel will issue an inspection report enclosed with a "certificate of qualification" or a "certificate of disqualification" of sample products.

Drugs Recall Management

Each production base has developed the Management Regulations on Drugs Recalls (《藥品召回管理規程》) to regulate the procedures for drug recalls. We collect drug safety information through channels like customers' complaints and adverse reaction monitoring, and report it to our drug recall decision team. The team will investigate and assess the quality and safety risks of the drugs, and decide whether to initiate a recall based on the assessment results.

During the Year, Luye Pharma had made no recalls of sold or shipped products for safety and health reasons.

5.2.2 Quality Customer Services

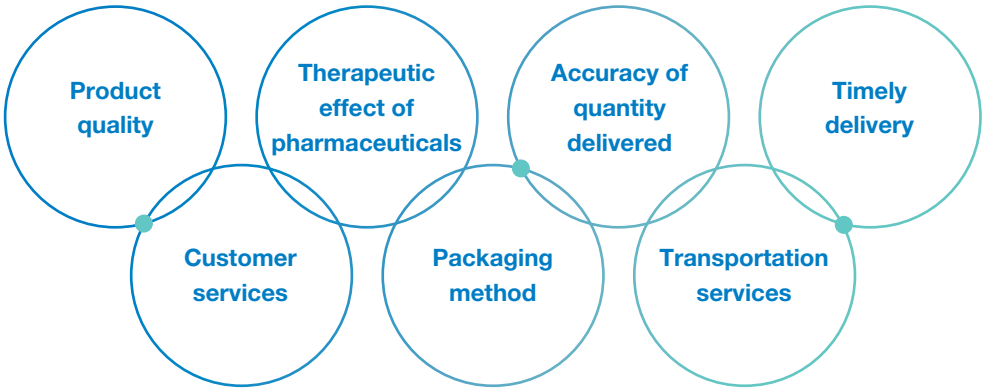
Apart from ensuring the quality management, we also strive to continue to provide customers with quality services. We conduct customers' satisfaction survey on a regular basis, intending to collect customers' comments and opinions with respect to our drug quality, work and service standard, to formulate improvement measures based on suggestions and requirements, and constantly improve the quality of our products and services and accordingly raise customer satisfaction. Luye Pharma places great emphasis on both drug quality management and customer satisfaction. In order to provide high-quality services continuously, we regularly conduct customer satisfaction surveys. These surveys collect customer's comments and opinions with respect to our drug quality, work and service standard, so that we can better understand customer needs and expectations.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH (CONTINUED)

By collecting and analyzing survey results, we can formulate targeted improvement measures to continuously enhance product and service quality. We take proactive measures to address customer feedback and promptly respond to customer opinions and suggestions. These improvement measures aim to improve our production efficiency and service level, thereby increasing customer satisfaction and loyalty.

We focus on establishing and maintaining good customer relationships, continuously improving our product and service quality to meet customer needs and expectations, while enhancing our performance and market competitiveness. We firmly believe that only by continuously improving customer satisfaction can we achieve long-term success and stable development in the market.

In line with the requirements of the Monitoring Procedures for Customers' Satisfaction (《顧客滿意度監控程序》), the Sales Department of Luye Pharma (Shandong base) is responsible for conducting customers' satisfaction survey in the form of written questionnaire every year, Market QA is responsible for formulating the satisfaction survey plan, and to conduct analysis on the survey results as the survey is completed, and to issue the customer satisfaction survey analysis report. The evaluation indicators of customers' satisfaction survey are as follows:



Based on the investigation and analysis conducted on the customer satisfaction survey, Luye Pharma (Nanjing Base) intends to formulate corresponding corrective and preventive measures that comply with the Management Procedures on Corrective and Preventive Action (CAPA) (《糾正與預防措施(CAPA)管理流程》), while the quality department is responsible for monitoring and tracking its implementation by relevant departments to ensure the continuous improvement of our service quality. Boan Biotech has also formulated Customers-Related Requirements Review and Control Procedures (《與顧客有關要求評審控制程序》), and Luye Pharma (Beijing Base) has established "Customer Satisfaction Measurement and Control Management Protocol (《顧客滿意度測評控制管理規程》), which serve to accurately identify and respond to customers' needs for and expectations to products, and to ensure that we can have adequate capabilities and standardized processes, to tailor to customers' needs with quality products and services so as to meet customers' requirements and to establish and develop good relationship with customers.

Customer complaints and feedback are an important channel for reflecting the quality of products and services. For Luye Pharma, being able to understand customers' opinions and needs in a timely manner is helpful in improving our products and services and increasing customer satisfaction. Therefore, we have not only formulated the Complaint Management Regulations (《投訴管理規程》) and Complaint Handling Operation Procedures (《投訴處理操作規程》), but also pay attention to details in actual operation to ensure that the complaint handling process is rigorous and reliable.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH (CONTINUED)

In terms of complaint management, we have established a complete complaint handling process and formulated the Complaint Handling Operation Procedures. We classify and register the content of complaints, and adopt corresponding handling measures based on different types of complaints. In terms of quality complaint, we will complete the investigation within 5 working days based on the relevant contents of the Quality Complaint Handling Form (《質量投訴處理表》), and upon the result, we proceed to identify the root cause and conduct risk assessment, and propose corresponding corrective and preventive measures according to the degree of impact of the risk. At the same time, subsequent follow-up measures will be undertaken that is in compliance with the Corrective and Preventive Measures Management Regulations (《糾正預防措施管理規程》), such that the potential quality risks can be put under control and the medication safety of patients' will be safeguarded.

In addition, we also focus on collecting and organizing feedback and suggestions from customers, and develop corresponding improvement measures based on the feedback content. These improvement measures are not only limited to enhancing product and service quality, but also include optimizing processes and strengthening communication to address customer feedback issues. We believe that by continuously improving product and service quality and the Company's management system through complaint handling and opinion collection, we will be able to provide customers with better quality medicines and services.

Luye Pharma's division of labour amongst its functional groups in handling complaint management is as follows:

Responsible department and personnel	Duties
QA	In charge of the registration, organization and investigation, results feedback of complaints
Complaints investigation group	In charge of the investigation, risk assessment, proposing corrective and preventive actions of quality complaints
Person in charge of quality	In charge of the approval of the emergency measures on quality complaints, corrective and preventive measures, and written feedback
Quality manager	In charge of the approval of the emergency measures on quality complaints, and corrective and preventive measures
Salesperson	In charge of reports on feedback complaints from agents, on-site investigation contact
Marketing department (for products), and medical department	In charge of the replies of professional consultations in relation to medication
Person in charge of adverse reaction monitoring	In charge of handling adverse reaction complaints
All relevant departments	Cooperate with the investigation of complaints, and in charge of providing responses to professional issues involving the respective department

During the Year, Luye Pharma had received a total of 29 complaints in relation to drugs quality and safety, customer consultation, customer service and others (including one confirmed invalid complaint), all of which has been handled with the respective customers in accordance with the above procedures, demonstrating our emphasis on customer care. None of such complaints has resulted in legal actions against the Group.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH (CONTINUED)

5.3 Ethical Marketing

Material issue(s) in this section

- Counterfeit and substandard pharmaceutical management

In order to comply with relevant laws and regulations and promote ethics, Luye Pharma has implemented a series of measures in the process of drug promotion. First, we ensure strict compliance with the Law of the People's Republic of China on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》) and industry standards in our promotional activities, and have formulated and implemented the Code of Conduct for Pharmaceuticals Promotion of Luye Pharma Group (《绿叶制药集團藥品推廣行為準則》), providing all employees with behavioral standards and ethical guidelines for drug promotion and sales to avoid non-compliant behavior. Second, we provide necessary training to all employees, including knowledge of laws, regulations, and ethical standards, to ensure that employees can understand and execute relevant provisions correctly.

In addition, we have established a strict internal regulatory system to ensure compliance with promotional activities. For example, for the Company's sales representatives, we have set up a strict assessment system to track and regulate their promotional activities, and ensure that their behavior complies with the Company's and regulatory requirements through regular internal audits. For violations of regulations, we will take corresponding corrective measures, including but not limited to warnings, revocation of practice qualifications, and dismissal.

Finally, we emphasize building trust relationships with medical institutions and healthcare professionals, improving customer satisfaction through quality customer services and product quality, and achieving positive brand reputation. We believe that only by complying with laws and regulations, adhering to ethical standards, and ensuring product quality, can we achieve sustainable development of the Company's business.

Code of pharmaceuticals promotion

The Code of Conduct for Pharmaceuticals Promotion of Luye Pharma Group (《绿叶制药集團藥品推廣行為準則》) is the basic guideline followed by Luye Pharma in drug promotion, ensuring the compliance and professional ethics of the drug promotion activities for Luye Pharma. In addition to the aforementioned prohibition on providing inappropriate promotional gifts or services to non-healthcare professionals and other stakeholders, the code also specifies certain aspects that employees need to pay attention to in the promotion process. For example, employees need to ensure the truthfulness, accuracy, and completeness of the information provided in drug promotion, and shall not intentionally mislead or conceal the truth. At the same time, when using promotional funds, employees must comply with the Group's financial management system and relevant laws and regulations, and shall not engage in any irregular behavior. The code also specifies matters that employees need to pay attention to during academic exchanges with healthcare professionals, including not using the opportunity to promote drugs to healthcare professionals, not influencing the prescription rights of healthcare professionals in any way, and maintaining the truthfulness and objectivity of academic exchanges, without any false advertising or misleading behavior.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH (CONTINUED)

Product label management

The labels and directions of all products are designed in accordance with the product manuals approved by the State Food and Drug Administration of China and the Provisions on the Administration of Pharmaceutical Directions and Labels (《藥品説明書和標籤管理規定》). Product advertisements are released in the relevant media after obtaining the pharmaceuticals and advertisement approval circular as approved by the drugs supervision and administration department in accordance with the requirements of the Law of the People's Republic of China on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》) and the Measures for the Examination of Drug Advertisements (《藥品廣告審查辦法》), to ensure their content is true, accurate and not misleading or deceptive.

Information security and privacy protection

To protect the privacy of personal data for relevant groups, Luye Pharma has not only complied with relevant national and regional laws, regulations, and standards when formulating and implementing the Personal Data Protection Policy (《個人數據保護政策》), but has also implemented a series of information protection technologies and measures. First, for personal information stored electronically, we use encryption technology for protection, which ensures that personal information is not illegally accessed or tampered with during transmission and storage, maximizing the protection of personal privacy. Second, for confidential discarded documents containing personal information, we take timely destruction measures. When handling these documents, we ensure that they are destroyed within an appropriate time frame to avoid the leakage of personal information and also protect the Company's trade secrets. Additionally, Luye Pharma provides relevant training to all employees to enhance their understanding and awareness of personal information protection, ensuring that all employees can properly handle and protect the personal information of relevant groups, avoiding unnecessary information leakage and loss.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH (CONTINUED)

Access to the medicines

Luye Pharma is seriously concerned if patients from different regions and different classes can have access to the pharmaceutical products and treatments they need. To this end, we have been committed to improving the accessibility of medicines through various methods and actions, whereby, we aim to enhancing the access to medicines for primary patients, including but not limited to:

1. to make an effort to include regular medicines that are suitable for being used in primary care hospitals in the National Essential Medicines List (《國家基本藥物目錄》), so that the reimbursement rate for medicine costs in primary care hospitals can reach as high as 100%
2. to include all new products into the National Medical Insurance Catalog, which helps to significantly reduce the burdens on patients when they receive medicine
3. to enter into various regional health care organizations such as health insurance research institute and the health insurance specialized committee
4. through undertaking collaborative projects such as pharmacoeconomic studies, diagnosis-related group (DRG) training meetings and coorganizing relevant conferences, to share resources in health insurance administration, treatment, clinical pharmacology and experts, and, ultimately, to obtain relevant policy support
5. to extend the sales network and to provide grass-root patients with even more opportunities to access the appropriate pharmaceutical products and treatment

Management of counterfeit and substandard drugs

The Group is well aware of the harm of counterfeit and substandard drugs to consumers and the impact on corporate reputation. Therefore, the Group strictly complies with the Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》) and implements strict management of the supply chain to prevent counterfeit drugs from entering the market. Additionally, through the Adverse Reaction and Technical Complaint Monitoring Management Process of Luye Pharma (《绿叶制药藥品不良反應和技術性投訴監測管理流程》), investigations are conducted on drug adverse reactions to prevent consumers from experiencing adverse reactions due to inferior drugs. The Group always prioritizes consumer safety.

6. SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Material issue(s) in this section

- Selection of suppliers and management

Luye Pharma has extended its supply chain management system from 8 major production bases and designed a strategy for a global product supply layout to ensure the quality, efficiency, and sustainability of product supply. In the context of globalization, Luye Pharma attaches great importance to environmental and social risk management in the supply chain and incorporates the performance of suppliers in environmental and social management as one of the evaluation criteria for supplier selection.

To achieve efficient supply chain operations, Luye Pharma has formulated a series of internal supplier management policies, including Management Procedures for Suppliers and Related Parties (《供方及相關方管理程序》), the Management Regulations on Appraisal and Assessment of Supplier's Overall Performance (《供應商整體表現評價與評估管理規程》), the Operating Procedures for Selection and Determination of CMO/CDMO (《CMO/CDMO篩選與確定操作規程》), and R&D Pharmaceutical Commissioning Production Management Procedures (《研發藥品委託生產管理規程》). These policies clarify the supply chain management process and standards of Luye Pharma, including performance investigation and evaluation of suppliers, contractors, and related parties in areas such as environmental protection, occupational safety and health, and product quality. Through these measures, Luye Pharma is committed to building a responsible supply chain and promoting the sustainable development of the Company and its cooperative partners.

In addition, to ensure that the production process and product quality in the supply chain are fully guaranteed, Luye Pharma also specifies the evaluation and screening process for CMO/CDMO companies and determines the best CMO/CDMO for suitable projects through comprehensive assessment. The supply chain management department is responsible for supervising and managing the entire supply chain to ensure that environmental protection, occupational safety and health, and product quality in the production process comply with the requirements of the Company and relevant laws and regulations.

As an enterprise dedicated to the R&D, production and sales of innovative drugs, our major suppliers include CMO/CDMO companies commissioned by us for production, as well as equipment and raw material suppliers. The Operating Procedures for Selection and Determination of CMO/CDMO (《CMO/CDMO篩選與確定操作規程》) regulates the assessment and selection process of CMO/CDMO, and determines the best CMO/CDMO suitable for the project through comprehensive assessment. The Supply Chain Management Department is responsible for:

- collecting the information on CMO/CDMO and conducting preliminary assessment;
- conducting due diligence on potential partners by on-site inspection and preparing a due diligence report;
- inviting project quotation from potential suppliers and selecting cost-effective suppliers; and
- establishing and updating CMO/CDMO catalogs.

6. SUSTAINABLE SUPPLY CHAIN MANAGEMENT (CONTINUED)

To ensure that the quality of commissioned pharmaceutical products meets the requirements of registration and GMP related regulations, we have formulated the R&D Drug Commissioning Production Management Procedures (《研發藥品委託生產管理規範》) to regulate the management of various aspects of the R&D center. In particular, we have regulated the scope of the responsibilities of the departments involved in each production base, the selection of CMOs/CDMOs, and the form and procedures of quality audits. Some of the supplier selection practices include but not limited to:

- factors to be considered when selecting suppliers, including price, quality standard, availability of supply, company size, credit risk, sales and after-sales services;
- investigation of suppliers' EHS performance, such as reviewing whether they have established the environmental and occupational health and safety management system, whether they have passed the ISO 14001 environmental management system certification and the OHSAS 18001 occupational health and safety certification, and whether they have the pollutant emissions permits;
- the suppliers should have the certificates required by national laws and regulations, such as pharmaceutical GMP certificate, production permit, medical device registration certificate and product agency authorization;
- the production conditions of the suppliers should meet the equipment conditions and environmental conditions as required;
- the suppliers' quality management system shall pass the certification, and the suppliers can provide quality certificates (such as the manufacturer's inspection report) and undertake the corresponding quality assurance; and
- the selection of suppliers should follow the principles of open and fair competition, and that reputable manufacturers are preferred to reduce procurement cost and risk.

The following is the main process of supplier management in the development of our R&D Drug Commissioning Production Management Codes (《研發藥品委託生產管理規範》):

In addition, Luye Pharma actively promotes green procurement. The environmentally-friendly procurement practices we have developed and implemented include:

- products with environmental protection certification documents and environmental protection grade labels will be preferred in the purchase of office supplies, and products that are environmentally friendly with low energy consumption will be considered when purchasing electrical products;
- E0-grade panels that meet the new international testing standards will be preferred in the bidding of office furniture when considering the environmental grade of the products tendered;
- phosphorus-free environmentally friendly detergents shall be purchased and used, with no use of snow melting agent in winter;
- energy-saving LED lamps shall be used, with newly purchased vehicles to meet China V Emission Standard or above; and
- the procurement and use of chemicals shall follow the principle of reduction and substitution.

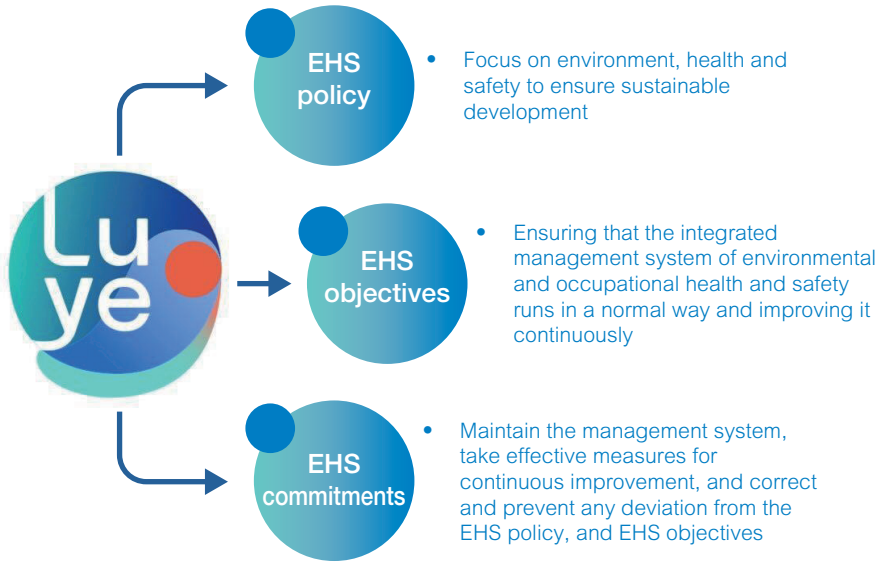
During the Year, Luye Pharma had 10,536 domestic suppliers and 299 overseas suppliers, and the above supplier engagement practices apply to all suppliers to ensure the sustainability of our supply chain.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION

Material issue(s) in this section

- Hazardous waste discharge and management
- Use of water resources
- Pollutant discharge and management
- Use of energy
- Results of environmental monitoring
- Non-hazardous waste discharge and management
- Protection measures for natural ecological environment

As an enterprise dedicated to the R&D, production and sales of innovative drugs, Luye Pharma insists on its production and business philosophy of "environmental protection, production safety and professional services for human health". Under the guidance of this philosophy, we are fully aware of the importance of environmental protection and occupational health and safety to an enterprise, and therefore are dedicated to setting up and improving our EHS integrated management system on an on-going basis to ensure that our business operations comply with the most up-to-date international management standards and simultaneously satisfy our actual needs and business environment. We have in place the Environmental and Occupational Health and Safety Manual (《環境與職業健康安全手冊》) (hereinafter referred as the "EHS Manual") to regulate all management activities relating to environmental and occupational health and safety. As the basis of our EHS integrated management system, this manual aims to ensure that we can realize EHS policy and management objectives. The general EHS policy, objectives and commitments are as follows:



7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

7.1 Environmental Protection System

Sustainable development of Luye Pharma has become a key direction of the Company for long-term development. We are committed to realizing the balance and coordination between economy, society and environment. With issues such as climate change and global warming in the spotlight, we realize the importance of environmental protection. As a leading company, we have been leading by example in minimizing the negative impact of our daily operations on the natural environment and natural resources. Our operation is carried out in our production bases, laboratories and offices and the major environmental factors include discharge of hazardous and non-hazardous waste, use of energy, greenhouse gas emission, air pollutant emissions and disposal of chemicals. For detailed statistics on environmental performance, please see the Environmental Performance Table set out in the Appendix.

Luye Pharma has established an environmental management system (EMS) on the basis of ISO 14001:2015 standard and required all staff members to implement relevant environmental measures in daily work in accordance with the procedures specified in the EHS Manual, so as to avoid, reduce or eliminate the environment pollution caused by its operational activities. By adopting the "Plan, Do, Check, Act" (PDCA) management cycle theory, Luye Pharma conducts periodic internal and external EMS audit to review and examine the operation of the management system so as to improve the appropriateness, completeness and effectiveness of the EMS system in a continuous manner. Luye Pharma will promptly propose measures for improvement whenever necessary for consistently enhancing its environmental performance.

In addition, a number of Luye Pharma's production bases have passed the ISO 14001:2015 environmental management system certification, which demonstrates that its environmental management system has complied with the requirements of international standard, providing a guarantee for improving corporate image and expanding the market. In pursuit of sustainable development, while complying with environmental laws and standards, we also attach importance to employees' awareness of and engagement in environmental protection, establish a mutual environmental culture and values of the Company and employees, and join forces for environmental protection and sustainable development.

Luye Pharma (Beijing Base) ISO 14001:2015 certificate

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

During the Year, we have strictly complied with the laws and regulations that have a significant impact on us relating to air and greenhouse gas emissions, waste discharge into water and soil, and generation of hazardous and non-hazardous waste.

Laws and Regulations relating to environmental protection that Luye Pharma is subject to and significantly affected (including but not limited to)

- The Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》)
- The Environmental Protection Tax Law of the People's Republic of China (《中華人民共和國環境保護稅法》
- The Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢物污染環境防治法》)
- The Law of the People's Republic of China on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》)
- The Law of the People's Republic of China on Appraisal of Environment Impacts (《中華人民共和國環境影響評價法》)
- The Law of the People's Republic of China on Energy Conservation (《中華人民共和國節約能源法》)
- The Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise (《中華人民共和國環境噪聲污染防治法》)
- The Law of the People's Republic of China on Soil Pollution Prevention and Control (《中華人民共和國土壤污染防治法》)
- The Law of the People's Republic of China on Cleaner Production Promotion (《中華人民共和國清潔生產促進法》)
- The Law of the People's Republic of China on Renewable Energy (《中華人民共和國可再生能源法》)

For each major environmental factor, we have formulated a number of environmental policies with reference to applicable laws and regulations, part of which are set out below:

Major environmental factors	Internal policies of Luye Pharma (including but not limited to)
Hazardous and non-hazardous waste	• The Management Procedures for Prevention and Control of Pollution by Solid Waste (《固體廢物污染防治管理程序》) • The Management Procedures for Hazardous Waste (《危險廢物管理制度》)
Air pollutant emissions	• The Management Procedures for Prevention and Control of Air Pollution and Hazards (《大氣污染及危害防治管理程序》) • The Management System of Prevention and Control of Pollution Sources (《污染源防控管理制度》)
Water resources management	• The Management Procedures for Prevention and Control of Water Pollution (《水體污染防治管理程序》)
Use of energy/Greenhouse gas emissions	• The Management Procedures for Energy and Resources (《能源資源管理程序》)
Chemicals disposal	• The Management Procedures for Dangerous Goods (《危險品管理程序》)
Environmental accidents	• The Environmental Accidents Emergency Plan (《突發環境事件應急預案》)
Other environmental impacts	• The Procedures for Identification, Appraisal and Update of Environmental Factors (《環境因素識別、評價與更新程序》) • The Management Procedures for Environmental Operation Control (《環境運行控制管理規程》) • The Management Procedures for Noise and Vibration (《噪聲與震動管理程序》)

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

7.2 Waste Management

Luye Pharma emphasizes waste management and has adopted a series of measures to reduce the negative impact of hazardous and non-hazardous wastes on the environment. We have formulated an internal policy on waste management to strictly regulate the whole process management of various solid wastes, thus ensuring the compliance with the requirements of relevant national laws and regulations and reducing the burden of waste on the ecological environment. Our goal is to significantly improve the efficiency of waste reduction through "waste reduction at source". Each production base is committed to developing and implementing waste reduction measures under the 4R principles. Furthermore, Luye Pharma conducted publicity campaigns to encourage its employees to implement "waste reduction at source" during their daily work. For example, we have put up additional posters in the staff canteens to reduce food waste and thus reduce food waste generation. In order to effectively monitor the amount of waste generated and the effectiveness of the measures implemented, we also use the relevant data as a reference and examine whether the measures need to be improved based on the benchmark from previous years. The waste management system of Luye Pharma helps to protect the environment and make contributions to sustainable development.

The Management Procedures for Prevention and Control of Pollution by Solid Waste specifies the four principles, division of function and waste classification for solid waste management. Solid waste is mainly divided into two categories, namely hazardous waste and non-hazardous waste. Hazardous waste includes medical waste, organic liquid waste, organic resin waste and waste activated carbon. Non-hazardous waste can be further categorized as recyclable and non-recyclable waste, including domestic waste, medicine dregs, and discarded packaging materials and paper. The table below shows the disposal procedures for hazardous and non-hazardous waste in each link:

Collection	• Each department which generates hazardous waste has set up a site for sorting and collecting hazardous waste and corresponding labels will be attached to hazardous waste which will then be sorted out and put into the designated containers depending on their nature. The containers for collection shall not be damaged or poorly sealed in order to prevent leakage. • Non-hazardous waste shall be classified and collected in a centralized manner and be placed in corresponding bins and garbage recycling booths as designated. We engage third-party professional agencies to carry out daily recycling on a regular basis.
Storage	• Each department which generates hazardous waste shall arrange a designated area for temporary storage of hazardous waste. The area shall comply with the requirements of safety and environmental protection, including avoidance of high temperature, direct sunlight, and rain-wetting, and being away from the sources of ignition. Warning signs shall be posted in such temporary storage area. • When the waste stored in such temporary storage area has reached a certain quantity, they will be transferred to the hazardous waste storage sites in accordance with the hazardous waste classification requirements.
Transportation	• Internal transfer: Use suitable packaging containers to prevent leakage, spillage, dripping or volatilization during loading, removing or transport. The waste will then be transferred to the temporary storage site with a fully enclosed specialized vehicle operated by a trained operator. • External transfer: The uploading will be handled by the transfer unit with the cooperation of the departments generating hazardous waste on a rotational basis.
Disposal	• For the hazardous waste that needs entrusted disposal, qualified hazardous waste disposal units with operation licences for waste disposal services shall be engaged. • For non-hazardous waste, we have signed an agreement on the disposal of domestic waste with the local environmental department, pursuant to which we will transport the waste every day to prevent environmental pollution due to excessive storage. General recyclable waste, such as packaging and obsolete equipment, will be collected to a local recycling company. Medicine dregs will be disposed of by a professional agency to make them into fermented fertilizer for harmless disposal.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

In addition to managing hazardous and non-hazardous wastes generated during the operation process, Luye Pharma also strives to build and improve the green manufacturing system from product design to end-of-life. We follow the concept of "green design and green manufacturing" in the entire lifecycle of innovative drug development, marketing and disposal. In addition to ensuring the efficacy, quality and cost control of pharmaceutical products, the environmental impact and resource utilization are taken into account such that the environmental pollution throughout the product life cycle can be reduced. The following are the key management policies and measures for medical waste and waste pharmaceuticals:

- A Management Regulation for Waste from Raw and Auxiliary Materials Workshop (《原輔料車間廢棄物管理規程》) is formulated to standardize the disposal of raw material waste of drugs and to prevent pollution and crosscontamination;
- Small items such as plastic bags, locking cords and labels required for drug packaging shall be used appropriately to reduce waste;
- The defective products produced in the production process shall be managed in accordance with the requirements of the Control Regulation for Defective Products (《不合格品控制規程》) to ensure proper disposal of cartons used in packaging, tail waste and other waste and avoid arbitrary disposal; and
- An on-post personnel will collect and label those defective products, and a QA personnel shall confirm the quantity and seal condition of such products for issuing a certificate of disqualification. Thereafter, the defective products will be collectively and temporarily stored in warehouses for registration and management. A warehouseman will then liaise with a waste disposal unit for their disposal.

Case: Recycling solid waste

Luye Pharma (Beijing Base) divided the general solid waste into solid waste generated from the production and domestic waste. Among which, the solid waste generated from the production mainly consisted of the waste packaging materials produced in packaging links of the formulation process by enterprises, including packaging materials (such as aluminum foil, PVC and composite film) and waste. Luye Pharma (Beijing Base) cooperated with third-party companies qualified for material recycling to recycle the solid waste; while the general waste generated from living, office and staff canteens, and kitchen waste were cleared and transported on a regular basis by the sanitation company designated by the government.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

7.3 Air Emissions Management

Luye Pharma's air emissions mainly come from the exhaust gas emitted by combustion in boilers and exhaust gas from workshops and laboratories. To ensure that we meet the regulatory requirements of GB 16297-96 Emission Standard of Air Pollutants (《大氣污染排放標準》) and reduce the burden of exhaust gas on the environment, we have in place policies such as the Management Procedures on Prevention and Control of Air Pollution and Hazards (《大氣污染及危害防治管理程序》) and Management System of Pollution Source Prevention and Control (《污染源防控管理制度》) to monitor the exhaust gas generated by Luye Pharma, and ensure its compliance with the existing requirements under environmental laws and regulations. In addition, we aim to reduce our emissions. To this end, we have set a series of corresponding targets and we monitor the progress in achieving the targets to reduce environmental pollution on a quarterly basis.

Delineation of responsibilities of Waste Pollution Control and Management Procedures of Luye Pharma (Nanjing Base)

- Production Department is responsible for disposal of exhaust gas generated in the process as well as the operation, management and maintenance of equipment.
- Safety and Environmental Protection Office is responsible for the replacement of activated carbon in exhaust gas treatment system and the treatment of waste activated carbon on a yearly basis.
- Safety and Environmental Protection Office is responsible for the supervision and management of the operation of the exhaust gas treatment system.

The Management Procedures on Prevention and Control of Air Pollution and Hazards (《大氣污染及危害防治管理程序》) outlines the division of functions, general principles of emission control and specific management measures for Luye Pharma's exhaust management. The Safety and Environmental Protection Department is the competent department for emission control, and is responsible for emission control and respective daily monitoring. In terms of process, we advocate the promotion of four new technologies (new products, new processes, new materials and new technologies) and give priority to non-toxic and clean production processes. For the emissions regulated by emission standards, the key emission control measures we have developed are as follows (including but not limited to):

- Exhaust-related operators shall be provided training so that they understand the hazards that may be caused to the atmosphere and the operating environment by illegal operation, and personnel exposed to hazardous emissions should minimize abnormal emissions caused by improper operation;
- Production equipment that generates exhaust must be in compliance with national regulations;
- Equipment that is in use and exceeds the emission objectives and equipment that exceeds the service life should be refabricated. Any refabricated equipment that cannot meet the latest emission standards shall be discarded;
- Exhaust gas treatment facilities shall remain intact and in normal operation throughout the process of emission. The removal and decommissioning of exhaust gas disposal facilities is prohibited. Any decommissioning due to maintenance should only be carried out after the cessation of production;
- Exhaust gas treatment facilities in respect of projects for new construction, alteration and expansion should be conducted in accordance with the "three concurrent" management requirements, i.e. environmental protection facilities shall be designed concurrently, built concurrently and put into service concurrently with main construction.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

7.4 Energy and Climate Change

Climate change has an extensive and far-reaching impact on pharmaceutical enterprises. Firstly, the prevalence of infectious and non-communicable diseases caused by climate change may lead to increased demand for pharmaceutical companies. Secondly, drug production and the stability of the supply chain may be affected by climate change. For example, climate disasters may lead to a shortage of raw materials required for drug production. In addition, climate change may also result in changes in seasonal epidemic patterns of certain diseases, which requires pharmaceutical companies to adjust accordingly. As a member of the society, Luye Pharma assumes responsibility for addressing climate change and integrates the risks and opportunities arising from climate change into corporate strategic planning. In this regard, we issue documents such as Analysis Sheet on the Company's External Environment (《公司環境外部環境分析表》), which identifies risks and opportunities throughout the production process under a sound environmental and quality management system.

For example, Luye Pharma (Nanjing Base) has identified that climate change may lead to a lack of air flow in the region and aggravate haze pollution. Local government authorities may restrict production plans at their sites in response to frequent hazy weather, and may also tighten pollutant emission standards, resulting in higher investment costs for environmental protection facilities at each production base and increased operating costs. In response to this physical climate risk, the Nanjing Base communicates closely with local government authorities and monitors the situation to prepare production reduction plans to cope with the control measures brought about by the hazy weather. Greenhouse gas emissions and the resulting greenhouse effect is a major contributor to climate change. We are also aware that the government and regulatory authorities will gradually tighten the emission standards for the relevant production processes in the future and change the previous regular inspections to occasional monitoring and special inspections, which may lead to increased operating costs due to the replacement of more environmentally friendly and energy-saving equipment and penalties from regulatory authorities for failing to comply with emission requirements. In response to the risk of climate change, Luye Pharma is committed to reducing greenhouse gas emissions via energy conservation and energy consumption reduction.


认 证 证 书

北京北大维信生物科技有限公司

建立的能源管理体系符合

GB/T 23331—2020/ISO 50001:2018 及 RB/T 114—2014 标准

该体系覆盖的范围

调剂药物由固康胶囊的生产所涉及的能源管理相关活动。

本次发证日期：2023 年 01 月 30 日

证书有效期至：2026 年 01 月 29 日

初次发证日期：2020 年 02 月 10 日

总经理：

北京中化联合认证有限公司

Energy Management System Certification granted to Beijing Base

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

The greenhouse gases emitted by Luye Pharma during its operation are mainly those from boilers, refrigeration equipment, production facilities, automobiles and power consumption in offices. Luye Pharma has been committed to reducing corporate energy consumption, improving energy efficiency and reducing the corresponding greenhouse gas emissions through various actions. For example, with a view to reducing enterprise energy consumption in a continuous manner, enhancing energy efficiency, protecting and improving the environment, and achieving the goal of comprehensive, coordinated and sustainable development of enterprises, Beijing Base set up an energy management system group, established a standardized energy management system, and formulated and issued appropriate energy management policies (law-abiding, cleaner production, energy saving and emission reduction, sustainable development). In accordance with the GB/T 23331-2020 Energy Management System Requirements and User Guide (《GB/T 23331-2020 能源管理體系要求及使用指南》), a third party conducted a supervisory audit on the departments and sites involved in the Company's energy management system in December 2022.

While contributing to reducing energy consumption and operating costs, the energy-saving measures adopted by Luye Pharma also facilitate to reduce greenhouse gas emissions and minimize the impact of enterprises on the environment. In addition to establishing policies such as energy management regulations and energy resource management procedures, Luye Pharma also improves energy efficiency via technological transformation and equipment upgrades, such as optimizing the use and control of electricity in boilers, refrigeration equipment, production facilities, automobiles and offices to make it more environmentally friendly and efficient. With regard to the pressure concerning climate change and environmental protection in the future, Luye Pharma intends to further strengthen the control and management of energy consumption, and has established policies such as the Energy Management Regulations (《能源管理規程》) and Energy Resource Management Procedures (《能源資源管理程序》), which stipulate the organizational structure and division of labor for energy management, as well as the management requirements or standards for energy use. In the future, we will set more specific greenhouse gas emission targets to continuously improve the environmental awareness and energy efficiency of enterprises. With such measures, Luye Pharma will continue to improve its own environmental protection capability and social image, and make contribution to sustainable development. Luye Pharma's key management practices for energy conservation and emissions reduction are as follows (including but not limited to):

Management of electricity consumption

- Post "Save Electricity" labels in offices and film videos that promote energy saving to raise awareness of energy saving and environmental protection among all staff members;
- Production machinery and equipment shall be handled and controlled by designated personnel to avoid idling operation and unnecessary waste of energy. Through reasonable production scheduling, we control the start/stop time of some major power-consuming equipment to reduce idle time of the equipment and its unit power consumption;
- For lighting, natural lighting should be used as far as possible, and it is prohibited to turn on lights under unnecessary circumstances; no redundant lighting should be turned on at night when working overtime to avoid prolonged lighting;
- For the use of air-conditioners, air-conditioner operators may adjust the temperature daily according to the weather conditions shown on the weather board, so as to save energy consumption; if the air-conditioners are found to be aged or damaged during operation, it should be reported to the engineering department in time to avoid energy consumption;
- For office electric appliances, they should be turned on only when needed and turned off when not in use for a long time to reduce standby power consumption.

Management of steam consumption

- The production department and the engineering assurance department should apply to the utility companies for the use of steam in a reasonable manner in their daily work, and inform the utility companies the change in the steam consumption in a timely manner at the change of seasons according to the change in the steam consumption;
- The mechanical maintenance team of the engineering assurance department conducts regular inspection for the condition of the equipment using steam and carries out timely repairs for deflation, emissions, droppings and leakage.

Case: Specifying time period for steam consumption

Boan Biotech's manufacturing department is currently equipped with three pure steam generators, which run continuously for 24 hours in order to better ensure workshop sterilization and air conditioning humidification and steam use. While ensuring the stable demand of the workshop, a great deal of energy was wasted. After a long period of operation and investigation, Boan Biotech progressively defines the steam consumption time period of each workshop of the manufacturing department in accordance with the actual use demand of each workshop. The flexible start-up and shutdown of pure steam engine unit can be realized according to the production of the workshop, which leads to a significant reduction of the working hours of the pure steam engine units on the premise of ensuring the smooth production of the workshop, and reduces the consumption of purified water and industrial steam as well as equipment wear. The production capacity of the three pure steam engine units is 1 ton/hour, 1 ton/hour and 2 tons/hour, respectively. In 2022, the aggregate operating time of the three pure steam engine units reduced was 160 hours, 732 hours and 1,474 hours, respectively, with a total consumption of pure steam reduced of approximately 2,500 tons.

Case: Optimizing the replacement period of medium efficiency filter in air-conditioning ventilation system

Under the premise of ensuring the pressure difference and cleanliness of the cleanroom, Luye Pharma (Shandong Base) adjusted the replacement period of the medium efficiency filter in air-conditioning ventilation system from 1 year to 2 years, thereby saving the operating cost and creating economic benefits.

7.5 Water Resources Management

The water used by Luye Pharma is mainly the water for industrial use such as water from pharmaceutical production and auxiliary equipment, and domestic water for cleaning and cooking. There is no material difficulty in sourcing water as we obtained water through municipal pipeline networks during operation process.

Water Saving Measures

Luye Pharma has formulated Management Procedures for Energy and Resources (《能源資源管理程序》) to reduce waste and improve the environment. Luye Pharma sets out a series of water saving management measures to regulate the use of water, which can help save water and avoid waste, thereby reducing the negative impact on the environment. At the same time, Luye Pharma develops a budget for the cost for water consumption and manages the use of water according to the budget plan, which can help control costs to ensure sustainable development. In addition, the Safety and Environment Department will conduct an assessment on water saving by all departments and workshops for the whole year at the end of each year, which can help the Group to understand the water conservation by each department and workshop, thereby providing management with effective data analysis and decision-making basis. Punishment will be imposed on the non-compliant departments and employees to ensure the compliance with the Group's water consumption policy by all employees, and reward will be given to those with good performance in water saving to encourage more employees to involve in water conservation initiatives. Furthermore, Luye Pharma has set relevant goals based on its own product and environmental performance, which ensures that environmental factors are taken into account in the production process. Targets are set to reduce negative impacts on the environment, which encourages employees to pay more attention to environmental protection and further improve the Company's environmental reputation.

Sewage Management

Luye Pharma discharges industrial waste water during the pharmaceutical production process, it therefore has developed management systems such as the Management Procedures for Prevention and Control of Water Pollution (《水體污染防治管理程序》) and the Management Procedures for Control of Waste Water Pollution (《廢水污染控制管理程序》) to control and manage waste water generated in our production activities, products or services, so as to minimize the effects of waste water discharge on environment and human. To ensure reasonable treatment of all sewage, all sewage is treated in its sewage treatment stations as required by Luye Pharma, and no sewage shall be discharged if such sewage is untreated or below national or local standards for sewage discharge after treatment. Such measure helps to reduce the discharge of waste water, thereby protecting the surrounding environment and human health. In order to ensure that the discharge of waste water meets the national standards, Luye Pharma regularly commissions a professional environmental monitoring agency to conduct on-site sample monitoring on water quality of its sewage outfall to assess whether the sewage discharge complies with relevant discharge standards such as the Water Quality Standard of Sewage Discharged into Town Sewers (《污水排入城鎮下水道水質標準》) (GB/T 31962-2015) and Comprehensive Sewage Discharge Standard (《污水綜合排放標準》) (GB 8978-1996). Luye Pharma ensures that waste water discharge meets national standards by conducting such inspections and assessments, thereby reducing the impact on the surrounding environment and human health. During the Year, our sewage discharges met all the standard requirements.

7.6 Engagement in Environmental Activities

Our environmental technologies and policies can minimize the negative impact on the environment, but whether our "environmental protection" philosophy can be promoted to other stakeholders depends on whether our employees can practise environmental protection in a holistic manner which stands for the only approach to achieving Luye Pharma's philosophy of environmental protection. Therefore, Luye Pharma needs to emphasize the importance of environmental protection among its employees and provide the necessary training and education to ensure that employees understand the environmental policies and objectives of Luye Pharma and ways to practice environmental protection in their daily work. During the Reporting Period, we organized a variety of environmental promotion and education activities to encourage and raise the environmental awareness of our employees.

Case: Emergency Drill for Environmental Contingency in Luye Pharma (Beijing Base)

On 10 June 2022, environmental pollution caused by a large amount of organic waste liquid leakage due to container damage in the transfer process of hazardous waste was simulated by Luye Pharma (Beijing Base) to strengthen the environmental contingency disposal capability of employees and the command and decision-making capability of leaders.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

Case: Root-seeking Journey — Luye Pharma (Shandong Base) Gathered at the Millennium Ancient Temple Helu Temple to Plant Horse Chestnuts

On 20 November 2022, hundreds of employees of Luye Pharma (Shandong Base) and their respective families, with a wonderful long-cherished wish, planted horse chestnuts together at the millennium ancient temple Helu Temple and started a journey to seek their roots. The employees and their families personally planted about 300 horse chestnuts saplings in the Helu foothill near Helu Temple, adding a touch of green to the ancient temple and leaving their blessing and gratitude.

8. REINFORCEMENT OF SAFETY AND IMPROVEMENT OF EMERGENCY PLANS

Material issue(s) in this section

- Production safety and emergency handling procedure
- Chemicals management
- Management policy for raw materials of pharmaceutical products
- Employees' work-related fatalities

Protecting employees' health and safety is essential to the sustainable development of Luye Pharma. Luye Pharma therefore takes occupational health and safety as one of the Company's core values, and has formulated a series of management policies and standards. To identify and alleviate risks of endangering health and safety, we conducted comprehensive risk assessments and safety inspections to find out and rectify potential issues. Luye Pharma endeavors to continuously improve its EHS system and formulate preventive measures to ensure that all safety accidents can be prevented, so as to achieve its goal of zero injury. Through regular self-inspection and evaluation, issues were identified and rectified in a timely manner, which constantly improved our safety awareness and emergency response capability.

8.1 Occupational Health and Safety

Luye Pharma has constantly improved its EHS system, while striving to minimize the negative impact on the environment during the operation process, it also attaches great importance to the occupational health and production safety of employees, and realizes sustainability of the enterprise in all aspects. We have established a sound occupational health and safety management system, and each production base has acquired ISO 45001:2018 occupational health and safety management system certifications.

We strictly abide by the national and local laws and regulations relating to occupational health and safety, which have a significant impact on Luye Pharma, and formulated a series of internal management policies to standardize the safety procedures. During the Year, we have not recorded any material safety accident or fatal work injury, and the total number of lost days due to work injury of employees amounted to 365 days. During the Year, Luye Pharma has complied with the applicable laws and regulations that are significant to the Group relating to providing a safe working environment and protecting employees from occupational hazards.


CERTIFICATE OF REGISTRATION

认证证书

山东绿叶制药有限公司

GB/T45001-2020/ISO 45001：2018

Occupational health and safety management system certification of Luye Pharma (Shandong Base)


职业健康安全管理体系认证证书

南京绿叶制药有限公司

Occupational health and safety management system certification of Luye Pharma (Nanjing Base)

8. REINFORCEMENT OF SAFETY AND IMPROVEMENT OF EMERGENCY PLANS (CONTINUED)

Occupational health and safety related laws and regulations abided by Luye Pharma which have a significant impact on it (including but not limited to)	Internal policy of Luye Pharma (including but not limited to)
• Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) • Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》) • Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) • Provisions on Safety Management of Dangerous Chemicals (《危險化學品安全管理條例》) • Emergency Provisions on Production Safety Accidents (《生產安全事故應急條例》)	• Production Safety Inspection System《安全生產 (檢查制度》) • Administration Procedure of Personal Labor Protection Articles (《個人勞動防護用品管理程序》) • Occupational Health and Monitoring Management System (《職業健康與監護管理制度》) • Mechanical Protection Safety Procedure (《機械防護安全程序》) • Fire Management System (《消防管理制度》) • Emergency Plan for Production Safety Accident (《生產安全事故應急預案》) • Special Equipment Operation Personnel Management System (《特種設備作業人員管理制度》) • Accidents and Hazards Screening and Governance System (《事故隱患排查治理制度》) • Management and Control System of Safety Risk Classification (《安全風險分級管控制度》) • Occupational Disease Hazard Alert and Report System (《職業病危害警示與告知制度》)

8. REINFORCEMENT OF SAFETY AND IMPROVEMENT OF EMERGENCY PLANS (CONTINUED)

Each production base of Luye Pharma has developed its own hazards screening and governance system respectively, through which it clearly defines the responsibilities and authorities of each positions, and implements safe production accountability. References will be made to the relevant national laws and regulations and the relevant rules and regulations of headquarter of Luye Pharma when developing the system to ensure the reasonableness and effectiveness of the system. In addition, safety hazards screening and governance mechanism was established to make clear the screening cycle and content. For instance, the main functions of Luye Pharma (Shandong Base) in respect of safety hazard screening and governance are delegated as follows:

General Manager

- Fully responsible for the hazards screening and governance for the whole Company, establish and improve the relevant accountability system;
- Organize and formulate governance program for significant hazards; and
- Organize and hold meetings on governing work and analysis, supervise the implementation of hazards rectification measures.

Department Manager

- Formulate hazards screening list according to the departments' actual situation;
- Organize safety inspection at least once a month based on hazards screening list, fill in the inspection records faithfully, and formulate rectification measures in a targeted manner after classification of the hazards being identified; and
- Organize inspection of production equipment, safety equipment, fire-fighting facilities and protective equipment before and after major holidays.

Team Leader

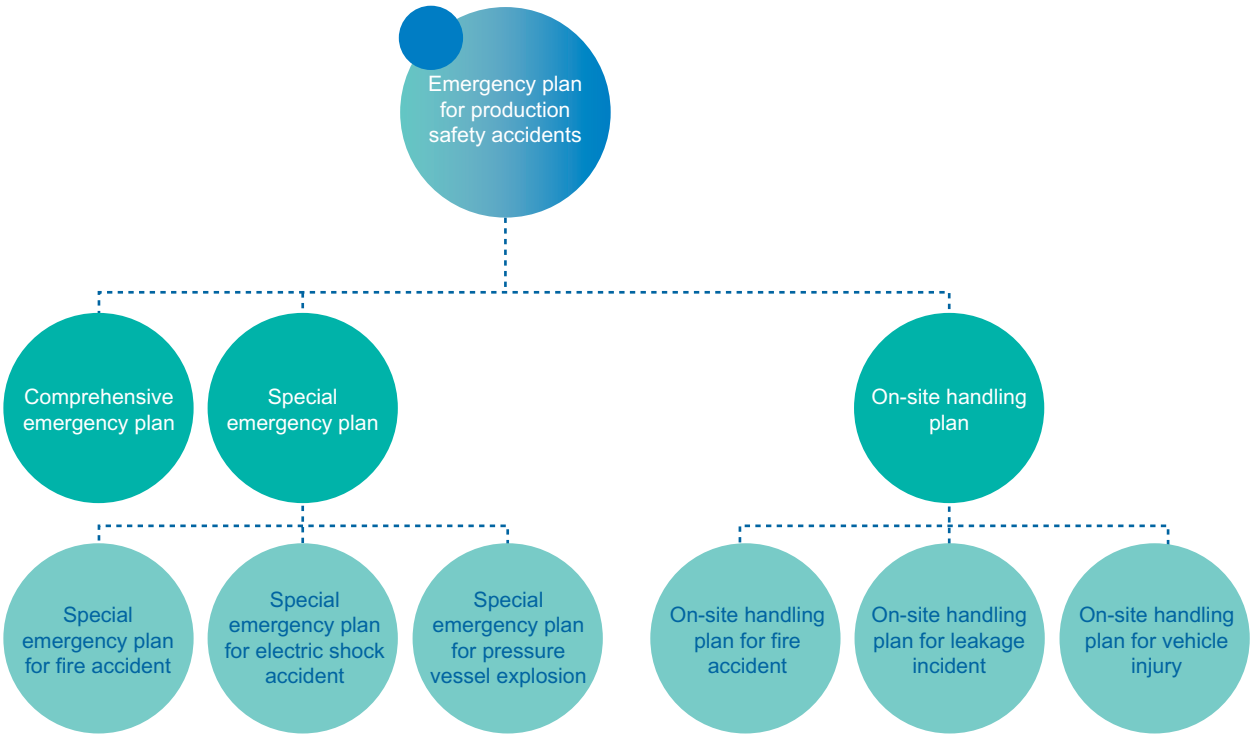
- Assist department head to implement hazards rectification measures, set up warning signs for hazards which cannot be rectified immediately and stop using them temporarily;
- Responsible for daily safety inspection on fire-fighting equipment, safety warning signs, electrical equipment and facilities and distribution circuit, etc., and prepare records properly; and
- Organize and participate in the team's safety inspection, detect and stop the illegal operation and violation of labor discipline in a timely manner.

8. REINFORCEMENT OF SAFETY AND IMPROVEMENT OF EMERGENCY PLANS (CONTINUED)

Apart from practical implementation of safety hazards screening and governance to protect life, health and property safety of our employees, Luye Pharma (Sichuan Base) has also formulated the Emergency Plan for Production Safety Accidents (《生產安全事故應急預案》) based on the relevant provisions of the Law of the People's Republic of China on Emergency Response (《中華人民共和國突發事件應對法》), Regulations on Emergency Response to Production Safety Accidents (《生產安全事故應急條例》) and Measures for the Administration of Emergency Plan for Production Safety Accidents on Manufacturing and Operating Unit (《生產經營單位安全生產事故應急預案管理辦法》), to improve the ability of employees to deal with all kinds of emergencies and to enhance the focus and feasibility of our implementation plan.

To ensure effective and standardized response to emergencies, Luye Pharma adopted a variety of measures. First of all, we have formulated and implemented an emergency plan system, comprising comprehensive emergency plan, special emergency plan and on-site handling plan. The comprehensive emergency plan is a normative document for emergencies, which provides overall guidance and arrangements for dealing with emergencies. Special emergency plan is a specific emergency operation plan for dealing with specific emergency, in order to ensure rapid and effective response to emergency when it occurs. On-site handling plan is the pre-planned disposal measure formulated by various departments for specific installations, places or facilities, and positions in their respective production activities, so as to ensure rapid and effective response on site.

Secondly, if any employee suffers injuries during work unfortunately, Luye Pharma (Sichuan Base) will provide instant treatment and appropriate assistance to injured employees, in accordance with the Occupational Disease Hazard Emergency Rescue and Management System (《職業病危害應急救援與管理制度》) and the Occupational Disease Hazard Incident Handling and Reporting System (《職業病危害事故處置與報告制度》), to minimize the impact and loss resulting from accidents. Such systems and regulations ensure prompt action in emergency situations, minimize losses and impacts, and provide employees with appropriate support and protection.



8. REINFORCEMENT OF SAFETY AND IMPROVEMENT OF EMERGENCY PLANS (CONTINUED)

Case: Emergency Drill for Operation in Confined Space

Luye Pharma (Beijing Base) conducted an emergency drill for operation in confined space during the Year to improve its capability to deal with emergencies. The drill, led by the safety committee office of the Beijing Base, was organized and completed under the concerted efforts of the Engineering and Equipment Department, which improved the operators' ability and awareness of safe operation and strengthened the ability of emergency rescue.

Case: Luye Pharma (Sichuan Base) Conducted Its 4th Competition on Safety Knowledge and Carried out Fire Drill

On 11 February 2022, Luye Pharma (Sichuan Base) organized all the employees of production headquarter in Luzhou to involve in the fire drill. This drill was carried out in accordance with the requirements of the Fire Protection Law (《消防法》) and the "four capabilities" of fire safety management and taking into account the Comprehensive Emergency Plan for Production Safety Accidents (《生產安全事故綜合應急預案》) of Sichuan Base, with a view to implementing employees' fire accountability and establishing safety risk consciousness, improving employees' handling ability for fire emergency, thereby enhancing their self-prevention and self-rescue ability to avoid and reduce resulting losses. To ensure that the safety drill completed in an orderly manner in accordance with the established plan, Sichuan base set up five working groups, namely, on-site command group, emergency rescue, alert and evacuation, medical rescue, information liaison, and logistics support, and made clear and publicized the responsibilities of each group, to guarantee that personnel of each group performs its own duties and responds to emergency in a quick manner when an emergency occurs.

8. REINFORCEMENT OF SAFETY AND IMPROVEMENT OF EMERGENCY PLANS (CONTINUED)

8.2 Chemicals Management

As a pharmaceutical manufacturer, a variety of chemicals are applied by Luye Pharma to manufacture, test and protect its products. Chemicals play the leading role in the production process, which can be applied to the synthesis, reaction and treatment of drugs, as well as the cleaning and disinfection in production process. Meanwhile, the use of high-quality chemicals was required by Luye Pharma to ensure that its products satisfy quality standards and regulatory requirements. Chemicals used in drug production must abide by stringent standards, such as purity, stability, toxicity, etc., the quality of which plays an important role in the manufacture, quality and stability of drugs. Luye Pharma must ensure that the chemicals used comply with relevant regulations and standards, so as to produce safe and effective drugs. In addition, the use of chemicals also causes certain dangers and environmental pollution risks. Therefore, Luye Pharma has formulated internal policies such as the Management Procedures for Dangerous Goods (《危險品管理程序》) and the Environmental Accidents Emergency Plan (《突發環境事件應急預案》) in accordance with regulatory documents such as the Provisions on Safety Management of Dangerous Chemicals (《危險化學品安全管理條例》) and the List of Dangerous Chemicals (《危險化學品目錄》) to ensure that the damage to employees and the environment can be minimized in the process of using chemicals, and the possible accidents or incidents can be dealt with in a quick and effective manner.

Preventive Measures

In order to strengthen the safety management of dangerous chemicals and prevent material environmental and safety accidents, we have formulated a comprehensive management procedure for dangerous goods, some of which are as follows:

- When loading and unloading dangerous chemicals, it is necessary to check whether all of the safety devices are attached to the transport vehicles and the goods, and the transport unit must comply with the national standards and relevant regulations such as the General Packaging Technical Conditions for the Transport of Dangerous Goods (《危險貨物運輸包裝通用技術條件》) and Dangerous Goods Packaging Signs (《危險貨物包裝標誌》);

- In the process of loading and unloading, it is necessary for the workers to handle the process with great care. Vibration, impact, friction, heavy pressure and dumping should strictly be avoided. Mixing and loading the articles with conflicting chemical properties which are prone to have chemical reactions such as combustion and explosion are also strictly prohibited;

- Safety education shall be conducted for the staff members involved in loading and unloading of dangerous chemicals and such duties shall be performed by fixed personnel;

- The safety labels on the packages or containers must be checked before such dangerous chemicals are put into storage, and the “Safety Technical Instructions” must be provided;

- Units using highly toxic substances shall strictly follow the safe operation procedures. Waste containing highly toxic substances must not be dumped arbitrarily and shall be collected and stored in a centralized manner in the hazardous waste storage room.

8. REINFORCEMENT OF SAFETY AND IMPROVEMENT OF EMERGENCY PLANS (CONTINUED)

Emergency measures

In addition to the implementation of the aforesaid management measures for dangerous chemicals, we also respond to environmental emergency accidents in accordance with the Environmental Accidents Emergency Plan (《突發環境事件應急預案》) to minimize the number of casualties and the damage to the environment. The system for environmental accidents emergency plan consists of a comprehensive environmental accidents emergency plan and a special emergency plan. The special emergency plan sets out clear rescue procedures and specific emergency handling measures for specific accident categories, such as leakage of hazardous chemical, fire or explosion. We have an emergency command department responsible for the management of stocking of emergency and prevention equipment and emergency rescue material reserves, including the storage of chemical materials to deal with leakage. In addition, we conducted training for our emergency personnel to ensure that they have the necessary knowledge and skills to respond to emergencies in a timely and effective manner.

Case: Emergency Drill for Hazardous Chemicals Leakage

To test and improve its ability to deal with emergencies, the safety committee of Luye Pharma (Beijing Base) led an emergency drill for hazardous chemicals leakage. The drill was organized and completed under the concerted efforts of the Engineering and Equipment Department and laboratory staffs, which improved the emergency response capabilities for hazardous chemicals leakage.

Case: Emergency Drill for Hazardous Chemicals and Accidents in Confined Space

In the morning of 17 June 2022, Luye Pharma (Shandong Base) conducted an emergency drill for hazardous chemicals and accidents in confined space. District Emergency Management Branch, Fire Rescue Battalion, Ecological Environment Branch, Health Management Office, Pharmaceutical and Healthcare Industry Investment Promotion Center and leaders of related enterprises participated in this activity. The drill scenario was that 95% ethanol combusted due to static electricity caused by flange leakage at the bottom of the storage tank in Shandong base. On-site inspection personnel and minor fire station of Shandong base carried out hazardous chemical leakage treatment, initial fires firefighting, confined space rescue, cardiopulmonary resuscitation for asphyxiated personnel, and cooperation with external rescue.

8. REINFORCEMENT OF SAFETY AND IMPROVEMENT OF EMERGENCY PLANS (CONTINUED)

8.3 Management Policy for Raw Materials of Pharmaceutical Products

The management of raw materials of pharmaceutical products is essential to Luye Pharma. Being the indispensable elements in pharmaceutical process, raw materials of pharmaceutical products are crucial for the manufacture of drugs that are high-quality and safe. Sound management of drug raw materials can ensure the quality and purity of drugs, provide guarantee for the stability and continuity of the pharmaceutical process, and avoid drug defects or production stagnation caused by issues related to drug raw materials. The work of drug raw materials management includes the selection, procurement, inspection, storage and distribution of drug raw materials. Therefore, Luye Pharma formulated relevant policies to manage drug raw materials. For example, through the Corporate Quality Management System (《企業質量管理體系》), Luye Pharma (Shandong Base) ensures that raw and auxiliary materials, packaging materials, intermediate products, products pending for packaging, and finished products meet registered and approved requirements and quality standards, completes the review of batch records before product release, and approves quality standards, sampling methods, inspection methods and other quality management operating procedures to manage drug raw materials. By ensuring the stable quality of raw materials used in the pharmaceutical process, Luye Pharma can avoid drug defects and production stagnation, thereby improving production efficiency and production quality. Simultaneously, it also contributes to protecting the health and safety of consumer, and enhancing the credibility and market competitiveness of Luye Pharma.

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT

Material issue(s) in this section

- Employee salary and benefits
- Occupational health and safety training system
- Employee recruitment policy

Being a core aspect to promote corporate development, talent management is deeply valued by Luye Pharma. We are fully aware that employees are the most valuable asset of an enterprise, therefore, we insist on the business philosophy of "employee development" to provide employees with diversified career development paths to achieve mutual progress of employees and the Company. To achieve this goal, we proactively improve human resource policies and establish a sound occupational training system. We attach importance to talent selection, cultivation and management, constantly improve the comprehensive quality and business skills of employees via scientific talent echelon construction and cultivation, and provide employees with a broader development space and better career development opportunities. Furthermore, we also pay attention to the benefits and welfare of employees, and have launched a range of competitive salary system, as well as satisfactory benefits and welfare, such as employee medical insurance, housing provident fund, paid annual leave, etc., so as to enhance the quality of life and work enthusiasm of employees. Luye Pharma values the opportunities for employees to participate in enterprise decision-making, enhances employees' sense of belonging and pride to the enterprise via carrying out various employee engagement activities, and establishes a benign corporate culture and team spirit.

9.1 Employment Management

Luye Pharma has established a sound employment management system. While strictly complying with employment related laws and regulations that have a significant impact on us, we adopt proactive human resources policies to attract and retain outstanding talents from home and abroad to ensure a quality team of talents is built. We expect to create an active and inclusive corporate culture, under which employees could show their talents, contribute to the Company and grow with us. The key of our employment management system is set out below:

Recruitment, dismissal and promotion

Recruitment

We strictly abide by the employment related laws and regulations that have a significant impact on us, such as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on Employment Contracts (《中華人民共和國勞動合同法》), the Employment Promotion Law of the People's Republic of China (《中華人民共和國就業促進法》) and the Contract Law of the People's Republic of China (《中華人民共和國合同法》), and establish the Regulations on the Management of Internal Recruitment and Selection of Luye Pharma Group (《绿叶制药集團內部招聘與選拔管理規定》) to ensure an orderly recruitment process.

Equal opportunity, diversity and anti-discrimination

With regards to the recruitment, career development, promotion, training and incentives, we provide equal employment opportunity irrespective of complexion, nationality, race, age, sex, religious beliefs or physical disability. We take initiatives to provide a harmonious, diversified and friendly working environment for employees to release their potential.

Dismissal

If a staff member fails to pass the probation period, or commits serious violation of discipline or dereliction of duty which causes Luye Pharma to suffer from significant loss or a material accident, Luye Pharma shall terminate the labor contract with such staff member, give notice to such staff member and claim for compensation in accordance with applicable laws and regulations.

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

Labour standard

Requirement on prohibition of employing child labor and forced labor

When developing recruitment policies, Luye Pharma strictly complies with the Provisions on the Prohibition of Using Child Labor (《禁止使用童工規定》) by verifying the identification of the applicants to resolutely refuse the hiring of child labor in the process of recruitment and employment. In addition, our employees should not be forced to work involuntarily. The employee who needs to work overtime should submit relevant application to the head of the office in advance. During the Year, there was no hiring of child labor and forced labor. If any cases of child labor or forced labor were found, we would seriously handle the case and inspect the relevant department.

Remuneration and promotion management

Remuneration management

Luye Pharma provides competitive remuneration packages. We regularly participate in the annual salary survey for domestic pharmaceutical market organized by the world well-known salary research companies, from which we understand the overall salary level, current condition and development trend of the pharmaceutical market. In accordance with its development strategies, Luye Pharma formulates an overall remuneration strategy annually, ensuring that it is able to attract, motivate and retain talents. In respect of the design of the remuneration structure, we determine the remuneration level of employees through a performance-based assessment system and by referencing three aspects, namely level of market rates, job responsibilities and employees' performance.

Promotion management

We offer transparent and standardized promotion opportunities to employees in accordance with the promotion mechanism under the human resources policies, which considers employees' assessment performance and our needs for business operation, to internally promote outstanding employees to more important and appropriate positions, so as to motivate employees.

Working hours and holiday

Working hours

Employees of the Group work 40 hours per week, Saturdays and Sundays are rest days. If an employee works overtime for special reasons, he/she shall fill in the Overtime Application Form (《加班申請表》) and work overtime only with the approval of the department manager, thus preventing the case of forced labor.

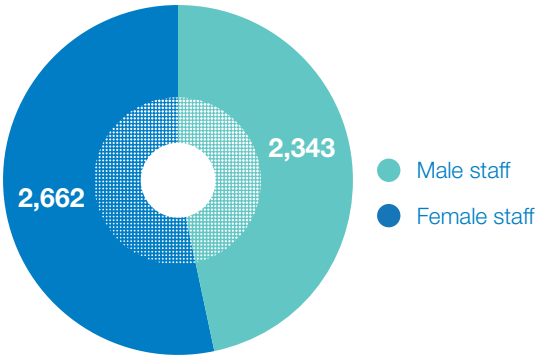
Holidays

Besides public holidays, Luye Pharma's employees can enjoy paid annual leave, marriage leave, maternity leave, sick leave, etc., to ensure that employees have sufficient rest.

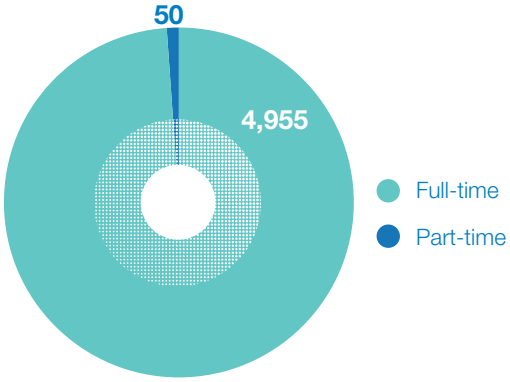
9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

During the Year, Luye Pharma has complied with the applicable laws and regulations that are significant to the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. During the Year, Luye Pharma has a total of 5,005 employees. The number of employees by gender, employment type, age group and geographic region is indicated below:

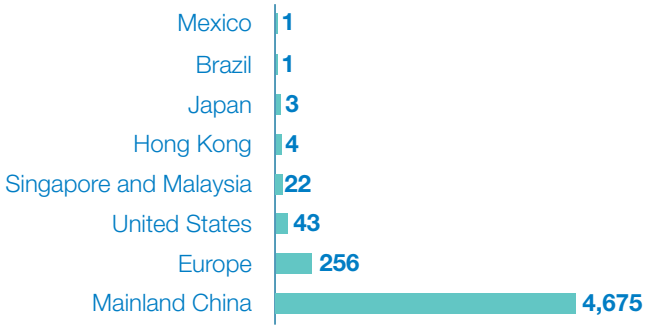
Number of employees by gender



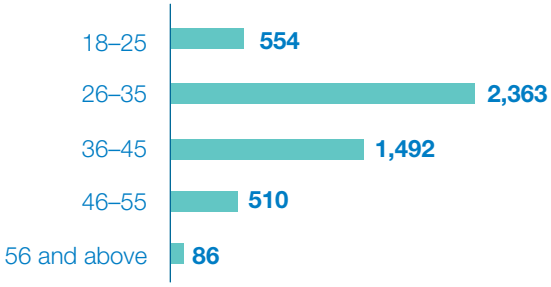
Number of employees by employment type



Number of employees by geographic region



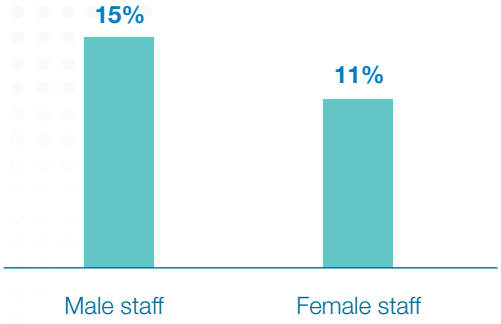
Number of employees by age group



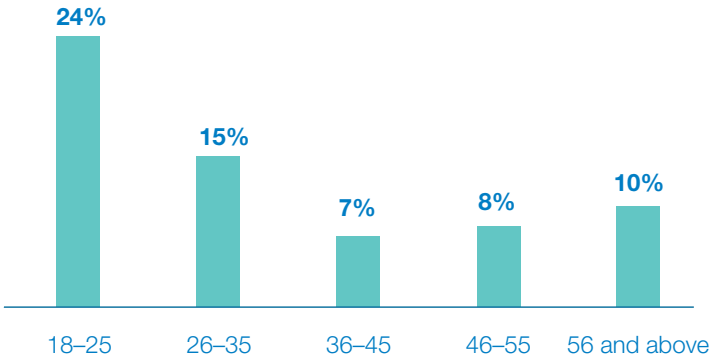
9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

During the Year, the employee turnover rate[1] of Luye Pharma by gender, age group and geographic region is set out below:

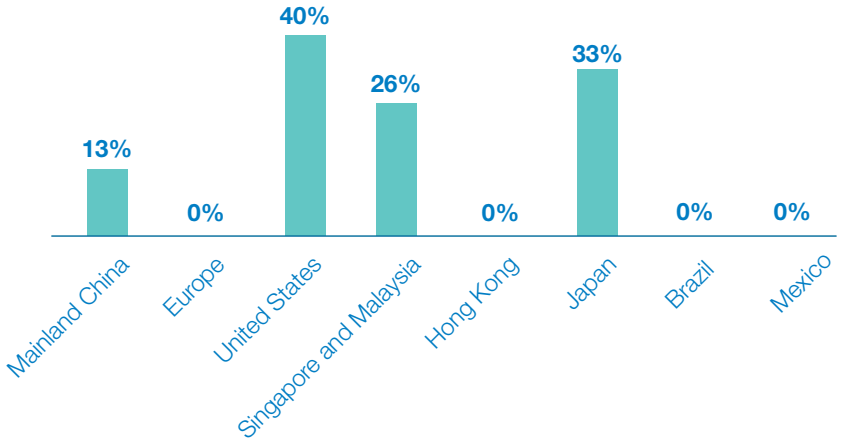
Employee turnover rate by gender



Employee turnover rate by age group



Employee turnover rate by geographic region



[1] *Calculation formula of employee turnover rate: number of employees in this category leaving/total number of employees in this category × 100%*

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

9.2 Talent Training

Luye Pharma believes that plans for cultivating excellent talents and diversifying development for talents are crucial for its long-term development and sustainable operation. In the highly competitive market environment, talent represents the core element for enterprise development. Luye Pharma therefore has always put much emphasis on talent management and is committed to creating a favorable environment conducive to the career development of employees and the sustainable development of enterprises. To achieve the mutual development of employees and enterprises, Luye Pharma continues to improve its own training system and provides diversified training directions, such as innovative research and development, professional technology and corporate management, in order to enable employees to choose their future career paths. By providing professional training and career planning, Luye Pharma enables its employees to fully release their potentials, improve their work skills, and make greater contributions to the development of the enterprise.

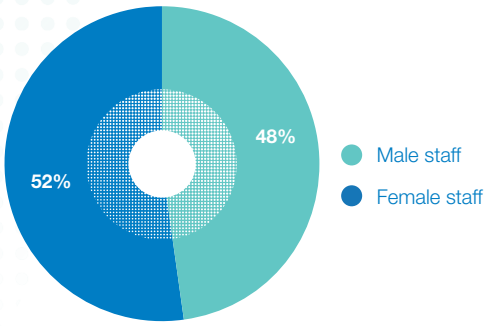
Apart from training, Luye Pharma also proactively implemented an incentive mechanism to provide a wide range of promotion opportunities and better remuneration and benefits for excellent talents. Meanwhile, Luye Pharma established a sound talent selection mechanism, selects and appoints the most suitable talents via a fair and transparent selection process, and stimulates the development motivation of excellent employees, as well as the creativity and innovative consciousness of all employees at the same time. Luye Pharma regards talent management as a core aspect to promote corporate development, always insists on the business philosophy of "employee development", and provides employees with a broad career development platform to achieve the mutual development of employees and enterprises by virtue of the continuous improvement of the training system, incentive mechanism and talent selection mechanism, and other approaches.

In order to keep on improving the comprehensive ability and organizational performance of employees, Luye Pharma actively encourages employees to participate in external training in consideration of their positions and business development needs. It has formulated the Regulations on the Management of External Training Projects of Luye Pharma Group (《绿叶制药集團外部培訓項目管理規定》), specifying the cost management of external training projects and on-the-job academic education.

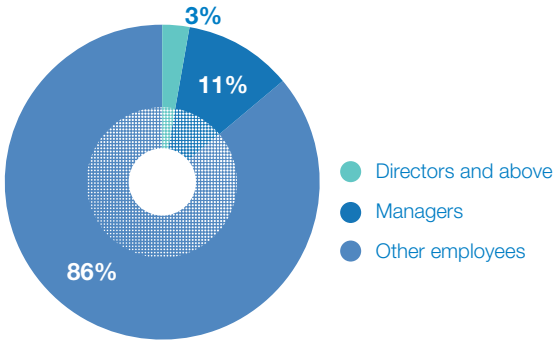
9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

During the Year, the training data[2] of Luye Pharma's employees is as follow:

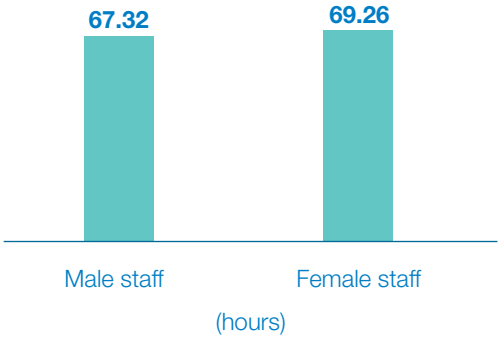
Percentage of employees completed training (by gender)



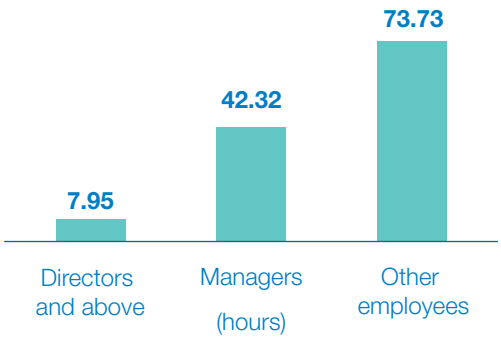
Percentage of employees completed training (by type of employees)



Average training hours completed by employees (by gender)



Average training hours completed by employees (by type of employees)



[2] *The calculation method of percentage of trained employees by respective category: the number of employees trained under this category divided by the total number of employees trained; The calculation method of average training hours of employees by respective category: the total number of training hours received by employees under this category divided by the total number of employees trained under this category.*

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

Luye Pharma emphasizes on training on quality management of pharmaceutical products and occupational health and safety, with a view to improve the overall quality of pharmaceutical products and occupational safety level.

Pharmaceutical Products Quality Management

- **Management Procedures for Capability, Training and Awareness (《能力、培訓和意識管理規程》)**
  Luye Pharma established the Management Procedure for Capability, Training and Awareness (《能力、培訓和意識管理規程》) in accordance with the Pharmaceutical Product GMP Guidelines: Quality Management System (《藥品GMP指南：質量管理體系》) which summarized the business knowledge training for all staff and the training principles in respect of GMP and regulations on pharmaceutical product management, and stipulated the formulation of training program and its contents.

- **Production base training activities**
  Luye Pharma production bases organized and carried out training on quality management to improve the overall quality of pharmaceutical products.

EHS Training

- **EHS Education and Training Policy (《EHS教育與培訓制度》)**
  Luye Pharma established the EHS Education and Training Policy (《EHS教育與培訓制度》) and established annual education and training programs related to occupational health and safety, which included but not limited to daily safety education, progressive safety education, safety education for external personnel and special safety training.

- **Training for employees**
  During the Year, over 1,120 trainings on occupational health and safety were conducted by Luye Pharma (Shandong Base).

In order to provide the employees with internal training that is more systematic and of higher quality, we set up the "Luye Evergreen College" for classification and cultivation of international talents, backup management talents, existing management talents and professional talents, with emphasis on the learning concept of "Self breakthrough, Happy Learning, Value Creating". We formulate training programs every year to offer employees at all levels a variety of training courses. Moreover, the human resources department and QA regularly conduct a semi-annual training conclusion for the managers responsible for training in each department to ensure that managers comply with the rules and requirements of the annual training plan.

Luye Pharma has formulated a Mentor Management System of Luye Life Sciences (《綠葉生命科學集團導師管理制度》), to allow the managers and senior employees of the Group to act as mentors to guide the mentees, assist them to establish correct values and work attitude, offer encouragement and guidance for their difficulties or challenges in work or life and to share professional or management experience with them to identify their personal career development goals and directions.

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

Internal open courses

- provided new employees with orientation training with content covering corporate culture presentation and performance management;
- provided newly promoted manager with online leadership training on enhancing efficiency of project management and the project training on group leadership promotion.

Talent training program

- carried out Luye Evergreen Academy Project-classroom centralized training and enhancement activity under the third session of the Linghang development project in July and September 2022;
- organized six training sessions of "High performance management training camp" throughout the year of 2022, including management role awareness, management effectiveness improvement, interactive communication skills, efficient guidance and feedback, and brainstorming workshop;
- held 11 business customization training sessions throughout the year of 2022, including win-win cooperation, management efficiency improvement, project management, brainstorming, ways to transmit excellent departmental culture, report on management skills upgrading and seminars on management practice;
- provided fresh graduates with personal quality enhancement training and classroom centralized training in July 2022;
- held online course training on group management capability improvement project

The establishment of performance assessment in the training system is an important strategy for Luye Pharma to improve quality management and drive the company forward. When formulating our annual training plan, we set out the format, marking criteria and detailed timetable of the training assessment in accordance with the relevant system documents such as "Training Plan at company level" (《公司級培訓計劃》). We arrange assessment for trainees during the training courses as required, to enhance their understanding of the training content and to assess the effectiveness of the training programmes in achieving the training objectives.

Centralized training under the third session of the Linghang development project in 2022

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

High performance management training camp in 2022

Business customization training in 2022

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

9.3 Caring about the Employees

Luye Pharma concerns about its employees and recognizes the importance of employees' physical and mental health for its development. Therefore, in addition to ensuring that its employees will enjoy the basic welfare prescribed by the PRC, Luye Pharma provides them with a series of fringe benefits to create a caring and friendly working environment for them to fully unleash their potential and demonstrate their capabilities. Moreover, concerning about the physical and mental health of employees can also contribute to improving the productivity and efficiency of employees, thus laying a solid foundation for the long-term development of enterprises. Luye Pharma has proactively organized a variety of staff activities including team sports competitions for employees, health-themed monthly activities, parent-child activities, etc., which aims to promote both physical fitness and communications among the employees and build up their peer relationship. Such activities contribute to reinforcing the cohesion and sense of belonging of employees, and enhancing the interaction and mutual growth between employees and the enterprise. Employees can better understand each other through such activities and cooperate in a more harmonious way, thus promoting the development of the enterprise.

Apart from the welfare prescribed by the PRC, Luye Pharma also enhances the quality of life of its employees by offering a range of satisfactory benefits and welfare, including but not limited to:

Holiday Welfare	The Company offers certain holiday welfare to employees during some traditional holidays such as Spring Festival, Women's Day, Mid-Autumn Festival, Children's Day;
Commercial Insurance	Inpatient and outpatient medical insurance, 24-hour personal accident insurance and critical disease insurance are included to enhance the health insurance coverage of the employees;
Annual Health Check	Health check is organized each year and a health record is set up for each employee;
Employee Mutual Support Plan	A mutual support fund is set up to provide relief for employees and their families who suffer from various accidents and family misfortunes in addition to basic benefits and commercial insurance, helping them to get through difficulties;
Wedding Cash Gift	Wedding cash gift is prepared for all the newly-weds;
Excellent Performance Commendation	An annual commendation meeting is held each year both at the Group level and subsidiary level to award employees and teams with excellent performances, and a year-end incentive fund and instant incentive fund are set up under the ICV project incentive system to encourage staff to actively participate in innovative value practical projects with innovative values; and
Gold Leaf Medal	A gold leaf medal is granted to employees who have served the Company for ten years.

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

Case: Sports Competition for the Group's Employees

During the Year, Luye Pharma organised various staff activities successively, including all kinds of parent-child, festivals, outdoor, travel and other activities, to enhance the communication between employees outside of work, reinforce the cohesion of the enterprise and employees' sense of belonging to the enterprise.

Basketball match of the Group

Fun sport day of the Group

Case: 28th Anniversary Celebration of Luye Life Sciences

In June 2022, the 28th anniversary celebration of Luye Pharma was held at the Jiaodongjuyuan (膠東劇院). The staff of the Group gathered to cut a birthday cake to wish Luye Pharma a happy 28th birthday and to look forward to the future success of our global staff.

Group photo for 28th anniversary celebration

10. CONTRIBUTION TO THE SOCIETY AND COOPERATION FOR WIN-WIN SITUATION

Luye Pharma focuses on the improvement of internal management and business development, while performing its social responsibility through putting itself into public welfare to contribute to the society. We respond to the needs of different people through diversified channels and organizing various activities, facilitating the common sustainable development of the enterprise and society. During the Year, Luye Pharma continued its charity activities under the five major themes of "supporting scientific research and innovation, helping small and micro enterprises, revitalising rural economy, caring for health of grassroots, and caring for the underprivileged (支持科研創新、幫扶小微企業、振興鄉村經濟、關注基層健康和關愛弱勢群體)", which are listed below:

- Shanghai anti-pandemic supply assistance
- Jointly assistance for rural revitalization in Ganzi with caring enterprises via medical insurance
- Horse chestnut donation and plantation

Case: Jointly assistance for rural revitalization in Ganzi with caring enterprises via medical insurance (醫保攜手愛心企業，助力甘孜鄉村振興)

On 21 April 2022, Gong Dequan, Chairman and general manager of Sichuan Luye Pharmaceutical Co., Ltd., a subsidiary of Luye Pharma, attended the donation ceremony with the theme of "Jointly assistance for rural revitalization in Ganzi with caring enterprises via medical insurance", and donated RMB0.35 million to Red Cross Society of Ganzi County.

Case: Signing ceremony of "Assistance for Poverty Alleviation and Rural Revitalization (助力鞏固脱貧，助推鄉村振興)"

In late April 2022, pandemic prevention and control battle in Shanghai entered the final critical stage, which was in urgent need of more manpower and supply. With a view to helping Shanghai achieve its anti-pandemic goal more quickly, Luye Pharma launched an initiative to all of its employees in Shanghai on 28 April, calling on colleagues to sign up voluntarily. Qualified employees from the applicants were selected to form an anti-pandemic support team that night. During the 10-day battle from 29 April to 8 May, nine colleagues of the support team overcome many difficulties and obstacles under high morale, and jointly completed about 250,000 nucleic acid sampling with other medical teams, which made important and positive contributions to the fight against pandemic in Shanghai.

11. APPENDICES

11.1 Environmental Performance Table[3]

	Data for 2022	Data for 2021	Measurement unit
Resource consumption[4, 5]			
Direct energy consumption in total	42,310.80	39,173.31	'000 kWh
Direct energy consumption intensity	0.07	0.07	'000 kWh/income of RMB10,000
Indirect energy consumption in total	132,584.70	114,027.53	'000 kWh
Indirect energy consumption intensity	0.22	0.19	'000 kWh/income of RMB10,000
Total electricity consumption	84,655,247.00	72,017,845.00	kWh
Intensity of electricity consumption	141.52	138.49	kWh/income of RMB10,000
Total natural gas consumption (stationary sources)	3,819,465.00	3,594,493.00	Cubic meters
Intensity of natural gas consumption (stationary sources)	6.93	6.91	Cubic meters/income of RMB10,000
Total natural gas consumption (cooking)	65,693.00	/	Cubic meters
Intensity of natural gas consumption (cooking)	0.11	/	Cubic meters/income of RMB10,000
Total industrial steam consumption	172,545.89	151,234.72	MKJ
Intensity of industrial steam consumption	0.29	0.29	MKJ/income of RMB10,000
Total gasoline consumption (by automobiles)	25,079.00	26,293.00	Liters
Intensity of gasoline consumption (by automobiles)	3,134.88	3,286.63	Liters/per gasoline powered automobile
Total diesel consumption (by automobiles)	6,697.00	6,185.00	Liters
Intensity of diesel consumption (by automobiles)	3,348.50	3,092.50	Liters/per diesel powered automobile
Total water consumption[6]	1,441,558.06	1,141,446.02	Cubic meters
Intensity of total water consumption	2.41	2.19	Cubic meters/income of RMB10,000
Total packaging materials consumption[7]	3,416.16	4,426.53	Tons
Intensity of packaging materials consumption	0.006	0.010	Tons/income of RMB10,000

[3] *The statistical scope of 2022 remained consistent with that of 2021. The 2021 statistics cover Luye Pharma' headquarter, four production bases, including Nanjing Base, Beijing Base, Sichuan Base, Shandong Base, and the Boan Biotech.*

[4] *Total energy consumption includes electricity, natural gas (stationary sources and cooking), industrial steam, gasoline and diesel consumption, the conversion method of which made reference to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of 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)》) issued by the National Development and Reform Commission of the People's Republic of China. Total energy consumption of 2021 includes electricity, natural gas (stationary sources), industrial steam, gasoline and diesel consumption, and natural gas (cooking) data were newly included in 2022. The increase in energy consumption was due to the addition of data of natural gas for cooking, the newly-built workshop in Shandong Base, the newly-built plant in Nanjing Base and the increase in production capacity of Boan Biotech.*

[5] *Luye Pharma recorded total revenue of RMB5,981.7 million during the Year. Luye Pharma recorded total revenue of RMB5,200.23 million in 2021.*

[6] *During the Year, the increase in total water consumption of Luye Pharma was due to the newly-built plant in Nanjing Base, the newly-built workshop in Shandong Base and the increase in production capacity of Boan Biotech which led to the increase in total water consumption.*

[7] *The decrease in packaging material consumption was due to the reduced packaging materials consumption in Sichuan Base resulting from decrease in production capacity.*

11. APPENDICES (CONTINUED)

	Data for 2022	Data for 2021	Measurement unit
Emission of air pollutants by boilers[8]			
NO_X emission	5,711.59	5,279.30	Kilograms
SO_X emission	31.19	29.61	Kilograms
Emission of air pollutants from cooking[9]			
NO_X emission	78.83	/	Kilograms
SO_X emission	0.02	/	Kilograms
Particulate matter	7.23	/	Kilograms
Emission of air pollutants by automobiles[10]			
CO emission	418.03	379.85	Kilograms
NO_X emission	396.70	329.28	Kilograms
SO_X emission	0.48	0.49[11]	Kilograms
PM2.5 emission	15.61	12.86	Kilograms
PM10 emission	17.29	14.23	Kilograms
Emission of greenhouse gas (scope I and scope II)[12]			
Emission by use of boilers (scope I)	8,258.40	7,771.97	Tons
Emission by use of cooking (scope I)	142.04	/	Tons
Emission by automobiles (scope I)	75.96	76.98	Tons
Emission by refrigerants (scope I)	2,346.11	2,210.36	Tons
Emission by use of industrial steam (scope II)	18,980.05	16,635.82	Tons
Emission by electricity consumption (scope II)	48,278.89	41,842.37	Tons
Greenhouse gas emission in total[13]	78,081.45	68,537.50	Tons
Intensity of greenhouse gas emission in total	0.13	0.13	Tons/income of RMB10,000

8 *Boiler data in 2021 were recalculated due to the update on the calculating methods for emission data of air pollutants from boilers of Luye Pharma's production bases in 2022. The calculation formula made reference to the Manual of Calculation Methods and Factors for Statistics and Investigation of Sewage from Emission Sources (《排放源統計調查排污核算方法和系數手冊》) issued by the Ministry of Ecology and Environment in 2021.*

9 *The emission data of air pollutants from natural gas for cooking of Luye Pharma's production bases were newly included in 2022. The calculation method and calculation formula made reference to the Manual of Calculation Methods and Factors for Statistics and Investigation of Sewage from Emission Sources (《排放源統計調查排污核算方法和系數手冊》) issued by the Ministry of Ecology and Environment in 2021.*

10 *The calculation method for emission data of air pollutants from automobiles owned and controlled by Luye Pharma made reference to the Technical Guide for Air Pollutants Emission Inventory for Road Motor Vehicles (Trial) (《道路機動車大氣污染物排放列表編製技術指南(試行)》) issued by the Ministry of Ecology and Environment of the People's Republic of China.*

11 *SOx emission data of air pollutants from automobiles in 2021 were revised, and the calculation method of which made reference to the Technical Guide for Air Pollutants Emission Inventory for Road Motor Vehicles (Trial) (《道路機動車大氣污染物排放列表編製技術指南(試行)》) issued by the Ministry of Ecology and Environment of the People's Republic of China.*

12 *The calculation method for emission data of greenhouse gases (Scope I) from boilers, natural gas for cooking and greenhouse gases (Scope II) from use of industrial steam made reference to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of 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)》) issued by the National Development and Reform Commission of the People's Republic of China; the calculation method for emission data of greenhouse gases (Scope I) from automobiles made reference to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions by Land Transport Enterprises (Trial) (《陸上交通運輸企業溫室氣體排放核算方法與報 告指南(試行)》); and the calculation method for emission data of greenhouse gases (Scope I) from refrigerants made reference to IPCC AR5 report. The calculation method for emission data of greenhouse gases from use of electricity and related emissions factors in 2022 made reference to the national grid average emission factor, 0.5703t CO_2/MWh, indicated in the Notice on Work Related to the Reporting and Management of Power Generation Enterprises' Greenhouse Gas Emissions in 2023-2025 (《關於做好2023-2025年發電行業溫室氣體排放報告管理工作的通知》) issued by the Ministry of Ecology and Environment.*

13 *The increase in total greenhouse gas emissions and production waste water discharge was because newly-built plant in Nanjing Base, newly-built workshops in Shandong Base and increased production capacity in Boan Biotech led to increase in energy consumption and the total greenhouse gas emissions.*

11. APPENDICES (CONTINUED)

	Data for 2022	Data for 2021	Measurement unit
Production waste water discharge			
Production waste water discharge	937,562.00	905,972.00	Tons
Intensity of production waste water discharge	1.57	1.74	Tons/income of RMB10,000
Non-hazardous waste produced[14]			
Medicine dregs produced	175.20	180.28	Tons
Medicine dregs recycled[15]	12.16	2,470.71	Tons
Intensity of medicine dregs produced	0.00029	0.00035	Tons/income of RMB10,000
Packaging materials waste produced	40.75	10.05	Tons
Packaging materials waste recycled	51.92	87.59	Tons
Intensity of packaging materials waste produced	0.00007	0.00002	Tons/income of RMB10,000
Total non-hazardous waste produced[16]	218.41	/	Tons
Total non-hazardous waste recycled	157.86	/	Tons
Total intensity of non-hazardous waste produced	0.00037	/	Tons/income of RMB10,000
Hazardous waste produced[17]			
Medical waste produced	7.93	15.70	Tons[18]
Organic waste liquid produced[19]	637.79	441.54	Tons
Organic resin waste produced[20]	1.39	0.00	Tons
Waste activated carbon produced[21]	54.54	25.56	Tons
Reagent bottles, packaging materials waste produced[22]	10.12	5.16	Tons
Medical waste produced[19]	36.21	30.02	Tons
Waste mineral oil and lubricant oil produced[23]	0.23	1.60	Tons
Waste containers produced	12.04	15.31	Tons
Laboratory wastes produced[24]	0.76	0.10	Tons
Sludge produced[25]	4.88	1.22	Tons
Waste toner cartridge produced	60	90	Cartridges
Waste fluorescent tube produced	30	240	Tubes
Total hazardous waste produced	765.90	536.22	Tons
Total intensity of hazardous waste produced	0.00128	0.00103	Tons/income of RMB10,000

14 *The statistical caliber of non-hazardous waste produced was based on non-hazardous waste discharged.*

15 *The decrease in the amount of medicine dregs recycled was because medicine dregs were regarded as a by-product by Beijing Base rather than being treated as non-hazardous waste during the Year, resulting in change in statistical caliber.*

16 *Statistics on the total amount and intensity of non-hazardous waste newly included in 2022, and non-hazardous waste categories included: waste packaging materials, medicine dregs, paper, packing tape, glass, plastic, metal utensils and general solid waste. The calculation formula for intensity of this Year was: the total non-hazardous waste producted / the total revenue of Luye Pharma in this Year, the intensity data of non-hazardous waste in 2021 therefore were corrected.*

17 *The statistical caliber of hazardous waste produced was based on the hazardous waste discharged. The statistical data of total hazardous waste produced were newly added in 2022, and hazardous wastes included medical waste, organic liquid waste, organic resin waste, waste activated carbon, reagent bottles and packaging materials waste, pharmaceutical waste, waste mineral oil and lubricant oil, waste containers, laboratory wastes and sludge. Only total intensity of hazardous waste was disclosed in 2022 in view of optimizing the disclosure item.*

18 *The unit of hazardous waste was updated to tons in statistics in 2022.*

19 *The increase in organic waste liquid produced was mainly due to the increased usage resulting from new workshops in Shandong Base.*

20 *The increase in organic resin waste produced was mainly due to the production of organic resin waste in Shandong Base in 2022.*

21 *The increase in waste activated carbon produced was mainly due to the newly-built plant in Nanjing Base.*

22 *The increase in reagent bottles, packaging materials waste produced and medical waste produced was mainly due to the increase in production capacity of Boan Biotech.*

23 *The decrease in waste mineral oil and lubricant oil produced was mainly due to the reduced use caused by equipment maintenance in workshops of Shandong Base.*

24 *The increase in laboratory wastes produced was mainly due to the expansion of experiment and production scale in Boan Biotech.*

25 *The increase in sludge produced was mainly due to the newly-built plant in Nanjing Base.*

11. APPENDICES (CONTINUED)

11.2 Social Performance Table

Employee Data

		Number of people	Turnover rate (%)[26]
Total number of employees		5,005	13
By gender	Male staff	2,343	15
	Female staff	2,662	11
By type of employment	Full-time	4,955	/
	Part-time	50	/
By type of employees	Directors and above	145	/
	Managers	465	/
	Other employees	4,395	/
By age	18–25	554	24
	26–35	2,363	15
	36–45	1,492	7
	46–55	510	8
	56 and above	86	10
By region	Mainland China	4,675	13
	Europe	256	0
	United States	43	40
	Singapore and Malaysia	22	26
	Hong Kong	4	0
	Japan	3	33
	Brazil	1	0
	Mexico	1	0

[26] *Calculation formula of employee turnover rate: number of employees in this category leaving/total number of employees in this category × 100%*

11. APPENDICES (CONTINUED)

Employee Training Data

		Percentage of employees completed training (%)[27]	Average training hours completed per employee (hour/person)[28]
By gender	Male staff	47.94	67.32
	Female staff	52.06	69.29
By type of employees	Directors and above	3.07	7.95
	Managers	10.72	42.32
	Other employees	86.21	73.73

Work Injury Data

		Data for the Year	Measurement Unit
Lost days due to work injury		365	Days
Death toll in 2022	Employee	0	Number of people
	Contractor	0	Number of people
Death toll in 2021	Employee	0	Number of people
	Contractor	0	Number of people
Death toll in 2020	Employee	0	Number of people
	Contractor	0	Number of people

Supplier Data

Number of suppliers	China	10,536	Suppliers
	Overseas	299	Suppliers

[27] *Calculation formula of percentage of employees completed training by category: number of employees completed training in this category/total number of employees completed training.*

[28] *Calculation formula of average training hours completed per employee by category: training hours completed by employees in this category/total number of employees in this category.*

11. APPENDICES (CONTINUED)

	Data for the Year	Measurement Unit
Product Recall Data		
Percentage of total products sold or shipped subject to recalls for safety and health reasons	0	Percent
Complaint Data		
Number of products and service related complaints received [29]	29	Cases
Anti-corruption Data		
Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period	0	Cases
Community Service Data		
Utilised resources to the focus area	208.2	RMB10,000

[29] *Sichuan Base received 1 complaint, which was an invalid complaint after investigation; the total number of complaints received was 29, of which one was an invalid complaint.*

11. APPENDICES (CONTINUED)

11.3 ESG Report Content Index

ESG Reporting Guide			Reference to GRI Standard	Related sections in the Report
A. Environmental				
Item		Descriptions		
Aspect A1: Emissions				
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.	GRI 305: Emissions; GRI 306: Effluents and Wastes; GRI 307: Environmental Compliance	"Environmental Protection System"
Key Performance Indicator (KPI)	A1.1	The types of emissions and respective emissions data.		"Environmental Performance Table"
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and, where appropriate, intensity.		"Environmental Performance Table"
	A1.3	Total hazardous waste produced and, where appropriate, intensity.		"Environmental Performance Table"
	A1.4	Total non-hazardous waste produced and, where appropriate, intensity.		"Environmental Performance Table"
	A1.5	Description of emission target(s) set and steps taken to achieve them.		"Management of ESG Goals and Performance"
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.		"Management of ESG Goals and Performance"

11. APPENDICES (CONTINUED)

Aspect A2: Use of Resources				
General Disclosure		Policies on effective use of resources.	GRI 302: Energy; GRI 303: Water Resources and Effluents; GRI 307: Environmental Compliance	"Water Resources Management"
KPI	A2.1	Direct and/or indirect energy consumption by type in total and intensity.		"Environmental Performance Table"
	A2.2	Water consumption in total and intensity.		"Environmental Performance Table"
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.		"Management of ESG Goals and Performance"
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.		"Management of ESG Goals and Performance"
	A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.		"Environmental Performance Table"
Aspect A3: Environment and Natural Resources				
General Disclosure		Policies on minimising the issuer's significant impact on the environment and natural resources.	GRI 302: Energy; GRI 303: Water Resources and Effluents; GRI 305: Emissions; GRI 306: Effluents and Wastes	"Waste Management"
KPI	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.		"Waste Management"
Aspect A4: Climate Change				
General Disclosure		Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	GRI 201: Economic Performance	"Energy and Climate Change"
KPI	A4.1	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.		"Energy and Climate Change"

11. APPENDICES (CONTINUED)

B. Social			Reference to GRI Standard	Related sections in the Report
Item		**Descriptions**		
Aspect B1: Employment				
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination and other benefits and welfare.	GRI 401: Employment; GRI 405: Diversity and Equal Opportunity	"Employment Management" and "Caring about the Employees"
KPI	B1.1	Total workforce by gender, employment type, age group and geographical region.		"Employment Management" and "Social Performance Table"
	B1.2	Employee turnover rate by gender, age group and geographical region.		"Employment Management" and "Social Performance Table"
Aspect B2: Health and Safety				
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to provision of a safe working environment and protection of employees from occupational hazards.	GRI 403: Occupational Health and Safety	"Occupational Health and Safety" and "Chemicals Management"
KPI	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.		"Social Performance Table"
	B2.2	Lost days due to work injury.		"Social Performance Table"
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.		"Occupational Health and Safety" and "Chemicals Management"

11. APPENDICES (CONTINUED)

Aspect B3: Development and Training				
General Disclosure		Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	GRI 404: Training and Education	"Talent Training"
KPI	B3.1	The percentage of employees trained by gender and employee type.		"Talent Training" and "Social Performance Table"
	B3.2	The average training hours completed per employee by gender and employee type.		"Talent Training" and "Social Performance Table"
Aspect B4: Labor Standards				
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of child labor or forced labor.	GRI 408: Child Labor; GRI 409: Forced or Compulsory Labor	"Employment Management"
KPI	B4.1	Description of measures to review employment practices to avoid child and forced labor.		"Employment Management"
	B4.2	Description of steps taken to eliminate such practices when discovered.		"Employment Management"

11. APPENDICES (CONTINUED)

Aspect B5: Supply Chain Management				
General Disclosure		Policies on managing environmental and social risks of the supply chain.	GRI 308: Supplier Environmental Assessment; GRI 414: Supplier Social Assessment	"Sustainable Supply Chain Management"
KPI	B5.1	Number of suppliers by geographical region.		"Sustainable Supply Chain Management" and "Social Performance Table"
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.		"Sustainable Supply Chain Management"
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.		"Sustainable Supply Chain Management"
	B5.4	Description of practices used to promote environmentally preferable products and service when selecting suppliers, and how they are implemented and monitored.		"Sustainable Supply Chain Management"

11. APPENDICES (CONTINUED)

Aspect B6: Product Responsibility				
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of remedy.	GRI 416: Customer Health and Safety; GRI 417: Marketing and Labeling; GRI 418: Customer Privacy	"Promotion of Innovative R&D", "Superior Quality Assurance" and "Ethical Marketing"
KPI	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		"Superior Quality Assurance" and "Social Performance Table"
	B6.2	Number of products and service related complaints received and how they are dealt with.		"Superior Quality Assurance" and "Social Performance Table"
	B6.3	Description of practices relating to observing and protecting intellectual property rights.		"Promotion of Innovative R&D"
	B6.4	Description of quality assurance process and recall procedures.		"Superior Quality Assurance"
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.		"Superior Quality Assurance"

11. APPENDICES (CONTINUED)

Aspect B7: Anti-corruption				
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	GRI 205: Anti-corruption	"Integrity and Compliance"
KPI	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.		"Social Performance Table"
	B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.		"Integrity and Compliance"
	B7.3	Description of anti-corruption training provided to directors and staff.		"Integrity and Compliance"
Aspect 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.	GRI 201: Economic Performance	"Contribution to the Society and Cooperation for Win-win Situation"
KPI	B8.1	Focus areas of contribution.		"Contribution to the Society and Cooperation for Win-win Situation"
	B8.2	Resources contributed to the focus areas.		"Contribution to the Society and Cooperation for Win-win Situation" and "Social Performance Table"

Luye Pharma
绿叶制药

Luye Pharma Group Ltd.

www.luye.cn