



# The United Laboratories International Holdings Limited

(A company incorporated in the Cayman Islands with limited liability)  
(Stock Code: 3933)



# 2022

Environmental, Social and  
Governance Report

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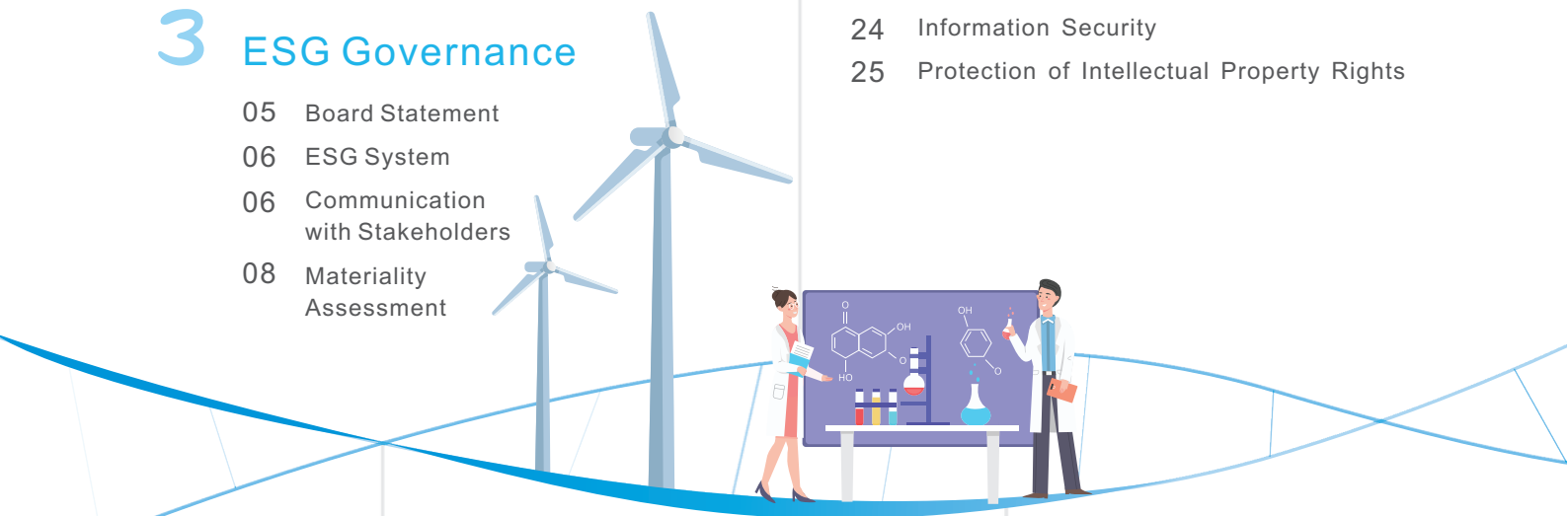
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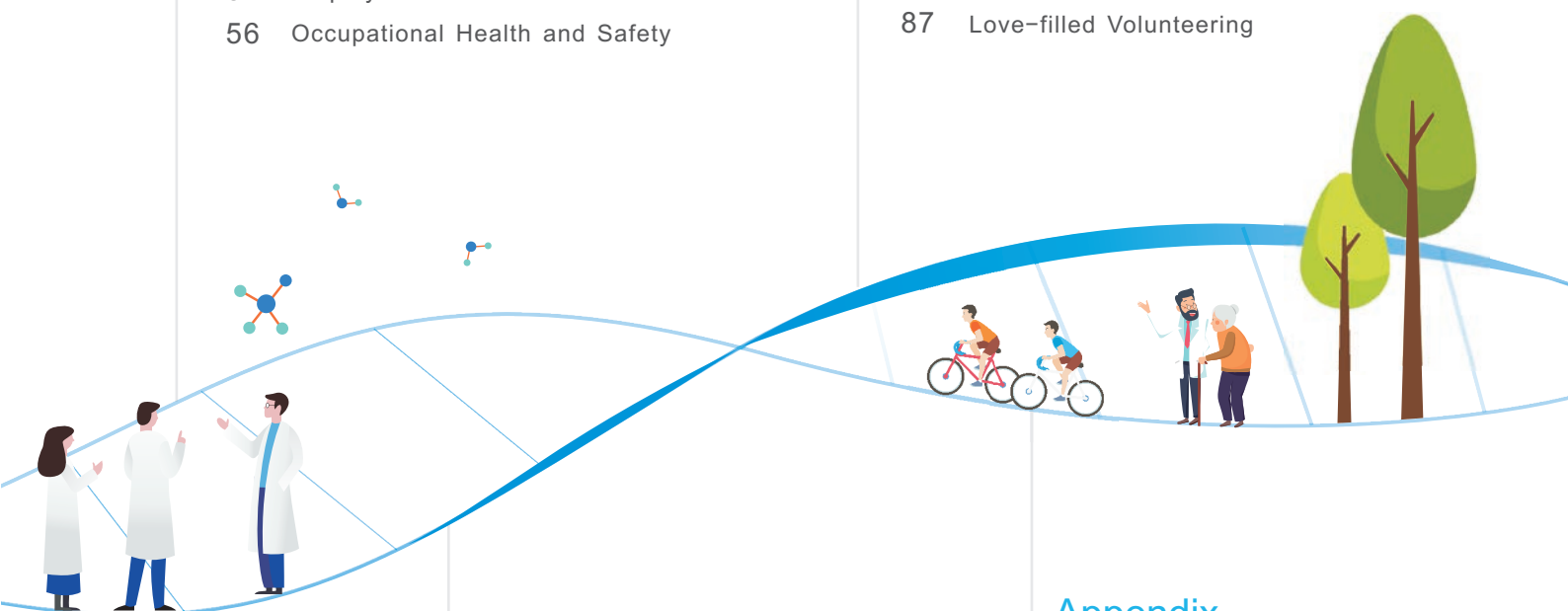
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# 1 About This Report

The United Laboratories International Holdings Limited (the "Company") (Stock Code: 3933.HK) issued the Environmental, Social and Governance ("ESG") Report elaborating various works and performance of the Company and its subsidiaries (collectively "The United Laboratories" or the "Group" or "We") from 1 January 2022 to 31 December 2022 (the "Year") in the aspect of supporting sustainable development.

## 1.1 Scope of the Report

The ESG Report mainly elaborates the environmental and social policies of the Group in pharmaceutical research and development, production and sales business, as well as its performance on environmental and social aspects during the Year. The key performance indicators disclosed for the Year are mainly based on the production plants of Inner Mongolia Company Co., Ltd., excluding its fossil-fuel power station in Inner Mongolia. The Group will gradually take into consideration other subsidiaries when disclosing its environmental indicators. For further details of corporate governance, please refer to the Corporate Governance Report within the Company's Annual Report.

## 1.2 Reporting Framework

The ESG Report was prepared in accordance with the Appendix 27 of the Environmental, Social and Governance Reporting Guide under the Listing of Securities issued by the Stock Exchange of Hong Kong Limited ("HKEX"). Unless otherwise specified, the currency in this report is presented in Renminbi.

## 1.3 Reporting Principles

The content of the ESG Report is determined through stakeholder engagement and materiality assessment process, which includes identifying ESG related issues, collecting and reviewing the management and stakeholders' opinions, assessing the relevance and materiality of the issues and preparing and validating the information reported. The ESG Report has covered all key issues that are concerned by different stakeholders.

Quantitative environmental and social KPIs are disclosed in the ESG Report so that stakeholders are able to have a comprehensive understanding of the Group's ESG performance. Information of the standards, methodologies, references and source of these KPIs are stated wherever appropriate. To enhance the comparability of the ESG Report between years, the Group adopts consistent reporting format and methodologies for calculating KPIs as far as practicable. In case of any changes in methodologies, the Group will present and explain in details in the corresponding sections.

## 1.4 Information and Feedback

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

# 2 About Us

## 2.1 Chairman Statement

“We believe that sound ESG governance is the key to the long-term development of an enterprise.”



In 2022, there were repeated waves of domestic outbreaks in China. However, with continuous optimization and adjustment of the pandemic control policies, social production and life are gradually recovering in an orderly manner. Being the leading pharmaceutical company in China, The United Laboratories joins hands with all sectors and always shoulders the responsibility of safeguarding human health. However, under the common impact of the pandemic and climate change, ESG has gradually become a global consensus as the importance of ESG in corporate development growing. This year, we focus on green development, health benefits, and employee care. Yet, we did not forget accomplishing our mission and responsibility. Guided by the direction of sustainability for business development, we actively engaged in charity and strive to establish an outstanding Chinese pharmaceutical brand.

Under the Country's strong promotion of carbon peak, carbon neutrality and ecological civilisation construction, the Group adheres to the sustainable development philosophy of “Priority for Environmental Protection”, and the corporate philosophy of “Love China, For China”. The Group supports the completion of the national carbon market and clean power generation system, and cooperates with the comprehensive green transformation of the society, while maintaining the long-term development and operation of the Group. With the MSCI ESG rating remains at A level, leading the industry and winning honours in multiple ESG-related evaluations, the Group will continue to promote the construction of green factories and contribute to the country's achievement of the goals of carbon peaking and carbon neutrality.

In recent years, we have seen deepening reform of medical and healthcare system. The United Laboratories insists on advancing with the times. In line with the corporate objective of “To Manufacture First-class Products, Provide First-class Services”, we improve the quality of products and services with the help of a scientific management system, and enhance every aspect of production and sales in pursuit of excellence. At the same time, the Group is committed to promoting the development of the pharmaceutical industry by expanding its international business and increasing the number of products included in the National Medical Insurance Drug List and National Essential Drug List to improve drug accessibility and affordability. We actively participate in the national centralised procurement of drugs to

reduce the economic burden of medication for diabetes patients, and actively participate in multiple high-level medical academic forums and conferences to improve medical and health standards.

The Group considers its employees as the cornerstone of development. We deeply understand the importance of talents for corporate development and abide by the principle of “People-oriented”. On the basis of protecting employees' safety, health and legal rights, we have created a diversified employee training and development system to help employees of different positions or levels comprehensively upgrade their professional skills and integrative capabilities so as to mutually develop with the Group. We also care about employees' well-being. By organising various activities, we allow employees to achieve work-life balance and increase their sense of belonging. We adhere to the business principle of “Friendship, Equality, and Joint Development” and strengthen the management of supply chain continuously. With efforts on enhancing the management of safety information and advocating on integrity, we strive to build a safe, sound and robust pharmaceutical brand.

At the same time, the Group actively participates in social welfare undertakings to serve the country. We have established the “United Laboratories Scholarships” in many colleges and universities across the Country to promote the development of medical education. At the same time, we have participated in the organisation of a number of professional academic activities to provide a learning platform for medical workers to communicate with each other. In addition, we also focus on social welfare such as disaster relief, poverty alleviation and elderly care, and give back to society with real actions to fulfill our corporate social responsibilities.

Through the publication of the ESG report, The United Laboratories hopes to deliver the Group's tenet of “To Make Life More Valuable” and demonstrate the Group's efforts in fulfilling its corporate social responsibilities. In the future, we will, as always, cooperate with customers to create a win-win situation, create value with shareholders, and seek mutual development with employees to create benefits for society. We sincerely invite you to read this report, share your views with us, and walk hand in hand with The United Laboratories.

Chairman  
Tsoi Hoi Shan

## 2.2 Entering The United Laboratories

### 2.2.1 Introduction of the Group

The Group is a comprehensive and modernized pharmaceutical enterprise involving in the research and development, production and operation of intermediate, active pharmaceutical ingredients and preparations. The Group currently has six major production sites including The United Laboratories Co., Ltd., Zhuhai United Laboratories Co., Ltd. ("Zhuhai Company"), Zhuhai United

Laboratories (Zhongshan) Co. ("Zhongshan Company"), Guangdong Kaiping Kingly Capsule Co., Ltd., Inner Mongolia Company Co., Ltd. ("Inner Mongolia Company"), and The United Animal Healthcare (Inner Mongolia) Co., Ltd. ("The United Animal Healthcare"), with a total of approximately 14,000 employees.

### 2.2.2 Concept and Vision

Since its establishment, the Group has been dedicating to the production of high-quality pharmaceuticals. All our factories have passed the certification of Chinese Good Manufacturing Practice ("GMP"), and multiple products have obtained official certifications such as the Certification of Suitability to the Monographs of the European Pharmacopoeia Organisation and the US Food and Drug Administration ("FDA"). We adhere to independent innovations and possess strong research and development capabilities. Our products cover multiple fields including antibiotics, diabetes drugs, nervous system drugs, ophthalmology drugs, topical dermatology drugs and others. Many scientific and technological achievements of the Group have obtained national patents.

Talents are the primary productive force of an enterprise. The Group emphasizes high-quality work force construction, continuously improves human resource management, establishes and

improves our talent training, selection and education mechanism, and has gradually formed a "Friendly, Responsible, Hardworking and Efficient" workforce. We always adhere to the philosophy of "To Make Life More Valuable" to promote the development of environmental protection and the charity sector with a high sense of social responsibility. As for environmental protection, we have made huge investment in creating a green enterprise. We actively support charities in multiple fields such as education, poverty alleviation and social welfare. Our efforts have been recognised by all walks of society, which reflected our responsibilities and missions as a modern enterprise.

In the future, the Group will continue to dedicate its efforts to the creation of an outstanding Chinese pharmaceutical brand, promote the development of the national medical and healthcare industry, and create more high-quality and highly effective pharmaceuticals.



#### Corporate Mission

Love China, For China



#### Corporate Tenet

To Make Life More Valuable



#### Core Culture

Kind, Conscientious, Diligent and Highly-efficient



#### Corporate Objective (Vision)

To Manufacture First-class Products, Provide First-class Service, Cultivate First-class Professionals, be a Model in the Pharmaceutical Industry



#### Core Value

Devoted to Producing Safe and Effective Medicines for the Chinese People



#### Environmental Protection Concept

We Cherish not only Economic Benefits, but also Green Mountains and Lucid Water, Blue Sky and White Clouds



#### Business Principle

Friendship, Equality, and Joint Development



#### R&D Philosophy

Pragmatic Andrigorous, Scientific Truth-seeking, Future-oriented, and Innovative

## 2.3 Annual Rewards



- Ranked 22th of the "2021 Top 100 Pharmaceutical Enterprises in China"
- Selected as one of CPEO's "Top 100 Enterprises with Comprehensive Competitiveness in the Pharmaceutical Industry for 2022"
- The United Laboratories was ranked 16th of the "Top 100 Chemical and Pharmaceutical Enterprises in China for 2021"



- Awarded the "Best ESG Award" in the 6th Golden Hong Kong Stock Exchange
- Listed on the "Top 25 Pharmaceutical Stocks" of the "Top 100 Hong Kong Stocks"
- Awarded the "Most Valuable Listed Company" for 2022 by Sina Finance in HK and US stock markets
- The project "Innovation and Application of New Products for the Prevention and Control of Serious Diseases of Dogs and Cats" won the second prize of Guangdong Provincial Science and Technology Progress Award for 2021

- Awarded the title of "Specialization, Precision, and Innovation" in Inner Mongolia
- The United Laboratories' Amoxicillin won the Antibiotic Brand Gold Award of CPEO



- The "Technological Development and Industrialization Project of Insulin Glargine for Diabetes Treatment" won the first prize of 2021 Zhuhai Science and Technology Progress Award



- Awarded as a 5A supplier of strategic partner in 2021
- Selected as one of the "Top 10 Pharmaceutical and Health Manufacturing Enterprises in Zhuhai for 2021"
- Awarded the "Integrity Management Enterprise" and "Charity Enterprise" in the pharmaceutical industry of Zhuhai in 2021
- Selected as a pilot unit for "Happy Enterprise" in Zhuhai



## 3 ESG Governance

The Group actively fulfils its social responsibility, and understands that excellent governance of ESG matters results in better investment value and the

delivery of sustainable returns to the Group and its shareholders.

### 3.1 Board Statement

The Board believes that comprehensive governance of ESG matters will benefit the Group's long-term development. ESG reporting has been formally included in the agenda of the Board. This ESG report has been reported to the Board and reviewed and approved before disclosure to strengthen the Board's understanding of the annual ESG achievements, visions and strategies. To effectively supervise the Group's ESG matters, the Board is responsible for developing and approving the overall ESG vision, strategies and programmes and regularly reviewing the Group's ESG performance. Through the Board meetings, the Board is aware of the compliance of ESG-related risks and related issues, and supervises the risk assessment process and corresponding measures.

The Board has established the Sustainable Development Working Group to help the Board develop and implement appropriate ESG management strategies and policies. The working group is comprised of representatives from various departments, with clear structure and responsibilities. It reports to the Board on ESG working results regularly. The management of different departments is responsible for practising, leading and supervising policies set by the working group according to the ESG strategies, which are then implemented by different operational teams. To effectively improve the Group's ESG performance and progress, departments work in strict accordance with their targets, while the Sustainable Development Working Group supervises the overall implementation of the

targets, and assist the Board in evaluating the Group's ESG performance by reporting to the Board.

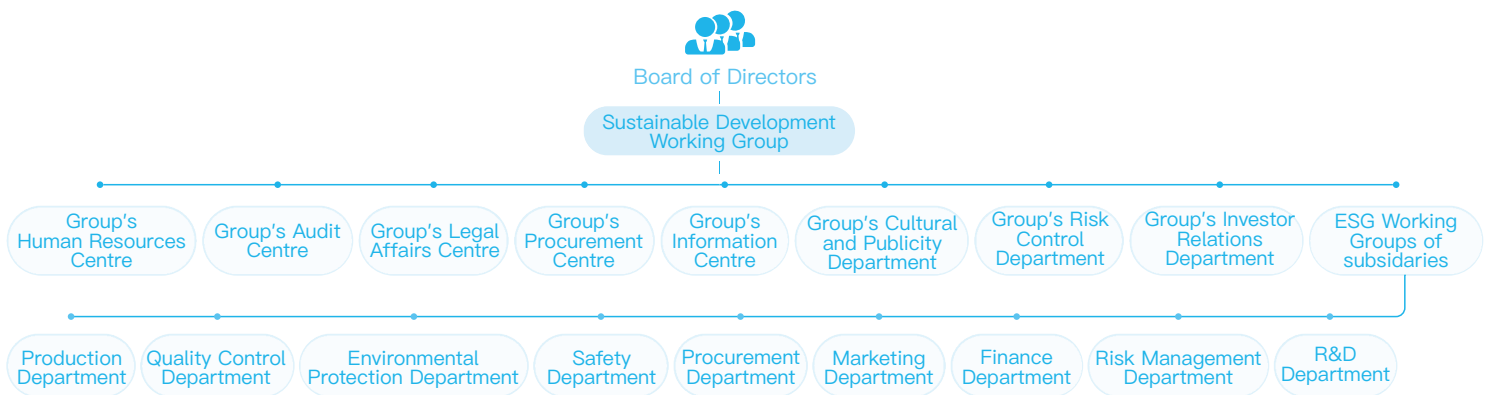
Through the meetings, the Board understands the results of the stakeholder engagement management strategy, and reviews and revises the Group's sustainable development and management policy to effectively meet the expectations and needs of stakeholders. In addition, the Group has delegated a professional third party to help manage the Group's ESG matters, prepare the ESG report and conduct data collection and analysis. Such party also helps the Board to collect and analyse stakeholder's opinions on ESG matters, and carry out materiality assessment to identify the Group's material ESG issues. The materiality assessment is based on surveys for collecting opinion from the Group's stakeholders, including the members of the Board. By integrating material ESG issues of the industry, the level of concern of different ESG issues are rated and prioritised in order to identify the material ESG issues. The assessment result is supervised and approved by the Board.

During the Year, the Group's short-term sustainable development goals have been set and regular Board meetings have been held. The process of setting goals and the progress of related goals were supervised by the Board. In the future, the Board will spare no effort to explore more opportunities to help the Group to further its sustainable development achievements.

### 3.2 ESG System

To better plan and implement ESG works, the Group has established the Sustainable Development Working Group. It aims at introducing the ESG working system at all levels of the Group, maintaining close communication with stakeholders, achieving compliance operation and effective management, as well as promoting sustainable development of the Group. The working group is responsible for supervising, inspecting and reporting on the occupational health, safety and environmental protection, labour security and quality of the Group and its subsidiaries. It also regulates the standards of daily

ESG works, which include establishing and planning the targets of sustainable development strategies, promoting and launching ESG projects of companies, and organising ESG-related training. The working group also regularly analyses and assesses the ESG performance of the Group and its subsidiaries, reviews the work and provides recommendation. In addition, the Group has established a sustainable development working system, covering all production bases and functional departments of the Group for monitoring all ESG-related aspects, so as to achieve effective governance of ESG matters.



### 3.3 Communication with Stakeholders

The Group is aware of the close link between stakeholders and the development of the Group's business. This ESG report has been prepared with the participation of different stakeholders, enabling the Group to better understand its current level of management in the environmental and social

aspects. We attach great importance to our communication with various stakeholders, and we use a variety of channels to understand their views and needs, so as to review and improve our performance at ESG level.

Stakeholders	Expectations and Requirements	Means of Communication and Response
 Government and Regulatory Authorities	Compliance with national policies, laws and regulations Facilitating local economic development Promotion of local employment Regular fulfilment of tax obligations	Regular information submission Regular conversation with regulatory authorities Dedicated reports Inspection and supervision
 Shareholders and Investors	Investment returns Operation in compliance Rise in company value Information transparency and effective communication	General meeting Announcements and circulars of the Group Email, telephone and Company's website Dedicated reports On-site inspections Listed company roadshow
 Suppliers and Partners	Operation with integrity Fair competition Compliance with laws and fulfilment of agreements Mutual benefits and achievements	Review and assessment meetings Business communication Discussion and exchange of opinions Negotiation and cooperation
 Customers	Quality products and services Health and safety Compliance with laws and fulfilment of agreements Operation with integrity	Customer service centre and hotline Customer opinion survey Customer meetings Social media platforms Return visit Customer information collection and management
 Environment	Up-to-standard discharge Energy conservation and emission reduction Ecological protection Reasonable water consumption	Communication with local environmental authorities Communication with local residents Submission of reports Investigation and inspection Third-party assessment and reporting
 Industry Associations	Formulation of industrial standards Facilitating industrial development	Communication with local labor authorities Participation in industry forums Visits
 Employees	Protection of rights Occupational health and safety Remunerations and benefits Career development Humanity cares	Employee meetings Company's internal publications and intranet Mailbox for employees Training and workshops Activities for employees Workers' congress Democratic symposium
 Community and Public	Improvement on community conditions Participation in charity affairs Information transparency	Company's website Announcements Media interviews Social media platforms Community communication meetings

### 3.4 Materiality Assessment

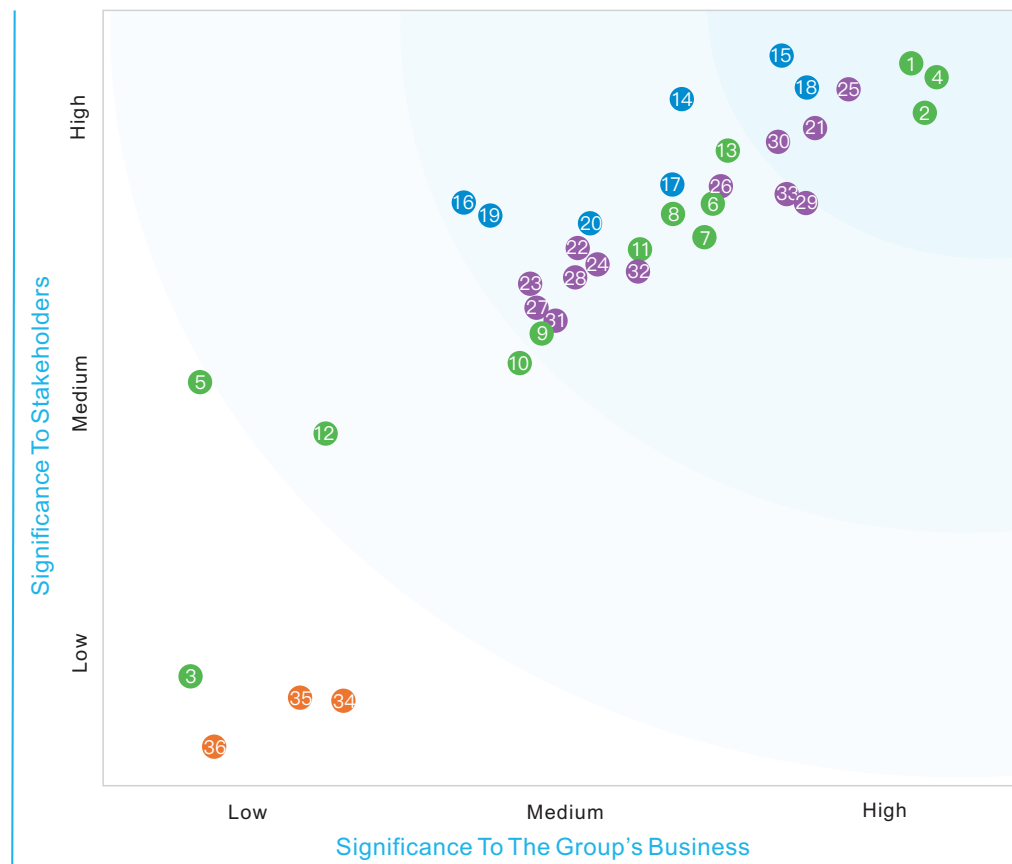
During the Year, the Group conducted a materiality assessment to identify the important ESG issues. The materiality assessment helps the Group to ensure that the business objectives and direction of development can meet stakeholders' expectations and needs.

The materiality assessment is carried out in three main phases:

i. Establish a number of ESG-related issues that carry potential impacts on the business or stakeholders based on the industry and business nature of the Group

ii. Conduct a survey by inviting the internal and external stakeholders of the Group to complete a questionnaire, so as to gather the information showing the level of importance that each stakeholder attaches to ESG-related issues and understand their expectations for the Group's response and disclosure of ESG issues




iii. Analyse the results of valid questionnaires and draw the following importance matrix to establish the priority of ESG-related issues





Through the above materiality assessment process, the Group finally identified 8 important ESG issues. The following table lists the major ESG issues determined based on the

assessment conducted by the Group and their corresponding sections in the report.

Perspectives	Material Issues	Corresponding
 Environment	1. Environmental compliance 2. Exhaust Gas Management 4. Wastewater Management	Dedicated to Environmental Protection Pollution Control and Treatment Pollution Control and Treatment
 Employment and Labour Practices	15. Remuneration and Benefits 18. Occupational Health and Safety	Benefits and Welfare Occupational Health and Safety
 Operational Practices	21. Operational Compliance 25. Quality Management 30. Research and Development	Excellence in Operational Management Building a Quality Brand Innovation and R&D

# 4 Normalizing Healthiness Improving Medical Accessibility

## > Our Focuses

Innovation and R&D  
Supporting the Medical Industry

## > Our Actions

Strengthen Research and Innovation  
Increase Pharmaceutical Accessibility  
Improve Pharmaceutical Affordability  
Improve Healthcare Standards

## > Our Achievements

**RMB5.94**million  
Annual R&D investment

**62**Products  
Included in the Naional Medical  
Insurance Drug List

**30**Products  
Included in the National  
Essential Drug List

**11,000+**people  
Participate in "Double  
Excellence Action"

Drug innovation and medical accessibility continue to receive widespread attention from the global pharmaceutical and intellectual property fields, and are related to the development of public health and the balanced development of pharmaceutical intellectual property rights. In order to enhance the Group's innovation capacity and competitiveness on the market, The United Laboratories is committed to innovation, research and development, establishes multiple research and development platforms, and is constantly

developing and improving its medicines to meet the needs of an ever-changing market. The Group is also committed to promoting the development of the industry and promoting pharmaceutical academic knowledge and information through academic promotion projects. The Group has formulated The United Laboratories Methods of Intellectual Property Management to protect its brands and pharmaceutical patents from any infringement.

## 4.1 Innovation and R&D

The Group continues to strengthen its investment in R&D and innovation, build different pharmaceutical R&D platforms, and strive to develop and improve more high-quality and safe drugs to make greater contributions to human health. The direction of the Group's research and development of drugs includes new drugs and high-value generic drugs. Key research and development areas involve endocrine medications, autoimmune disease

medications, ophthalmic medications, veterinary medicines, etc. The production process and production technology of drugs, environmental protection transformation and intelligent transformation are also one of the directions of R&D and innovation. We are committed to using better technology to provide our customers with the best quality pharmaceutical products.

### 4.1.1 R&D Platform

The Group has established the Biological, Medicinal Chemistry, Medicinal Innovation (Chemical Drugs) Research and Development Institute and the Clinical Medicine Research Centre to cooperate in research and development. The research institutes are equipped with research talents and advanced equipment. The Biological Research and Development Platform has nearly 420 research and technical personnel, and the proportion of personnel with graduate or above academic qualification exceeds 30%. At the same time, it is equipped with more than 100 large-scale research and development equipment with leading technologies in the Country and abroad. The investment in assets exceeds RMB160 million. The Medicinal Chemistry Research and Development platform is responsible for the consistency evaluation for the quality and effectiveness of the Group's Medicinal Chemistry and generic drug, with nearly 150 research personnel and having a proportion of personnel with graduate or above academic qualification exceeds 63% in the Medicinal Innovation (Chemical Drugs) Research and Development Platform. The Clinical Medicine Research Centre is responsible for the design, organisation, implementation, quality management and compliance and related work of all of the Group's clinical trial projects. It also closely cooperates with more than 100 domestic

institutions with national drug clinical trial qualifications and authoritative treatment in related fields. Under the guidance of well-known experts in the Country and abroad, we have organised and completed more than 80 clinical trials of pharmaceuticals. At the same time, the Group also cooperates with universities, research institute, and laboratories in the Country and abroad to carry out research and development work.





### Supporting Pharmaceutical Development in the Greater Bay Area

In response to the Country's requirements to accelerate the development of biopharmaceuticals in Country's outline of "the 14th Five-Year Plan" and 2035 Vision Targets, the Group established the United Bio-Technology (Hengqin) Co., Ltd. (聯邦生物科技(珠海橫琴)有限公司) ("Hengqin Bio-Technology") in the Guangdong-Macao Cooperative Traditional Chinese Medicine Technology Industrial Park ("Hengqin TCM Industrial Park") in April 2022. Located in a national pharmaceutical industrial park, Hengqin Bio-Technology will create a first-class R&D and service platform integrating scientific research, academic and communication, and at the same time, mark another major breakthrough and progress of the Group in the area of biomedicine.

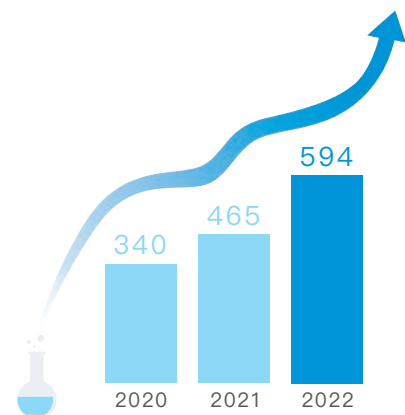
The overall site area of Hengqin Bio-Technology

is approximately 2,100m<sup>2</sup>, of which the R&D laboratory is approximately 1,600m<sup>2</sup>, including new drug R&D laboratory, drug screening platform laboratory, cell research laboratory, process development research laboratory and quality control laboratory. On the basis of the existing technology and research team of some marketed products, the Company expanded the introduction of talents in biological investment and biological R&D, deepened and expanded its development in the fields of diabetes drugs, monoclonal antibody drugs, chronic disease management, cooperation with scientific research institutions in Hong Kong and Macau in the Greater Bay Area, and carried out drug molecular screening, process research and development, clinical trials, application for registration, marketing and production, commissioned production, etc.

### 4.1.2 R&D Investment and Achievements

The Group adheres to innovative research and development, continues to invest a lot of resources, and gradually increases investment in research and development. Investment in research and development during the Year was RMB594 million, representing a year-on-year increase of 27.6%.

Investment in R&D  
(RMB million)



## Products in R&D

Product	Indications	R&D Stage
Liraglutide Injection	Diabetes	<div></div>
Insulin Degludec Injection		<div></div>
Insulin Degludec/Insulin Aspart		<div></div>
Insulin Degludec/Liraglutide		<div></div>
Semaglutide Injection		<div></div>
Semaglutide Injection	Obesity	<div></div>
Gastrointestinal (GI) Hormones*	Diabetes, Obesity & Nonalcoholic	<div></div>
Second-generation GI Hormones*	Steatohepatitis (NASH)	<div></div>
Anti-osteoporosis Peptides	Osteoporosis	<div></div>
Osteoporosis Monoclonal Antibody		<div></div>
Anti-IL-4R monoclonal antibody	Eczema & Asthma	<div></div>
Ultra-long-acting Insulin analogue*	Diabetes	<div></div>
GLP-1 Oral Preparation*		<div></div>
Dual Target Hypolipidemic Drugs*	Hyperlipidemia	<div></div>
Interleukin-2 Fusion Protein*	SLE&other Autoimmune Disease	<div></div>
Novel Recombinant Urate Oxidase*	Hyperuricemia&Gout	<div></div>
TUL01101Tablets*	Rheumatoid Arthritis	<div></div>
TUL01101Tablets*	Atopic Dermatitis	<div></div>
LB1091*	Inflammatory Bowel Disease	<div></div>
TUL01101 Ointment*	Atopic Dermatitis	<div></div>
LB2012*	Inflammatory diseases	<div></div>
LB2023*	IgA Nephritis	<div></div>
TUL12101Eye Drops*	Xerophthalmia	<div></div>
LB2311*	Bacterial Infection	<div></div>
LB2132*	Xerophthalmia	<div></div>
Mupirocin Ointment	Dermatosis	<div></div>
Tadalafil tablets	Erectile Dysfunction	<div></div>
Sodium Hyaluronate Eye Drops	Xerophthalmia	<div></div>
Polyvinyl Alcohol Eye Drops		<div></div>
Moxifloxacin Eye Drops	Conjunctivitis	<div></div>
Olotadine Hydrochloride Eye Drops		<div></div>

\*Class I new drug

R&D Stage: ■ Clinical trial ■ Clinical registration ■ Preclinical

As of 31 December 2022, the Group has a total of 29 generic and new drug projects under development, including 14 chemical drugs and 15 biologics, of which 6 are in the clinical stage, 2 are in pending stage for clinical approval and 21 are in the pre-clinical stage. In addition, the Group has actively responded to the national requirements for consistency evaluation on the quality and efficacy of generic drugs, with 11 products already been approved for consistency evaluation and another 15 products in progress. The Group has a number of key projects under research and their indications and development stages are as shown above (Products in R&D), which are expected to provide a good foundation for the sustainable development of the Group's operations in the future.

In addition, with the Group's excellent product quality, production processes, and production facilities, and the Group actively seeking breakthroughs to create benefits, we have achieved several research successes. These successes not only provide more quality pharmaceutical products to the public, but also

enhance the Group's operational and production efficiency.



## Annual Research Results



### R&D of Diabetes Drugs

#### Insulin Degludec and Insulin Aspart Injection Being Approved for Clinical Trials

Insulin Degludec and Insulin Aspart injection is a new-generation ultra-long-acting combination of basal insulin analogue and mealtime insulin analogue, containing 70% insulin Degludec and 30% insulin Aspart. The two components are soluble independently and reliably, without changes of their respective pharmacological properties, and work together to control the fasting blood glucose and the postprandial blood glucose. Compared with the premixed insulin analogues applied clinically, insulin Degludec and Insulin Aspart injection demonstrates a better simulation of the secretion pattern of physiological insulin and delivers a safer and more effective treatment for reducing blood glucose, thus providing diabetes patients with a better option to comprehensively control blood glucose.

#### Semaglutide Injection Being Approved for Clinical Trials

Semaglutide is a long-acting glucagon-like peptide-1 (GLP-1) analogue for the treatment of type 2 diabetes. Semaglutide is the most effective blood-glucose-reduction GLP-1 analogue among the same target drugs existing in the market. It only requires to be injected once a week, and is characterized by safety, simplicity and significant efficacy. By promoting the secretion of insulin by pancreatic cells, it can significantly reduce the blood glucose in vivo, reduce the weight of the patients and show obvious cardiovascular benefits. In addition to the indication of type II diabetes, several indications including weight loss, non-alcoholic steatohepatitis (NASH) and Alzheimer's disease are currently under research.



### R&D of Innovative Drugs

#### TUL01101 Ointment Being Approved for Clinical Trials

TUL01101 Ointment is a topical preparation of Janus Kinase (JAK) inhibitor for the treatment of mild to moderate atopic dermatitis with proven efficacy and fewer side effects. JAK inhibitor drugs include oral preparations and topical skin preparations. Compared with the oral preparation, JAK inhibitor topical preparation can achieve high retention of the drug in the skin, while reducing the systemic absorption of the drug, resulting in high efficacy and less adverse reactions, thus enhancing the safety. To date, only a few topical JAK inhibitor preparations have been approved for marketing in overseas markets, and no such product has been approved in China market.

#### TUL12101 Eye Drops Being Accepted for the Trial Application

TUL12101 is a new generation of small molecule RASP (Reactive Aldehyde Specie) inhibitor developed by the Company for the treatment of dry eye syndrome. RASP is a pro-cytokine mediator of inflammation. By binding to thiol and amine residues on proteins, it enhances the release of cytokines and activates inflammasomes, and it can also bind to class A scavenger receptors (SR-A1/CD204) to produce pro-inflammatory effects. As a RASP inhibitor, TUL12101 can covalently bind free aldehydes and reduce excessive RASP levels, rapidly reduce the content of active aldehydes in the eye, relieve inflammation and break the vicious cycle of inflammation, thereby achieving the purpose of treating dry eye syndrome. At present, there are no other products with the same mechanism on the market in China or abroad.



### Several Products Passing the Consistency Evaluation of Generic Drugs

The Group's research team has conducted thorough research on the pharmacological quality and bioequivalence of the drugs in conjunction with the technical requirements of the drug marketing application and the consistency evaluation of generic drugs to ensure that the drugs meet the requirements of safety, efficacy and quality control.

During the reporting period, the Group's Biapenem for Injection, Cefuroxime Axetil Tablets and Piperacillin Sodium and Tazobactam Sodium for Injection passed the consistency evaluation on the quality and efficacy of generic drugs, while 2

specifications of Sodium Hyaluronate Eye Drops also obtained the drug registration certificate and passed the consistency evaluation on the quality and efficacy of generic drugs. The Group's competitive edge in the market has been gradually enhanced from several products passing the consistency evaluation on the quality and efficacy of generic drugs. Currently, the Group has a total of 11 products that have passed (including deemed passing) the consistency evaluation. The Group will continue promoting the consistency evaluation of generic drugs to provide patients with more choices in quality drugs.



## Other R&D Achievements

During the Year, the Group's "Technical Transformation Project of Biological Drugs and Chemical Drugs to Increase Productivity and Improve Efficiency" was included in the 2022 Zhongshan City Industrial Development Project, and the "Tenofovir Disoproxil Fumarate Tablets, Memantine Hydrochloride Tablets and Glipizide Tablets Consistency Evaluation Subsidy Project" was included in the 2021 Zhongshan Health Medicine Industry Development Project. The above two projects received a cumulative subsidy of approximately RMB13.7 million from the government. In addition, the project "Technology Development and Industrialization of Glycine Insulin for Diabetes Treatment" won the First Prize

in the 2021 Zhuhai Science and Technology Progress Award.



## 4.2 Facilitating the Development of the Pharmaceutical Industry

### 4.2.1 Improve Pharmaceutical Accessibility



32

Overseas certifications

78

Overseas registrations

RMB2.37 billion

Overseas business revenue

The Group's business covers pharmaceutical products, active pharmaceutical ingredients (APIs), and intermediates, with product pipeline in fields such as endocrine, autoimmune, ophthalmic, and anti-infection. The Group has been actively expanding its international business to improve its global industrial distribution and export business. Currently, the Group's international business covers intermediates and APIs, with a global sales network covering major pharmaceutical markets and emerging markets in China, Europe, India, the Middle East, South America, and Africa. The Group is also a global leader in the upstream industry for penicillin antibiotics. The Group's intermediates and API products have obtained official certifications from many countries, such as the European Union Certification of suitability of European Pharmacopoeia monographs (CEP), the United States FDA, Germany, India, Japan, Brazil, and Mexico. Currently, the Group has a total of 32 overseas certifications and 78 overseas registrations.

During the Year, the Group's overseas business revenue is recorded to be RMB2.37 billion, accounting for 20.9% for the Group's turnover.

In addition, the Group also pays attention to the

accessibility and affordability of drugs in developing countries, and has established a fair and reasonable pricing mechanism for APIs and intermediate products. This mechanism comprehensively considers factors such as production costs, industry supply and demand, coverage of medical systems, and patients' affordability. The Group adopts a relatively transparent and consistent pricing policy in the same level market both domestically and internationally. To make customers familiar with and understand the pricing level, the Group is committed to disclosing the purchase prices of the drugs, such as the price of insulin selected by the national centralized procurement. This makes the overall market price relatively transparent. The Group minimizes the intermediary links as much as possible to effectively reduce the supply cost of drugs. Currently, the pricing of the Group's generic drugs on the market is generally 60-70% of the innovator drugs. The Group did not have any quality control issues related to non-exclusive drug licenses for drugs in the current year. The Group currently does not have a board-level representative or committee responsible for overseeing the accessibility of medical services for employees.

## 4.2.2 Improve Pharmaceutical Affordability



### Increasing the Amount of Products in National Medical Insurance Drug List and National Essential Drug List

The National Healthcare Security Administration (國家醫療保障局) announced the "National Medical Insurance Drug List (2021 Edition)" (NMIDL) will be officially implemented on January 1, 2022. During the reporting period, the Group has 62 products

included in the NMIDL, with 24 Category A products and 38 Category B products. In addition, the Group also has 30 products in the "National Essential Drug List" (NEDL) published in 2018.

#### National Medical Insurance Drug List

**Category A drugs** on the NMIDL are clinically necessary, widely used, effective, and low-priced among similar drugs. The costs incurred from the usage of Category A drugs are paid in accordance with the provisions of Basic Medical Insurance.

**Category B drugs** on the NMIDL are clinically optional, effective, and slightly more expensive than Category A drugs for the same class of drugs. The costs incurred from the usage of Category B drugs are first paid by the enrollee for a certain portion of the costs, then the paid for in accordance with the provisions of the Basic Medical Insurance.

#### National Essential Drug List

NEDL is the basis for medical institutions to equip and use drugs. The catalog contains 2 parts, which are usage for primary medical and health institutions, and usage by other medical institutions. The drugs in the NEDL are drugs that meet basic medical and health needs, have appropriate dosage forms, reasonably priced, can be ensured supply and are available to the public on an equitable basis.



### Participating in the National Centralised Procurement of Insulin

Currently, there are 140 million people with diabetes in China. Insulin is an important drug for diabetic patients to control their blood sugar and has an irreplaceable position in the treatment of diabetes. Since insulin requires to be used long-term, the National Healthcare Security Administration organised the 6th national centralised procurement of drugs (Insulin-specific), and the selection results will be implemented in May 2022. This centralised procurement involves the procurement of

approximately 210 million vials of insulin in the first year of the national medical institutions, with a procurement amount of approximately RMB17 billion and an average price reduction of 48% for the selected products. The Group's full range of insulin products were selected in this procurement. By increasing the market share of insulin products, we will be able to alleviate the financial burden from drug usage and benefitting the majority of diabetic patients.

### 4.2.3 Improve Healthcare Standards

The Group is committed to promoting the growth of the pharmaceutical industry, as well as the promotion of pharmaceutical academic and medicinal information. During the year, the Group actively participated in a multiple high-level pharmaceutical academic forums, including the Annual Meeting of the Diabetes Committee of the Chinese Research Hospital Association, the Annual Meeting of the Endocrinology and Metabolism Committee of the Physicians

Association and the Annual Meeting of the Chinese Society of Clinical Pharmacy. During the year, the Group participated in 13 high-level academic forums across the country with over 1,000 attendees. In addition, the Group continues to organise the "Double Excellence Campaign" - grassroots diabetes prevention and management training series, actively contributing to the improvement of the rational clinical use of diabetes drugs.



#### "Double Excellence Action" - Diabetes Prevention and Management Training for Grassroots Series

##### Cooperation agency:

Diabetes Medical Committee of Chinese Research Hospital Association, Liantang Zhongkang (Beijing) Medical Information Consulting Co., Ltd.

The "Double Excellence Action" – Diabetes Prevention and Management Training for Grassroots Series is a nationwide public service training programme organised by the Diabetes Committee of the Chinese Research Hospital Association and exclusively supported by the Group. The programme aims to cultivate doctors with "double-excellent" capabilities, which include excellent diabetes diagnosis and treatment, as well as excellent diabetes knowledge dissemination. Since its launch, the programme has been held for 4 consecutive years, with over 50 sessions covering more than 20 provinces and cities across China and over 30,000 grassroots care practitioners participating. This programme has a positive impact on enhancing doctors' ability in diabetes diagnosis and management, standardizing the standard of grassroots care doctors, and improving the quality of care services for grassroots.

This year, the "Double Excellence Action" was launched in five cities across China, providing guidance and education to 11,000 healthcare professionals through online and offline formats. The Group will continue to promote the prevention and management of diabetes at the grassroots level, build a professional academic brand, establish a communication platform for medical practitioners and contribute to the protection of public health and safety.



Adhering to the tenet of "To Make Life More Valuable", the Group places a great importance to public health and supports the provisions of the "Doha Declaration on the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and Public Health" on protecting public health and granting compulsory licences for relevant patents in emergency situations. In addition, as a generic drug manufacturer, the Group supports fair competition for generic drugs.

The Group actively promotes the rational use of antibiotics as the misuse of antibiotics leads to increased antibiotic resistance, which inevitably poses threat to public health. As antibacterial drugs

are one of the Group's major product categories, the Group strictly complies with the "Administrative Measures for the Clinical Application of Antibacterial Drugs" promulgated by the government and the "Classification and Management Catalogue of Clinical Application of Antibacterial Drugs" issued in various regions, and actively cooperates to control and reduce the occurrence of antibiotics abuse. To address the issue of antibiotic resistance, the Group is developing a Class 1 new drug LB2311 suitable for drug-resistant bacterial infections. As of the end of this report period, the project is in the preclinical research stage.

### > Our Focuses

Corporate Governance  
Business Ethics

### > Our Actions

Perfecting Corporate Governance  
Building a Culture of Integrity  
Ensuring Information Security  
Protecting Intellectual Property Rights

### > Our Achievements

**16**

Compliance and business ethics training sessions were conducted in the Year

**86**

Invention, utility model and design patents

No data leakage case

## 5 Efficient and Standardized Excellence in Operational Management

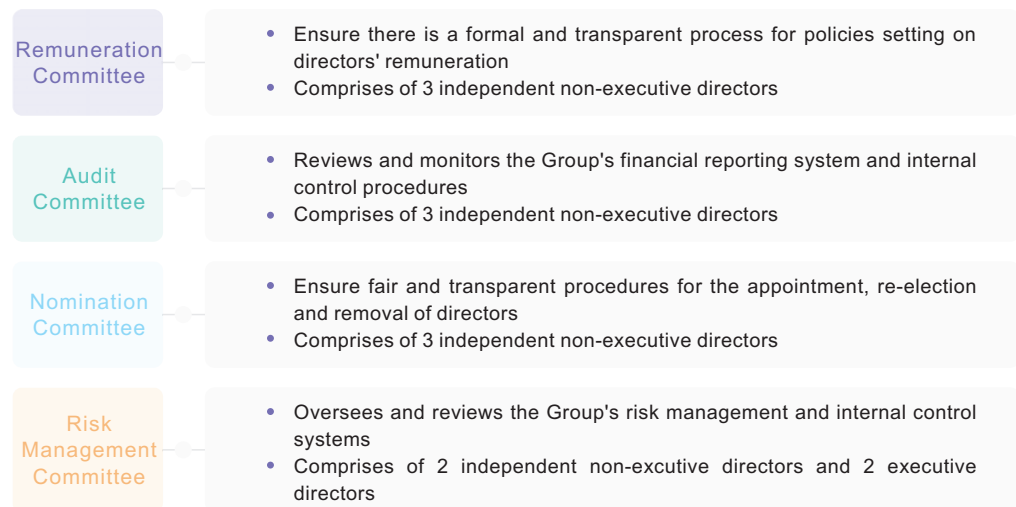


## 5.1 Corporate Governance

In order to implement excellent corporate governance, the Group's board of directors is responsible for setting the Group's goals, strategies and monitoring its performance. The board of directors will also make decisions on agendas such as year-end and interim results, major transactions, director appointments, dividends and accounting policies, and will monitor internal control procedures for the Group's operations. The board has delegated the responsibility and authority to oversee day-to-day

operations to management. All Directors receive regular updates on governance and regulatory matters. Directors can also seek independent professional advice in accordance with established procedures to assist in fulfilling their responsibilities.

The Group has established committees responsible for different areas, including the Remuneration Committee, Audit Committee, Nomination Committee, and Risk Management Committee.



## 5.2 Business Ethics

The Group has always been striving to establish a high-integrity and law-abiding corporate culture, and holds a "zero tolerance" attitude towards illegal behaviors such as bribery, extortion, fraud and money laundering. We strictly comply with the Criminal Law of the People's Republic of China, the Anti-unfair Competition Law of the People's Republic of China, Interim Provisions on Banning Commercial Bribery and other related laws and

regulations. We have entered into a statement of integrity, and have relevant rules and regulations for practicing integrity.

We continue to conduct audits of all business segments of the Group and have established corresponding audit departments for different business segments.

Realm	Relevant Laws, Regulations and Guidelines
Business ethics	Criminal Law of the People's Republic of China Anti-Unfair Competition Law of the People 's Republic of China Interim Provisions on Banning Commercial Bribery The United Laboratories Employees' Code of Honesty and Self-Discipline The United Laboratories Anti-Fraud and Complaint Reporting Management System Statement of Integrity Anti-corruption Agreement

5.2.1 Medical Ethics

The Group has established a clinical research centre. As a quality control system covering the entire process of clinical trials, the centre is mainly responsible for the clinical development strategy and path formulation, research protocol design, clinical trial organization and implementation, project management and monitoring, quality control and other related work for all clinical trial projects of the Group.

During the reporting period, all clinical trials of the Group strictly complied with the Declaration of Helsinki of the World Medical Association, the Civil Code of the People's Republic of China, the Drug Administration Law of the People's Republic of China, Measures for the Administration of Drug Registration, Quality Control of Clinical Trials of Drugs and Measures for Ethical Review of Life Sciences and Medical Research Involving Humans principles and related ethical requirements, taking the rights and safety of subjects as the primary concern in drug clinical trials. We require all drug clinical trials to obtain a clinical trial license, develop scientific, ethical, compliant and practical clinical trial protocols and work plans, including but not limited to project management plan, inspection

plan, data management plan and risk control plan, and set clear provisions for reviewing, verifying and tracing original data, frequency and requirements of inspections, collaborative monitoring, auditing, etc. Clinical trials shall ensure all subjects sign the informed consent forms through examination by the drug clinical trial institution and ethics committee.

Regarding the personal information security of the subjects, the company has always adhered to the purpose of strictly protecting the data security of the subjects. We ensure the confidentiality of the research project data through confidentiality measures such as anonymization or coding, and prevent the harm and risks caused by the leakage of the subjects' privacy.

The Group is currently conducting 10 clinical trials for chemical and biological innovative drugs as well as biosimilars. Besides, clinical trials of several innovative drugs and biosimilars are about to start. In the process, we will realise continuous monitoring, inspection, feedback and improvements of the quality of clinical trials to ensure the quality of clinical trials.

### 5.2.2 Building a Culture of Integrity

The development of The United Laboratories is inseparable from the sincere support of all partners. The Group advocates the business principles of friendship, equality and mutual development, and expects to establish a fair and just cooperative relationship with all partners. We believe that commercial bribery not only violates the law, but also violates basic business principles, disrupts the market economic order, brings about unfair competition and waste of resources, hinders the healthy development of both parties and seriously affects both parties' credibility in their

respective industries. Thus, the Group has always upheld the principles of business ethics and gave primacy to integrity so as to ensure that the business operates in compliance. At the same time, commercial bribery also fuels corrupt practices, triggers economic crimes, and corrodes the foundations of corporate employees and corporate development. Therefore, we expect employees and partners to abide by the law and strictly adhere to principles of business ethics, and hereby we make the following statement:

- Advocate a "Friendly, Responsible, Hardworking and Highly Efficient" team atmosphere, maintain a clean and healthy working environment, and encourage employees to abide by the laws and behave morally and honestly.
- Employees are required to abide by the relevant work ethics regulations such as the Employee Handbook and The United Laboratories Employees' Code of Honesty and Self-Discipline to ensure fairness, impartiality and transparency in the cooperation process between the two parties.
- Employees are forbidden from setting up of barriers, or collecting "service fee" and other illegal operations involving commercial bribery, unfair competition or seeking personal improper benefits. The partners of The United Laboratories have the responsibility to resist and report The United Laboratories employees' violations of the declared behaviour.
- Encourage polite behaviour in business interactions and resolutely oppose commercial bribery that imposes or attempts to improperly affect the relationship between the parties through the provision of gifts or commissions or other form of private benefits.
- Partners are required to abide by the laws and regulations related to anti-corruption and anti-unfair competition and the Integrity Cooperation Agreement, and firmly oppose the transmission of improper benefits for the opportunity in terms of provision of products or services, or for any preferential treatment in competitions. If there is a violation, the cooperative relationship will be immediately terminated and the company will be blacklisted.

Furthermore, in order to effectively enhance employees' awareness of integrity and business ethics, the Group has established The United Laboratories Employees' Code of Honesty and Self-Discipline in accordance with laws, regulations and the Company's own circumstances. The Code clearly defines improper conduct and itemizes the declaration of interest and filing procedures of operating business or commercial activities. We have also established a clean supervision mechanism and penalties to

reduce the possibility of employees performing misconduct when operating business or commercial activities. Before participating in business or commercial activities, employees need to report to their superiors' and obtain their superiors' consent. If the receipt of gifts cannot be rejected during the event, the employee must report to their superiors, and the received items should be handed over to the Administrative Department for registration and storage, and handled in accordance with the system.

### 5.2.3 Anti-Corruption

In addition to building an incorruptible culture and encouraging employees to be self-disciplined and abide by the laws, the Group has also established The United Laboratories Anti-Fraud and Complaint Reporting Management System to combat all potential fraud in the Company. The Group's Audit and Legal Affairs Centre is the anti-corruption department responsible for organizing the Group's corruption risk assessment, establishing maintenance reporting channels, and accepting and investigating corruption cases. When reports or clues on corruption matters are received, the Group will arrange investigators for analysis, evaluation and investigation, and penalize the employees involved based on the investigation results and opinions on its handling. In order to enhance deterrent effect, for any employees that are associated with malpractice behaviours, the Company shall impose corresponding internal economic and administrative disciplinary penalty regardless of whether the case constitute a criminal offence. If the case is serious, the Group reserves the right to terminate the labour relationship and pursue criminal responsibility according to law.

In order to further enhance our staff's awareness of complying with business ethics and related laws, the Group regularly organizes training sessions on laws and corporate regulations for our staff to enhance their professionalism and strengthen the prevention of legal risks. During the Year, the Group's Legal Affairs Department organized a total

of 16 training sessions on compliance and business ethics, covering topics such as donation of drugs, drug sales, representative responsibilities, information security, contract signing, with combined training count of 20,936. In addition, the Group's Legal Department has conducted a combination of online and offline anti-corruption training, with the target audience including all employees and suppliers, a total recorded attendance of 949 is recorded. The Group will review the anti-corruption policy as appropriate and conduct annual audits. In 2023, the Group plans to conduct a comprehensive update of the Company's current anti-corruption system and launch a series of online anti-corruption training for each company regarding the new system, including relevant violations and case studies, so as to enhance employees' and managers' understanding of the integrity of their duties and to raise their awareness of the risks of violations and the risks of illegal and disciplinary offences.

As for the partners, the Group requires both parties to sign the Incorruptible Cooperation Agreement, which itemizes the integrity compliance that both parties shall comply with, and provides telephone, email and post complaint reporting methods to effectively reduce the risk of corruption and ensure the interests of both parties. During the year, the Group was not involved in any cases of corruption litigation.



16

Compliance training

20,936

Recorded attendances of compliance training

949

Recorded attendances of anti-corruption training

### Complaint Reporting and Confidentiality

The Group provides various channels for employees or any of the Group's partners to report corruption and malpractice, such as direct phone calls, e-mails, post, or the complaint reporting channel on the online mobile office platform system

"Smart United Laboratories". All reporting channels allow employees, suppliers and business-related personnel to directly report immoral or dishonest behaviours to the Group's Audit and Legal Affairs Centre anonymously.

The Group has clearly defined the working principles of complaint and reporting in The United Laboratories Anti-Fraud and Complaint Reporting Management System to keep the complainant's identity confidential. Complaints or reports made in person should be interviewed by designated personnel in a secret location. All persons not connected are not allowed to observe, question or record the content of the interview. The principle of confidentiality should be strictly complied with in sending, receiving, opening, filing, transferring, keeping and mentioning of written complaints, and the reception, answering, documentation, and voice recording of telephone complaints. All employees are not allowed to note down, copy, keep, hide or destroy reporting materials without authorization. Other units and departments of the Group have no right to interfere or disturb the reporting and

complaining matters to safeguard the independence of the investigation and the privacy of the complainant and the person complained against. In addition, the Group gives full protection to the complainant. We will strictly combat all retaliatory actions if complainants or their family members suffer from damage to person, property or other rights due to reporting. The complainant is also entitled to inform his/her senior managers for timely protection. The entire reporting procedure is protected by law, and serious breaches of the rules will be referred to the judicial authorities. To encourage employees to report corruption or malpractices, the Group will commend and reward the complainant if the complaint is substantiated after investigation. The reward will be given to complainants whose identities have been verified upon the closing of the investigation.

## 5.3 Information Security

Information security construction is an important method for the Group to protect its internal information and customer privacy. Leakage of an enterprise's confidential information or customer information would lead to adverse effects and loss to the enterprise itself, customers and other stakeholders. The Group has established the United Laboratories Information Confidentiality System and the United Laboratories Patient Information Protection System in accordance with

relevant laws and regulations such as the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the Cybersecurity Law of the People's Republic of China, Information Security Law of the People's Republic of China and Personal Information Protection Law of the People's Republic of China to maintain different parties confidence in the operations and services of the Group.

### 5.3.1 Information Management

According to The United Laboratories Information Confidentiality System, all the information of the Group is classified into five categories by their level of importance, namely Top Secret, Secret, Confidential, Internal and Public. All personnel need to pass different levels of approval procedures according to the importance level of the information when accessing the information. The use of different information, such as information for internal use, advertising and promotion, medication instruction and after-sale service, is subject to the relevant regulations regarding the use of product information. The purpose and target of the use of information is subject to strict requirements and limitations under related systems.

Regarding employees, the employee confidentiality system implemented by the Group requires all the employees to bear confidentiality obligations on our business secrets such as information on technology and operation, and not to allow any third parties to know our business secrets in form of disclosure, release or publishing. In order to further secure the interests of the Group and stakeholders, all employees should bear his/her confidentiality obligations for three years after resignation. On the other hand, when cooperating with suppliers, customers and other partners, the Group shall sign confidentiality agreements with them to ensure that the information of both parties are not disclosed, and the privacy rights are not infringed.

5.3.2 Privacy Protection

In the process of business operation, the Group's employees of various departments will be in contact with different personal information such as information of customers, shareholders, employees and employment candidates, thus there is a risk of personal information and privacy leakage. In order to reduce the relevant risks, the Group has formulated The United Laboratories Patient Information Protection System and The United Laboratories Information Confidentiality System to ensure the Group legally obtains and uses personal information, protects the legal rights and interests of information providers, as well as prevents the risks incurred from improper management of personal information. The system has regulated the methods on collection, use, transmission and storage of personal information, lowered the risks of employees violating relevant laws when processing personal information, and avoided bringing negative impacts to stakeholders.

In order to improve the efficiency and effectiveness of patients' information management, the Group

has created a mobile office platform system, namely "Smart United Laboratories". The system integrates a variety of functions. Among them, big data management allows data utilization and analysis to be mobilized and fully popularized among staff. The patient data micro-file system effectively strengthens patient data management, making it easier for customers to pay return visits and use information more securely. The Group's Information Centre will manage and maintain the platform system and take different management measures to prevent leakage or destruction of patient information, such as managing access rights for patient information personnel, and strengthening network security to prevent cyber virus attacks and intrusion of personal information database. Patient information is stored in the platform system according to the length of after-sales service and expired information will be destroyed by the Marketing Department, in which the process is monitored and documented by dedicated personnel.

5.4 Protection of Intellectual Property Rights

The Group has made continual breakthroughs in the research and development of pharmaceuticals and innovative production technologies, and therefore the protection of our commodities' patents and intellectual property rights has become an indispensable part of the protection of our products and assets. In order to promote the Group's management of intellectual property rights and to fully develop the benefits of patented commodities and assets, we have formulated The

United Laboratories Methods of Intellectual Property Management in accordance with relevant laws and regulations to regulate the patent application and maintenance work. For new technologies, new processes, new formulas, utility models and product packaging designs, the Group will carry out comprehensive patent rights application and maintenance to create favourable conditions for the Group's research, development and innovation.

Realm	Relevant Laws and Regulations
Intellectual Property Management	Patent Law of the People's Republic of China Trademark Law of the People's Republic of China Copyright Law of the People's Republic of China Anti-Unfair Competition Law of the People's Republic of China

The Intellectual Property Department is responsible for the management of intellectual property, application and management of patents and intellectual property logos, supervision of related units in stopping, reporting and obtaining evidence for the various infringement behaviours found, as well as the coordination with the government in combating infringement behaviours.

While protecting the Group's own intellectual property rights, we never infringe the copyrights of the commodities of other individuals or enterprises. The establishment of the Intellectual Property Affairs Department has strengthened the protection of the Group's technology, process, formulation and other patented technologies.



## Training on Intellectual Property Protection throughout the Project Process

During the Year, the Group's Intellectual Property Department conducted a training on "Intellectual Property Protection throughout the Project Process" at The United Bio-Technology (Hengqin) Co., Ltd. ("The United Bio-Technology"), and some R&D personnel were invited to attend the training. This training combined the company's technological innovation achievements and focused on how to protect the technological achievements after obtaining periodic results, emphasizing the precautions for applying for patents for technological innovation achievements.

The purpose of this training is to integrate intellectual property management into the entire

process of project establishment, which includes approval, implementation, acceptance, achievement transformation, and promotion in scientific research projects. This allow the Group to fully exert the guiding, supporting, and serving functions of intellectual property in the scientific research and innovation process, promote technological innovation and achievement transformation with intellectual property, and improve the efficiency of scientific research and innovation activities. In the future, the intellectual property department will strengthen communication and exchange mechanisms with the R&D department and empower the protection of intellectual achievements in the Group.



In terms of trademark management, the Audit and Legal Affairs Centre of the Group will be responsible for related registration, renewal management, authorisation and protection of rights. The use of trademarks must be reviewed by the Audit and Legal Affairs Centre to effectively manage and control the use of the Group's

trademarks. When printing materials with trademarks, such as product packaging, the Group will only cooperate with reputed printing houses and destroy all defective and obsolete trademarks to prevent their loss and use by unscrupulous manufacturers.



60

Invention Patents

4

Utility Model Patents

22

Design Patents

## Patent Protection and Achievements

The production processes and technologies developed by the Group are all independently developed. We will apply for patents for all self-developed projects. Before proceeding with a new patent application, relevant departments will search and check for new information to fully understand the intellectual property status of the related technology or product. The Intellectual Property Affairs Department will also carry out corresponding patent and trademark search when

registering for intellectual property rights, to enhance the efficiency of patent and trademark registration, and ensure its compliance with laws and regulations and effectiveness.

The Group had obtained a total of 86 patents, including 60 invention patents, 4 utility model patents, and 22 design patents. All patents help to protect the interests of the Group.

### > Our Focuses

- Quality Management
- Customer Service
- Supply Chain Management

### > Our Actions

- Improving our Quality Management Systems
- Enhancing our Customer Services
- Ensuring the Sustainability of our Supply Chain

### > Our Achievements

100%

Response Rate to Customer Complaints

0

Case of Adverse Reactions due to Defective Drug Quality

## 6 Perfecting Excellence Building a Quality Brand



## 6.1 Quality Management

As a professional pharmaceutical manufacturer the Group understands the importance of pharmaceutical quality and its impacts on public health. The Group has always considered quality assurance to be one of the top priorities in its business. In order to achieve the highest level of quality assurance, the Group strictly complies with the relevant laws and regulations on pharmaceutical management. We have established a comprehensive quality management system while abiding by the law, which helps realise effective quality control procedures through

composition test, sample test, label and packaging inspection, transportation and storage management as well as strict control and testing over every process from raw and auxiliary materials, unfinished products to finished products. Through our vertically integrated production and operation model, every production process and quality control procedure, starting from the entry of raw materials to the export of finished products, is traceable so as to ensure all the products meet relevant standards.

Realm	Relevant Laws and Regulations
Pharmaceutical Quality	Pharmaceutical Administration Law of the People's Republic of China Regulations for the Implementation of the Drug Administration Law of the People's Republic of China Good Laboratory Practice for Non-Clinical Laboratory Studies Standards for Quality Control of Pharmaceutical Production Measures for the Supervision and Administration of Drug Production International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use (ICH) Guidelines Guidelines of Quality System Approach to Pharmaceutical cGMP Regulations by FDA Guidelines of Good Manufacturing Practices for Drug by the European Union ISO 9001: 2015 Quality Management Systems Certification
Pharmaceutical Description and Labelling	Provisions on the Administration of Pharmaceutical Directions and Labels
Pharmacovigilance	Administrative Regulations of Quality of Pharmacovigilance Practice

### 6.1.1 Quality Management System

Each of the Group's production sites has established a comprehensive quality management system, which is managed comprehensively by the Quality Authorised Person. Under the lead of the Quality Authorised Person, the Quality Management Department coordinates the work of quality assurance, quality inspection, pharmacovigilance, drug registration, etc.

The Group's quality management system was implemented in accordance with the national Quality Management System Requirements. The management system includes a series of comprehensive procedures, such as the warehousing, storage and distribution procedures of raw and auxiliary materials and finished products, so as to implement strict quality control of all types of raw and auxiliary materials and finished products. During the acceptance of raw and auxiliary materials, the acceptance personnel must

confirm that the supplier is a qualified supplier, and shall check the completeness of the packages, batch number, specifications, storage condition and production date of the batch of raw and auxiliary materials item by item. To ensure the health and safety of raw materials, we would sign quality assurance agreements with suppliers and require them to provide relevant safety evaluation reports. Storage of materials is also an important step in the production process. To ensure proper storage of materials, the Group has also formulated relevant regulations on warehouse storage, temperature and humidity control, etc., so as to arrange a suitable storage environment according to the features of materials. As for transportation, we have signed quality assurance agreements with the commissioned logistic company to guarantee the quality and compliance of products upon delivery to market.

In addition, we have set up procedures for the release of products. The procedures stipulated that only raw materials, semi-finished and finished products that have passed quality tests could be passed to the next procedure to avoid the use of any raw materials, semi-finished and finished products that are non-conforming to standards and specifications for production or sale. For non-conforming raw materials and finished products, we will identify, investigate, return or collectively destroy them based on the relevant management procedures for non-conforming products. In order to further improve quality management, the Group

would conduct annual review of product quality every year, and carry out evaluation and propose improvement methods for all the quality indicators, deviations in production process and changes of production equipment. This helps to continually refine the Group's quality management system. Inner Mongolia Company also successfully passed the certification audit of quality, environment and occupational health and safety management system during the Year to ensure the comprehensive and effective operation of the management system.

### 6.1.2 Quality Certification and Awards

The obtainment of a credible quality certification can ensure the pharmaceuticals contribute to customers' health and increase customers' confidence in the products. The Group is a leading comprehensive pharmaceutical enterprise in China that has obtained the integrative GMP certification. We always strictly comply with the relevant requirements to continuously meet the related standards in the certification. Besides, the Group's multiple products of active pharmaceutical

ingredients have obtained certifications from official authoritative institutions, such as China Quality Certification Centre, CNAS, Certificate of Suitability to the Monographs of the European Pharmacopoeia, FDA, Germany BVG Hamburg and Mexico COFEPRIS. We attach great importance to quality-certification-related work and also passed several quality certifications during the year:



#### The Group's Quality Certifications in the Year

##### Zhuhai Company

The production of sterile APIs amoxicillin sodium, ambrosillin sodium, clavulanate potassium, sulbactam sodium and mixtures passed the official inspection of the Spanish Medicines and Healthcare Products Agency (AEMPS);

The production of sterile API sulbactam sodium passed the inspection of Ministry of Food & Drug Safety (MFDS) in South Korea.

##### Inner Mongolia Company

Tartrate Tylosin veterinary drug had obtained the production license and GMP certification.

##### The United Animal Healthcare

Sterile APIs had obtained the new veterinary drug GMP certification.

"Be a Quality Enterprise, Prosperous and Strong" is the Group's production philosophy. We guarantee the quality of our medicines, contribute to the development of Chinese pharmaceuticals, and have won widespread praise in the industry and society. During the Year, Zhuhai Company was awarded a total of 12 outstanding brand certificates, including the Excellent Enterprise Brand of Bulk Medicine Export and Excellent Enterprise Brand of Pharmaceutical Products Export by China Pharmaceutical Industry Association. In addition, the Group is also deeply

engaged in the lower-tier markets to protect the health of consumers with high-quality products and services. The Group's Amoxicillin Capsules® (《阿莫仙》) was awarded the Gold Brand Award in the Antibiotics category of the "2022 Health Industry Brand Rankings". Amoxicillin Capsules® is the first semi-synthetic penicillin oral product to be manufactured and sold in China by the Group, and is recommended by the World Health Organisation's List of Essential Medicines. It is also one of the most widely used semi-synthetic penicillin antibiotics in the world.



### Obtaining EU GMP Certification for Aseptic APIs of Antibiotics

The production of antibiotic APIs by the Zhuhai Company, including Amoxicillin Sodium, Ampicillin Sodium, Potassium Clavulanate, Sulbactam Sodium and mixture product, had passed the official inspection conducted by the Spanish Medicines and Healthcare Products Agency (AEMPS), and obtained the official GMP compliance certificate from the Spanish authority on 1 September 2022.

We adhere to the implementation of pharmaceutical production quality control in accordance with the international advanced GMP standards, and pursue international development. Our products have successively passed the GMP certification inspection in export countries, obtaining the pass to enter the international market. In terms of the European market, we had passed several GMP inspections in the EU and Certificate of Suitability (CEP) inspections by the European

Directorate for Quality Control of Medicinal Products (EDQM) since 2011. This time, the company's new production line for Amoxicillin Sodium and other sterile APIs had passed another inspection and obtained certification with the original certified production line. In addition, the company's non-sterile APIs such as Amoxicillin and Ampicillin have also continued to pass the GMP certification inspections in EU countries since 2006.

The EU GMP certification has great influence on a global scale and is regarded as a "passport" for drugs to enter the international market. The results of GMP inspections are shared and recognised among EU member states, with countries such as Japan, the US, Australia and Canada also recognising the results. GMP certification in the EU is a reliable recognition of a pharmaceutical company's production capabilities and the quality of its products.



### Obtaining the Production License and GMP Certification for Tartaric Acid Erythromycin Veterinary Drugs

This year, the commissioner of the Veterinary Bureau of the Inner Mongolia Department of Agriculture and Animal Husbandry conducted a two-day inspection and acceptance of the production license and GMP of Tylosin Tartrate at the Inner Mongolia Company, where the inspection was conducted through a combination of offline inspection and online confirmation. The expert team conducted a comprehensive, strict and detailed inspection and acceptance on the company's Tylosin Tartrate production line, including plant equipment, quality control documents, and records in strict accordance with the relevant requirements and regulations of the Code of Practice for the Control of Quality of Veterinary Products (Revised 2020) and the Criteria for the Inspection and Acceptance of the Code of Practice for the Control of Quality of Veterinary Products (Revised 2020).

The company will continue to strictly follow the quality management regulations for veterinary drugs in production and management. The successful passing of the manufacturing license and GMP acceptance of Tylosin Tartrate marks a new level for the Inner Mongolia Company, providing a strong guarantee for the production of quality products and laying a more solid foundation for enhancing market competitiveness.





### The Domestic Registration of Ampicillin API Approved by the National Medical Products Administration (NMPA)

The domestic registration of Ampicillin API for the Inner Mongolia Company has passed the technical evaluation by the Drug Evaluation Centre of the NMPA and was approved by the NMPA, changing from "I" to "A" on the CDE's original package disclosure platform. The

approval of ampicillin has enriched the range of APIs of the Inner Mongolia Company, which will help expand the domestic and overseas markets further and bring considerable economic benefits to the Group.

## 6.1.3 Quality Management Training

Professional quality management personnel are an important part of the Group's quality assurance of pharmaceuticals. The Group regularly organizes various types of quality management training to familiarise quality management personnel with the operation and foci of different procedures, enhance their professionalism in quality control, and strengthen the integrity of quality management. The scope that the training covers is comprehensive, which includes acquiring knowledge relating to the requirements in the latest edition of Chinese Pharmacopoeia, production process, quality, as well as mastering inspection and verification methods and grasping product release procedures.

The training sessions are mainly conducted in a teaching format, with oral or written test as the assessment method, so as to ensure that the quality management personnel are equipped with the required knowledge, and safeguard the standard of the Group's quality management. In addition, the Group has created a section, namely "Quality in The United Laboratories", on our corporate website. The section includes legal knowledge, the Group's quality requirements, training data and a discussion area to provide our employees with an online knowledge base and a platform for learning and communication on quality, and to optimize quality training channels.



### Training on Chinese Pharmacopoeia and GMP

According to the 2022 Quality Inspection Department Personnel Training Plan, the Inner Mongolia Company's Quality Inspection Department had conducted training on "Chinese Pharmacopoeia and GMP-related Knowledge" for all staff. The pharmacopoeia training content is mainly divided into three topics, which are General Cases, General Technical Requirements, and Text of Varieties. The General Cases are the basic guiding principles for the laboratory to conduct quality inspections correctly. They are unified regulation for the inspection-related, common, and clear issues, as well as the measurement units and terminology used, which are the basic

requirements to be followed in the daily inspection.

GMP is the basic guideline for the production and quality control of pharmaceutical products and is the core of ensuring the constant quality of pharmaceutical products. This training deepened the staff's understanding of GMP and minimised inspection risks. Through the training on the Chinese Pharmacopoeia and GMP-related knowledge, the staff's daily operations had been further standardised, and their awareness of quality had been improved to ensure the quality of inspection.

## 6.1.4 Product Labelling and Description

The Group has formulated and implemented relevant management systems for label packaging materials in accordance with laws and regulations. All package inserts and labels comply with the requirements in the Provisions on the

Administration of Pharmaceutical Directions and Labels and are subject to examination, filing and approval by the National Medical Products Administration.

The Group has formulated internal policies, stipulating that pharmaceutical labels and package inserts must meet relevant requirements. Pharmaceutical labels must itemise the drug name, ingredients, use of drug, directions and dosage, production date and other relevant information to let users understand the usage and risks of the pharmaceuticals. Apart from pharmaceutical labels, the Group also formulates requirements for packaging labels on transportation, storage use and active pharmaceutical ingredients. For example, such packaging labels must indicate the pharmaceutical name, number of packages, expiration date, storage and transportation precautions and other necessary information to avoid incidents affecting drug quality due to improper transportation and storage. Besides, package inserts must contain details of the pharmaceutical's directions, data and information showing its safety, effectiveness and adverse drug reactions, so as to guide users to take the

pharmaceuticals correctly and reasonably. The Group will constantly monitor the use of the pharmaceuticals, and will submit applications to the National Medical Products Administration to amend package inserts when necessary, so as to provide users with the best pharmaceutical information and description.

At the same time, the Group has also set up management procedures for plate making, printing, and acceptance of product labels, manuals, and printed packaging materials. The Quality Management Department will carry out acceptance and inspection work at every step, from the drafting, sample printing to printing of product labels, manuals and packaging materials. This ensures that all the materials will be put into the factories for use without errors, and minimizes the possibility of product quality problems caused by printing errors.

## 6.2 Product Marketing and Promotion

Pharmaceutical sale is a key sector of the Group's business, while requirements for pharmaceutical promotion information are much higher and more stringent than those of general commodities. In

light of this, the Group regulates the distribution and promotion of pharmaceuticals in strict accordance with relevant laws and regulations.

Realm	Relevant Laws and Regulations and Guideline
Product Marketing and Promotion	Advertising Law of the People's Republic of China Standards for the Examination and Publication of Drug Advertisements Measures for the Examination of Drug Advertisements

The Group has formulated relevant systems that clearly enumerate the Group's advertising requirements, application procedures of advertisement and promotion data feed, precautions for use, etc. All pharmaceutical promotion information released by the Group is based on scientific evidence, complies with the principles of accuracy, objectivity, and

completeness, and contains corresponding package inserts to clarify the correct medication methods. All these comply with legal requirements. In order to ensure that the Group's advertisements comply with relevant laws and regulations, the samples of the advertising materials must be submitted to the Group's Audit and Legal Affairs Department for review before being released.

The Group has established a pharmaceutical preparation sales distributor or distributor management system, which is implemented by the Credit Risk Management Department to reduce the risk of bringing a negative reputation to the Group during the process. When selecting new dealers or distributors, the Group will evaluate the company's qualifications, storage conditions, business scope permits and other criteria, and sign sales contracts with qualified dealers or distributors. The storage conditions of dealers or distributors must strictly comply with the pharmaceutical storage conditions and requirements stated in the manuals for storage and use. At the same time, when quality problems emerge, they must cooperate with the Group to report and investigate the problem, collect evidence, and carry out follow-up work to guarantee the quality of products. The Group will establish archives with the cooperating dealers and distributors to completely record information, such as corporate qualification documents, signed contracts and inventory turnover. The collected data will be used for analysing, evaluating and rating dealers and distributors to effectively manage product sales.

When conducting product sales activities, we require all staff at all departments to abide by relevant laws and regulations and ethics of the industry. All sales personnel must sign the Letter of Commitment for working according to laws and be committed to complying with national regulations as well as the regulations and rules of the Group being the "Sales Behavior Norms" and "Compliance Promotion Guidelines", in order to eradicate any violation of regulations regarding sales and promotion, ensuring the Group only conducts responsible marketing. The Group's sales team spread all over the Country, and the management of sales personnel, including recruitment, performance appraisal, training and occupational safety are collectively handled and supervised by the Group's Head Office. This ensures that the related management personnel and frontier promotion personnel have received necessary training, and all the sales personnel have reached the same professional level so as to provide customers with the best service.



### Product Knowledge and Marketing Skills Experience Exchange Activities

During the Year, Zhuhai United Laboratories Sales Co., Ltd. held a symposium for exchanging product knowledge and marketing skills experience. This activity is mainly divided into two sessions, being product knowledge explanation and sales simulation. Through situation simulations, it can strengthen the experience sharing and communication within the sales team, further enhancing the sales team's comprehensive capabilities such as marketing skills and other areas. On the other hand, "reserve" sales personnel can learn from this and acquire knowledge of sales skills and negotiation methods in practical situations, enabling them to prepare knowledge and skills in advance.

The event strengthened the product knowledge of the sales staff and sales assistants,

enhanced the academic ability and professional skills of the sales team, and helped the sales team to better adapt to the new requirements of professional and academic development of API sales.



## 6.3 Customer Service

Users' opinions are the source of the Group's continuous improvement and advancement. Therefore, we attach great importance to users' feedback and suggestions, take users complaints seriously, and follow the established procedures to

respond and improve. If we encounter adverse drug reactions and other incidents, the Group must deal with it in strict accordance with relevant regulations and systems to protect the health and safety of users.

### 6.3.1 User Feedbacks

The Group has established a comprehensive user complaint system based on the related handling procedures to enable various departments to coordinate the acceptance, communication, evaluation and response of the complaints. After receiving complaints from users, the person in charge of complaint processing will first contact, understand and grasp the complaint information to identify the type of complaint. Relevant departments then carry out internal and external investigations, sort out the investigation to decide the subsequent investigation directions, such as inspecting the production record, quality situation

of raw and auxiliary materials, and environmental factors of manufacturing process, and hence formulate corrective and preventive measures to be approved by the person in charge of quality. Upon completion of complaint processing, the person in charge of complaint processing must reply to the customer, track the results of the complaint processing, and file the complaint record. During the Year, the Group received 5 product complaints and no service complaints, respectively, and we investigated on and replied to all complaints from customers, reaching 100% response rate on user complaints.

### User Complaint Processing Procedures

Customer	Person in Charge of Complaint Processing	Relevant Department	Person in Charge of Quality	Person in Charge of Complaint Processing
<ul style="list-style-type: none"> <li>Complaint information</li> </ul>	<ul style="list-style-type: none"> <li>Contact, thoroughly understand and grasp the relevant information</li> <li>Identify the type of complaint</li> </ul>	<ul style="list-style-type: none"> <li>Carry out internal and external investigations</li> <li>Sort out the investigation and suggest solutions</li> <li>Formulate corrective and preventive measures</li> </ul>	<ul style="list-style-type: none"> <li>Approve suggested solutions/corrective and preventive measures</li> </ul>	<ul style="list-style-type: none"> <li>Reply to customers</li> <li>Track the results of complaint processing</li> <li>Track the effectiveness of assessment and corrective and preventive measures</li> <li>File the complaint record</li> </ul>

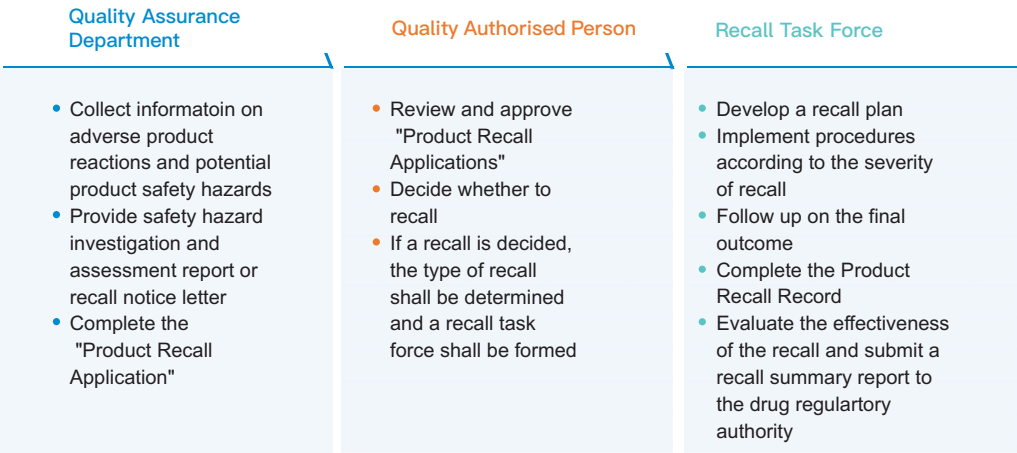
6.3.2 Products Recall Requirements

The Group strictly complies with the Administrative Measures for Drug Recalls issued and implemented by the National Medical Products Administration, and has established a drug recall system in accordance with laws and regulations to understand the safety of drugs, investigate or evaluate pharmaceuticals that may cause potential safety risks, and recall pharmaceuticals with relevant problems when necessary. The Group implements strict safety supervision on the

manufactured pharmaceuticals to ensure the safety of medicines used by the public.

During the Year, the Group was not involved in any adverse reactions incidents due to defects in the quality of pharmaceutical products. Accordingly, the Group did not have any drug recalls during the Year and was not required to submit adverse drug reaction reports or drug recall summary reports.

Product Recall Procedures



6.4 Pharmacovigilance

6.4.1 Pharmacoviigilance Management

In order to ensure the safe, rational and effective use of drugs by the public, the Group continues to enhance its pharmacovigilance management system. All of the Group's pharmaceutical licensees have established independent pharmacovigilance departments, which are mainly responsible for the collection, handling, and reporting of suspected adverse drug reaction information, drug risk identification, assessment and control, post-marketing safety studies, pharmacovigilance education, training, and preparation of relevant documents. The Group has established a series of pharmacovigilance system documents and an effective and unobstructed

channel for collecting information on adverse drug reactions.

The Group has also set up a Pharmaceutical Safety Committee, which consists of multi-level departments responsible for major risk assessment, handling of major or emergency drug incidents, risk control decisions, and other major issues related to pharmacovigilance. All departments maintain efficient long-term cooperation and communication to monitor, identify, evaluate, and control adverse drug reactions and other harmful reactions related to the use of medicines.

## 6.4.2 Reporting of Adverse Drug Reactions

The Group has established effective information collection channels for doctors, pharmacists and patients, and proactively collects information on clinical use, academic literature and holders of ADRs by means of sales personnel liaising with medical institutions or drug distributors, publishing contact telephone numbers and faxes in the Drug Formulary, establishing a feedback mailbox for suspected adverse drug reactions on the Company's official website, answering and handling feedback calls on adverse drug reactions by dedicated staff, and regularly retrieving academic literatures. Information on adverse drug reactions from relevant websites or forums is also collected.

In terms of risk identification and control, safety analysis of adverse reactions of each variation are performed annually to generate analysis reports.

The Periodic Safety Update Report is prepared and submitted within the prescribed time limit according to the internal Periodic Safety Update Report submission schedule and annual submission plan.

As for adverse drug reaction events, the Group will record, analyse and handle them in detail, and report to the national drug adverse reaction supervision information agency or the drug supervision and management department and the department of public health administration within the prescribed time according to the impact of the event. If serious adverse drug reactions or group adverse events emerge, the Group will carry out drug recall, publish and submit a drug recall summary report to the public to protect the safety and health of the general public.

## 6.5 Sustainable Supply Chain Management

Superior supply chain management is the basis for production enterprises to maintain stable and efficient production. The United Laboratories sees sustainable operation of the supply chain as a prerequisite for ensuring business operations, and it is also seen as a great opportunity to boost productivity.

The Group has been persistent in optimizing the supply chain system, procurement process, and supplier development, supervision, evaluation, and

management. Through the implementation of material supplier management procedures, the Group maintains a healthy and sustainable supply chain system. In terms of contract management, the Group's procurement contracts will enumerate items such as quality requirements of goods, delivery standards, delivery terms, intellectual property rights, and integrity clauses to guarantee the quality of suppliers' supply and lower the legal and social risks of the supply chain.

Realm	Relevant Laws and Regulations
Supply Chain	Standards for Quality Control of Pharmaceutical Production Measures for the Supervision and Administration of Drug Production Contract Law of the People's Republic of China Measures for the Supervision and Administration of Circulation of Pharmaceuticals

### 6.5.1 Production and Operation Model

The Group has established a vertical integration of production and operation model of "pharmaceutical intermediates - bulk medicines - finished products". Inner Mongolia Company purchases major raw materials for the production of pharmaceutical

intermediates and active pharmaceutical ingredients, and then delivers them to the Group's other production sites for the production of bulk medicines and finished products, which are finally sold to end users through various channels.



This production and operation model helps the Group to reduce the external demand for major raw materials used in the production process, lower the risk of unstable supply and market price fluctuations on the supply chain, so that we can effectively control production costs and ensure product quality. In addition, full control of the supply chain also helps the Group to retroactively manage the production process, so as to find the root cause

of potential problems, continue to explore room for improvement, and enhance the sustainability of the supply chain. In addition, as a raw material supplier for many antibiotic companies, the Group has been giving the highest priority to quality that the pharmaceutical intermediates and bulk medicine produced by the Group have passed many authoritative certifications such as Chinese GMP, EU CEP, and US FDA.

## 6.5.2 Supplier Management

### Supplier Risk Evaluation and Mitigation

We regularly monitor and evaluate suppliers' CSR performance according to their risks exposure. Suppliers are classified into three risk levels including low, medium and high, based on a set of criteria including procurement amount, industries with high risks of labour issues and environmental pollution, the locations of operations, as well as third-party certifications of relevant CSR management systems. All suppliers are required to sign the Supplier CSR Agreement, pledging to comply with our Supplier Code of Conduct and Conflict Minerals Policy. Such obligation is also stated in our standard purchasing agreement. Various measures are also implemented to mitigate the supplier's risks depending on our risk level assessment of the relevant suppliers, including

submission of supplier CSR self-assessment and CSR audit.

We are also actively researching the establishment of a supply chain risk management organization and joining pharmaceutical supply chain organizations such as the Pharmaceutical Supply Chain Initiative (PSCI), to establish recognised cooperative relationships with other companies in the industry. Together, we will conduct risk analysis of the supply chain and contractors, and develop risk reduction plans. All procedures are laid out in the Supplier CSR Risk Assessment Manual, in which our procurement teams assess the risk level of suppliers and closely monitor their performance periodically.

### Supplier Training

When we identify any substandard performances, the related suppliers are flagged as "high risk" and monthly on-site training are given as quality assurance measures to ensure that the situation is improved to reach our standards..

The Group reserves the right to terminate business relationship with suppliers with major non-compliances with the Code that are not remedied within a timeframe.

Reporting channel is also in place to encourage our stakeholders to report any suspected violations of the practices and conditions covered by the code. The Group also focuses on the integrity of suppliers and require all cooperating suppliers to sign the "United Laboratories Anti-Corruption Cooperation Agreement", clearly stating the requirements for integrity of the United Laboratories to ensure the integrity of all cooperating suppliers.

The Group also has a supplier grading and rating system in place and conducts monthly assessments on our suppliers in terms of quality, price, delivery capability, financial strength and service capability. The rating system is set to have a full points of 100 points, where points will be deducted if there are problems that need to be

rectified, and the deductible amount depends on the severity of individual cases. The subsequent rectification measures will be followed by the Group. After the January-February supplier assessment in 2023, over 96.85% of all suppliers achieved a perfect score and all supplies passed, demonstrating the high standards that the Group has always demanded from its suppliers.

We believe that we can achieve a sustainable supply chain by building a long-term relationship with our suppliers based on mutual trust. We have developed a comprehensive supplier management programme to assist suppliers to meet our CSR requirements, including adopting a supplier scorecard system to assessing their performance. We work closely with our suppliers to further improve the manufacturing energy efficiency and social aspect of our upstream suppliers. Trainings are provided to all suppliers as a continuous improvement process to facilitate their implementation of any optimization measures, with the training content including anti-corruption, professional ethics, quality management, and work safety.

## Supplier Qualification

When selecting new suppliers, we conduct a comprehensive evaluation on the suppliers' industrial standard, reputation, product price, quality of samples, etc. based on the internal principles of "5S", namely suitable price, suitable place, suitable quality, suitable quantity and suitable time, so as to ensure the overall quality and material quality of the supply chain. Only the suppliers who meet the related requirements can be included in the list of qualified suppliers. In

terms of environmental protection, the Group follows the principle of proximity for procurement. Suppliers are concentrated in nearby provinces, which effectively reduces transportation costs and carbon emissions during transportation. At the same time, the Group encourages the selection of suppliers who provide energy-saving products and environmentally friendly products promoted by the state to reduce the impact on the environment.

Supplier Selection Principles	Contents
"5S" Principles	Suitable price, suitable place, suitable quality, suitable quantity and suitable time
Environmental Protection Principles	Observing the principle of proximity during procurement Purchasing energy-saving products and environmentally-friendly products promoted by the Country

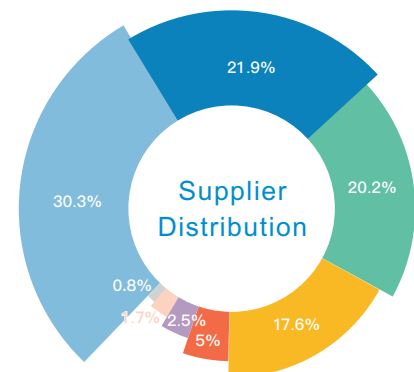
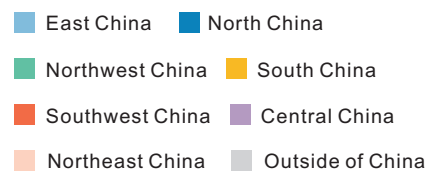
Besides, we will conduct monthly written or on-site audits on the cooperating suppliers' facilities, processes, and daily operations. The Group will assign employees or third-party auditors to conduct on-site or investigation assessments of the facilities and processes of indirect/secondary suppliers. The content subject to review includes resource management, quality management, design and development management, production and procurement management, and warehouse management. The auditor will report and provide recommendations on the assessment results after the review is completed. The audit content for daily operations includes qualification certificates, personnel qualifications, environment and factories, equipment quality, material management,

production management, shipping logistics and quality management.

In addition, the Group will confirm whether the suppliers have established health records for their employees and whether they have verified the air purification equipment to identify and promptly eliminate the social and environmental risks of the supply chain. The monthly audits help the Group to further determine the performance and service standard of its suppliers, eliminate inappropriate suppliers, so as to avoid any suppliers without related qualifications or with unstable product quality from entering the supply chain of the Group and affecting the product quality of the Group.

## Supplier Distribution

During the Year, the Group had a total of 119 major suppliers in terms of purchase amount, providing the Group with raw materials, auxiliary materials and packaging materials.



### > Our Focuses

Talent Development  
Occupational Health and Safety  
Employee Care

### > Our Actions

Building a diverse training system  
Increasing and ensuring employee diversity  
Establishing a robust labour union system  
Implementing staff safety systems for manufacturing

### > Our Achievements

**728,461** hours  
Employee training

**41%**  
Ratio of female in management level positions

Assisted employees in re-education to enhance their qualifications

## 7 People-Oriented Establishing a Solid Foundation for Development

## 7.1 Employment

We always believe that employees' contribution is the cornerstone of the Group continuous growth, while establishing a professional, effective and reliable team is the key to success in our business. To consolidate the foundation of business development, we have been striving to build a working environment where employees could work safely and effectively, and where they could keep growing and showcasing their talents since the establishment. Adhering to the philosophy of "People-oriented", The United Laboratories is committed to investing resources in the training and development of our employees, while providing a safe, comfortable and harmonious working environment, so as to continue to drive the sustainable development of the Group in the future through "Professionalism and Efficiency". During the Year, we set the strategic goal of human resources development and focused on the overall development of the Company. The Group

optimized team allocation, improved management capabilities, strengthened the reserve of outstanding talents, and introduced high-end talents. The Group was awarded the "Hong Kong and Macao Youth Talent Internship Practice Base" and other related honours.

The core competitiveness of the Group lies in innovative research and development and high-quality products. The knowledge level, creativity, and job performance of employees all have a significant impact on the Group's competitive advantage. To attract new talents and retain existing ones, our group strictly complies with relevant laws and regulations and has established a sound recruitment system to provide a talent pool for our business development. The group also has a performance review and promotion system to provide employees with promotion opportunities and development directions.

### 7.1.1 Employee Recruitment

Areas	Relevant Laws and Regulations and Internal Guidelines
Recruitment	Labour Law of the People's Republic of China Labour Contract Law of the People's Republic of China The United Laboratories' Measures for the Management of Recruitment The United Laboratories' Measures for the Management of Labour Contract

The Group has a comprehensive talent acquisition system for recruitment via various channels, including the Company's website, recruitment websites, and job fairs in tertiary institutions. In order to establish a talent base with excellent quality, we have preliminary examination, written examination and re-examination on candidates based on the requirements of different positions. We also implement practical operating test when necessary, so as to ensure that our employees have reached a certain knowledge and technical level, and meet the requirements of corresponding positions, such as education background, work experience, skills, psychological quality, health condition and professional ethics.

talent pipeline, the Group actively cooperates with multiple universities to sign talent cultivation agreements and holds regular recruitment talks on campus at universities to recruit quality graduates who meet the Company's needs. In addition, the Group has also established an internship training programme to nurture reserve talents for the Company. Zhongshan Company launched 3 internship training sessions during the Year, which are in February, June and September respectively. After the interns enter their positions, they will be provided with knowledge and skills training in accordance with the job training programme tailored to their positions. The Group plans to conduct 4 intern training sessions in 2023.

In order to expand our talent pool and enrich our



## College-Enterprise Cooperation with the Zhuhai Company

To fully leverage the advantages of both colleges and enterprises, give full play to the function of vocational education as a service to society, industry and enterprises, and promote the cultivation of talents, based on the principles of "mutual benefit and win-win" and "interaction and co-management", Zhuhai Company had signed a number of cooperation agreements with several vocational colleges such as Jangxi Pharmaceutical Technical College, Jangxi Pharmaceutical School,

Tongren Polytechnic, Guangzhou Pharmaceutical Vocational School, Qingyuan Polytechnic and Guangxi Medical College. The company had also established a school-enterprise cooperation model to understand the resources of current students and graduates. The company regularly participates in college-organised supply and demand meetings during their respective graduations every year, giving priority to students who meet the company's needs.

## 7.1.2 Talent Retention

In order to retain professional personnel, the Group has established a dual-channel promotion management system. Under the two-way management system, employees can select management or professional function channels based on their career development direction, which helps to improve the matching of employees' positions and give full play to employees' values. The main consideration for promotion via the management channel is the ability of the management personnel, including team management, judgment and decision-making, as well as communication and coordination. Promotion via professional function channel focuses on seniority, professional knowledge and experience, including job performance, level of professional knowledge, experience and seniority. Upon application for promotion, employees will undergo relevant promotion assessments such as job qualification review, comprehensive evaluation of professional and technical skills or interviews according to his/her grade and promotion channel. Employees will be promoted after he/she passes the promotion assessment and his/her application is approved.

In 2022, the Group's employee turnover rate is 13%, a 6% decrease from the 19% in 2021. The average length of employment of male employees in the Group in 2022 was 9 years, while the average length of employment female employees in the Group was 8 years. Both of these figures demonstrate the effectiveness of the Company's talent retention plan.

For our research and technology teams, we have developed a special talent sequence and talent mobility system. The design of the talent sequence follows the requirements of the organisational development rules and is divided into research and development sequence, technical sequence, operation sequence, sales sequence, functional sequence, and management sequence, laying the foundation for cross-position mobility and upward and downward mobility of talents. Cross-position mobility is an important strategy for the company to cultivate comprehensive talents and to lay the foundation for the company to better realise its future commercial value. We encourage our employees to propose requirements for horizontal development in the direction of their strengths and to develop their multiple skills.

## 7.1.3 Employee Incentive

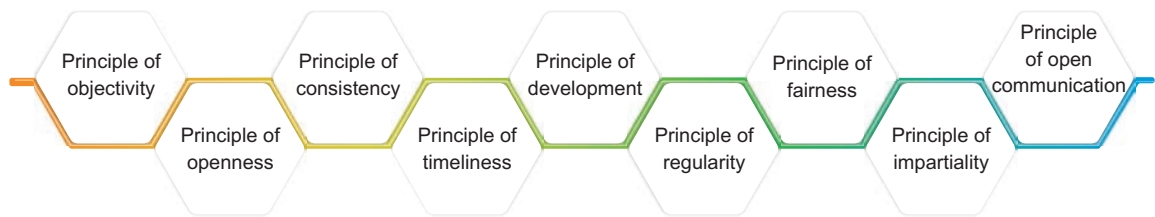
In order to boost employees' motivation at work and facilitate employees' career development, the Group has established a comprehensive performance appraisal and promotion system. Under the performance appraisal system, the Group will regularly conduct comprehensive evaluations on employees' work performance, training records, personal qualities, etc. based on the nine principles of fairness, consistency and objectivity etc. The performance appraisal leading group is responsible for formulating performance management policies, handling related disputes

and appeals, and monitoring the effectiveness of performance appraisals in accordance with the principles of performance appraisal. Employees' performance appraisal results will be used as the main reference basis for evaluating the employee's ability to take up the post, personal salary adjustment and job promotion, so as to offer employees rewards and promotion opportunities that they deserve. We also provide bonus to employees with outstanding performance or employees who have made special contributions to the Group to strengthen their enthusiasm for work.

The Group is also pushing an employee stock incentive plan, providing the employees that have demonstrated excellent performance with benefits such as ownership in the company, financial

rewards, retirement benefits, and tax incentives to motivate and reward employees for their contributions to the Group.

### Principles of Performance Appraisal

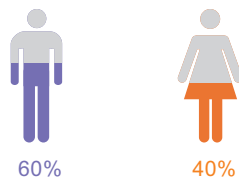


### 7.1.4 Employee Diversity

The United Laboratories is committed to building a diverse team. The Group makes the best use of its talents and arranges suitable positions for its employees according to their different professional skills, expertise, industry experience, background, race, age and gender, with the goal of creating a

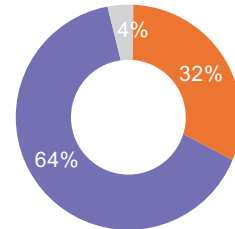
team of efficient, service-oriented, learning-oriented, and innovative talents.

A breakdown of the Group's staff by gender and age is as follows:



Male Female

Male-Female Ratio

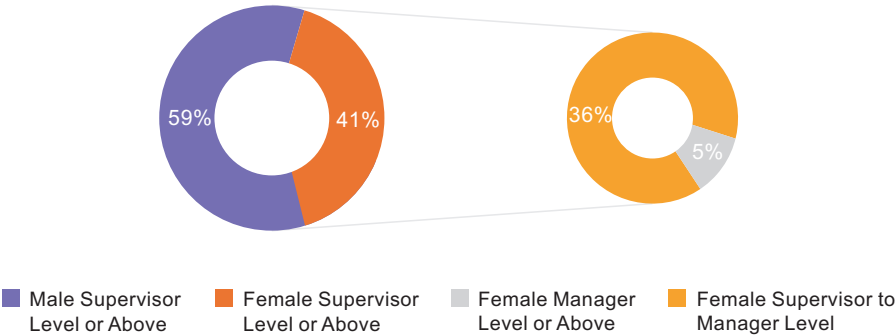


<30 Years Old 30-50 Years Old >50 Years Old

Age Distribution

The Group also focuses on the proportion of women in the management level of the company, with the goal of avoiding gender homogeneity and ensuring gender equality and diversity in the company's workforce. Our aim is to progressively increase the level of participation of female

employees and to create a more gender-balanced work environment. Information on the gender distribution of the Group's management and the hierarchical distribution of female in the management level is as follows:



Gender Distribution of the Group's Management

To ensure the diversity of our employees, we are committed to building a diverse working environment and providing training on diversity to make our company and society stronger and more harmonious. The Group is committed to

supporting working women and safeguarding women's health. During the year, female gynaecological examinations such as cervical cancer and breast cancer screenings were provided to our female employees.



Free Screening Activity for "Two Cancers"

Starting from 8 August 2022, The Jinwan District General Union commissioned The Fifth People's Hospital of Zhuhai to conduct a three-day free screening programme for "two cancers" at the United Laboratories. After extensive promotion by the union during the initial phase of the programme, 300 female workers from different workshops and departments participated in the screening.

The medical staff conducted detailed and professional examinations for each female employee, and provided further examination

and advice to those with abnormal initial screening results.



## 7.2 Talent Cultivation and Development

Talent cultivation and development are the bases for the continued progress of The United Laboratories. Therefore, the Group has established a comprehensive and diversified employee training system. The system integrates internal and external training in forms of offline and online to form the most suitable training plans for the employees in different departments, positions and

levels, so as to strengthen employees' working capabilities and enhance the Group's operational efficiency. In the meantime, we provide employees with subsidies for continuing education and courses on professional qualifications, so as to encourage employees to improve and foster the development of our team.

### 7.2.1 Training and Development System



Every year, each branch of the Group formulates training programmes for its employees. The training content encompasses different areas, such as production safety, environmental protection, production quality, management ability and

professional technology, aiming to provide comprehensive training for employees (including the part-time employees and contractors) of all levels and positions of the Group.

### Production quality

- Production-process-related knowledge
- Inspection and verification methods
- Material and product release procedures
- Case studies of product test results exceeding standards
- Veterinary Drug GMP Interpretation

### Production safety

- Production safety laws, regulations and policies
- National and corporate security policy
- Hazardous chemical safety knowledge
- Basic knowledge of fire safety
- Contingency plans of the Company and production plants
- Emergency handling method for laboratory accidents
- Typical accident cases and analysis

### Environmental protection

- Environmental laws and regulations
- Company pollution control situation
- Hazardous waste storage specifications
- Contingency plans for environmental emergencies

### Scope of Training & Annual Training Case



### Compliance with laws and regulations

- Contract management measures
- Compliance guidelines for promotion
- Legal risks in advertising and promotion
- Measures of the Supervision and Administration of Online Drug Sales

### Management ability

- Leadership skills
- Team communication and management
- Talent competitive advantage
- Production management

### Training for new employees

- Visits to production plants
- Outward bound activities
- Induction outward bound
- Corporate culture training
- Seminars
- Sharing on workplace experience

### Professional technology

- Product specific knowledge
- Data processing and integrity
- Structure and working principles of equipment
- Purified air conditioning system

## 7.2.2 Career Development

### Induction Training

Every year, we attract a large number of talents to join the family of The United Laboratories. To facilitate an effective integration of new employees into the work environment and provide necessary training, our branches and departments arrange a number of orientation programmes and activities each year, tailored to the specific jobs and positions

of the employees, and designed to best facilitate their adaptation and integration into the team. With diversified and tailored training programmes, it is well ensured that all trainees have received the essential information, resources and skills required for the new position.



### Training for New Employees

#### The Group's Headquarter and Sales Headquarter

The Group's Human Resources Centre provided a dual-mode training programme of "online self-study + offline teaching" for over 30 new employees at the Group's Headquarter and Sales Headquarter. The training programme included rich classroom content as well as visits to production workshops and cultural attractions in Zhuhai to help new employees transition into their roles, adapt to the corporate culture, and sort out their career development plans.

The Human Resources Centre shared information on six topics, including career planning, business etiquette, time management,

workplace communication, self-awareness and positive mindset. Through interactive sessions, new employees were able to gain a better understanding of the company. The new employees also visited the production workshops, the Zhuhai Museum and Planning Hall for on-site learning. In the production workshop, the lecturers introduced the various products and production processes, which gave the new employees a deeper understanding of pharmaceutical production. Through the site visits to the Zhuhai Museum and Planning Hall, the new employees gained a better understanding and love for Zhuhai.





## Training for New Employees

### Zhongshan Company

Zhongshan Company organised the new employee orientation training for the current quarter. The training content covered safety production, GMP knowledge, and company administrative systems, greatly enhancing the new employee's workplace skills. In addition, the training speaker also provided a detailed introduction to the company's various social clubs and association, with many new employees signed up for their preferred clubs on-site.



Apart from providing induction training for new employees, the Group also provides targeted job training for them, in which senior employees act as mentors and new employees as mentees. With this mentorship training, the new employees could adapt to their new roles faster and their sense of belonging is increased. Prior to the commencement of the apprenticeship training, the Group provides training on teaching objectives, methods and skills

to the mentors to enhance their teaching abilities. During the programme, the senior staff will pass on the skills required for the job and points to note to the new staff. The communication with the new staff will also create a positive working atmosphere, speeding up the new employee's familiarisation with the job skills and enhancing their commitment to work.



## Apprenticeship Training

Wang Fu, the Mechanical Repair Team leader of Workshop 202 in Inner Mongolia Company electromechanical instrument section, passed on his welding skills without reservation to his apprentice Li Jin while ensuring the safe and efficient operation of equipment. The electromechanical section proposed the team concept of "One heart can win together, innovation forges tomorrow". Wang Fu taught by example in his work. He and his apprentice worked together and helped each other to solve difficult problems and complete various tasks with excellence. In addition, through their reasonable suggestions and discussions within the workshop, a highly profitable technical renovation project was proposed.

Talking about his experience in apprenticeship training, Wang Fu said, "In the process of training apprentices, attention should be paid to

enhancing their initiative to learn. Before starting a job, we should understand the apprentice's thinking and working style before instructing them, and remind them to learn and accumulate experiences in a timely manner, and help them to improve and grow.



## Professional Development

Each of our production sites offers their frontline staff with a training programme tailored to the skills required by their departments and positions. The training is usually delivered by the managers, staff members with professional qualifications or experienced senior employees, and is accompanied by assessments in oral, written or integrated format to ensure that staff master the training content and can apply it in their work.

Safety production is the top priority for manufacturers, so we provide training in response to various risks for workshop safety production managers and special operators facing greater safety risks. The training covers regulations on the management of hazardous chemicals, fire safety for chemical companies and safety knowledge for special operations. Quality management is also an important part of production, therefore we provide training on quality risk management and quality inspection for workshop supervisors and quality specialists to strengthen their ability to manage and implement quality assurance.

To enhance staff awareness and ability to implement environmental protection, the Environmental Protection Department provides regular training to environmental protection commissioners, covering environmental management system requirements, pollutant discharge standards, hazardous waste disposal requirements, environmental performance assessment schemes and emergency response to environmental emergencies. In addition, for supporting roles such as facility management and engineering staff, we also provide specific training to equip our staff with adequate job skills and competencies to support daily production work.

Sales are vital to the Group's business and we are committed to providing our sales staff with excellent marketing and sales training so that every customer can enjoy the quality of our services. The training covers a wide range of marketing techniques and strategies, such as communication channel building, customer needs analysis and customer service training, so as to enhance the sales capability and customer handling skills of our staff.



### Pharmaceutical Registration Verification Training

In December 2021, the National Medical Products Administration released the "Drug Registration Verification Working Procedure (Trial)" and other management support systems for drug registration verification, putting forward new requirements for drug registration verification management. In order to enhance the learning and understanding of the supporting system for drug registration verification and improve the standard of enterprise registration verification, more than 40 employees from relevant teams of Zhongshan Company's registration department participated in this training.

The training adopted an online live broadcast format, with policy interpretation provided by relevant officials from the National Centre for Drug Evaluation, the Centre for Drug Evaluation, and those involved in drafting the system. The content includes "Drug



Registration Verification Working Procedure and Requirements (Trial)", "Key Points and Judgment Principles of Drug Registration Verification (Pharmaceutical Research and Production Site) (Trial)", "Drug Registration Production Site Verification and Pre-Market Drug Production Quality Control Specification Inspection Connection Working Procedure (Trial)", and preparation for registration verification-related work, etc."



## Product Knowledge Training

### Enzymatic Amoxicillin Product Knowledge Training

Amoxicillin API is one of the most important products of the United Laboratories, and every salesperson needs to have relevant product knowledge to better carry out market sales work. Therefore, The Zhuhai United Laboratories Trading Company Limited launched the 'Enzymatic Amoxicillin Product Knowledge Training' during the year. This

training adopts a combination of online and offline methods, providing comprehensive explanations on the physical and chemical properties, packaging specifications, production processes, and other aspects of the product. This is to help sales personnel fully understand the product and improve their professional level.

### Carbapenem Product Knowledge Training

Carbapenem antibiotics are a class of antibiotics that are all synthesized by chemical processes and have been hailed as the 'last line of defense' for antibiotics. This year, Zhuhai United Laboratories Trading Company Limited invited the workshop manager to conduct Carbapenem product knowledge training. This training introduced the antibacterial spectrum, indications, pharmacokinetic characteristics,

and production process of each Carbapenem product. Being the core of professional and academic marketing skills, product knowledge is a key knowledge and skill that sales personnel need to focus on improving. This training focused on Carbapenem products, which will enhance the product knowledge level of sales personnel and better serve customers.



## Leadership Training

Management personnel are important decision makers in various matters of the enterprise, and they must exert good leadership, communication, learning, coordination, etc. in the team. Therefore,

regular training for management personnel is essential. During the Year, the Group organized training events for middle and senior management through online training.



## Performance Management Training

In order to improve the standard of the middle and senior management staff and promote the continuous development of the overall work of performance management, Zhuhai Company launched a special training session on "Practical Operation of Performance Management" this year, which was attended by all middle and senior management staff led by the General Manager of Zhuhai Company.

The training mainly focused on target setting, performance assessment, annual planning and year-end performance evaluation, and used a lot of practical examples to deepen the understanding of performance. The participants

deepened their understanding and knowledge of performance management and got a clear idea of how to apply performance in their actual work in the future. Performance management is of great significance to the healthy and sustainable development of Zhuhai Company, and the company's management actively learns excellent performance management methods, drives the continuous improvement of management system details, establishes a scientific and feasible performance management system, and provides a guarantee for the high-quality development of the enterprise.

## Multiple Training Platforms

Further to the conventional training modes, the Group also set up a learning centre in the online mobile office platform system "Smart United Laboratories" to allow employees to conduct online learning with the help of online videos and documents. The Group's Human Resources Centre has set up the "Five Micro-Classes" and "A Lesson A Day" columns to provide training courses on areas such as interpersonal skills and business etiquette. The Audit and Legal Affairs Centre has self-set up a Legal Training column to provide training courses on relevant laws and regulations in

daily operations, covering topics such as contract, antitrust compliance and legal risks in advertising. The Marketing Department, Information Centre and other departments of the Group have also held training courses on product and information security. All departments of the Group can upload and share the training courses in the learning centre after review. This will facilitate mutual understanding among departments, widen the horizons and deepen the knowledge base of employees, and create a good atmosphere for self-set directed learning.

## Smart United Laboratories



Library



Working Desk



Knowledge  
Centre



Service Desk



Study Centre



Document  
Centre

7.2.3 Academic Promotion and Professional Qualification

As a pharmaceutical company, the professionalism of employees is an important factor for the Group to meet the high production demand. In order to enhance the professionalism of employees, the Group encourages and assists employees to participate in re-education programmes to upgrade their academic qualifications, such as upgrading from secondary vocational schools to junior college diploma, or from junior college diploma to undergraduate degrees.

During the Year, in order to comprehensively meet the needs of pharmaceutical production, enhance employee professional capabilities, and optimize the company's talent structure, Zhuhai Company collaborated with universities such as Xiangtan University, Hunan University of Technology, and Shunde Polytechnic to offer courses on pharmacy, chemical engineering, bioengineering, electrical

engineering and automation, mechanical design and manufacturing, and automation, among others, for on-the-job employees in quality, production, equipment, and IT-related fields. Currently, there are 21 students in the 2021 cohort, 26 students in the 2022 cohort, and 41 students have been admitted to the 2023 cohort.

The Group also places great importance on the professional qualifications and skills improvement of its employees. During the Year, Zhongshan Company carried out skills level certification work, with 1 senior technician, 25 technicians, 145 senior workers, 98 intermediate workers, and 123 junior workers being certified. In addition, 20 employees of Zhuhai United Biomedical Pharmaceutical Co., Ltd. obtained the Guangdong Province Pharmaceutical Industry Training Certificate.

7.3 Benefits and Welfare

Employees are the key to success of an enterprise. The Group has been treating employees by aligning itself with the principle of "Equality, Care and Mutual Development" to guarantee that our employees are entitled to corresponding benefits and welfare and care for their well-being. The Group strictly abides by relevant laws and regulations to secure employees' legal rights and

benefits. While providing quality career development opportunities and working environment for our employees, we also put emphasis on employees physical and mental development, encourage employees to actively participate in various types of cultural and sports activities held by the Group and enrich their spare time.

7.3.1 Protecting Employee Rights

Realm	Relevant Laws and Regulations
Protect legal rights	Labour Law of the People's Republic of China Labour Contract Law of the People's Republic of China Law of the People's Republic of China on the Protection of Women's Rights and Interests Special Rules on the Labour Protection of Female Employees Provisions on the Special Protection for Underage Employees Labour Dispute Mediation and Arbitration Law of the People's Republic of China Trade Union Law of the People's Republic of China
Employee welfare	Order of the Ministry of Human Resources and Social Security Social Insurance Law of the People's Republic of China

The Group attaches great importance to human rights and forbids any discrimination in the aspects of gender, age, race, religion, disability, marital status, etc., so as to ensure all the candidates are entitled to fair, justified and open employment opportunities. We protect the legal rights and interests of all employees in accordance with laws and strictly abide by relevant laws and regulations. We have laid down strict regulations that all employees working at any position must be aged 18 or above, and child labour with an age below 16 is forbidden. Therefore, during the recruitment process, the Group will require applicants to provide identification documents to verify their age and avoid hiring child labour by mistake. Employees must sign a labour contract before on boarding. The contract clearly enumerates the employee's job duties, salary, insurance, welfare, working hours and holidays to avoid any circumstance of forcing employees to work. In case of misemployment of child labour or forced labour,

the Group will immediately suspend the work of the relevant person, take remedial measures and find out the causes to prevent the recurrence of similar situation. Any employee proposing a resignation shall make an application based on related procedures, so the Group could understand his/her reasons of leaving in detail and provide proper resignation arrangement, such as salary payment.

The Group applies a five-day work week and an eight-hour work day, except for employees working in specified production plants. To guarantee employees attainment of work-life balance, the Group does not encourage overtime work. In case of inevitable overtime work, the group limits the maximum daily overtime hours, with the length of overtime hours varies depending on the job position. Overtime pay is strictly issued in accordance with legal regulations and calculated based on the employee's regular wages.

### 7.3.2 Employee Rights and Benefits

All employees of the Group are entitled to statutory holidays and leaves, such as annual leave, sick leave, marriage leave, maternity leave, compassionate leave and work injury sick leave, in accordance with the requirements of laws and

regulations. The Group also provides employees with "five insurances and one housing provident fund" and allowance for high temperature according to the laws and regulations to fully protect employees' basic welfare.

Apart from the statutorily required basic welfare, in order to care for the employees and enhance employee cohesion, the Group provided the following benefits to employees during the Year:





## Employee Summer Heat Relief Meal Packages

In order to ensure the safety, physical health, and mental health of employees during the high-temperature summer weather in Inner Mongolia, the Inner Mongolia Company has customized a "heat relief Meal Package" for its workers. This includes green bean soup, ice cream, and cold tea, as well as a large supply of Huoxiang Zhengqi Water and other drinks for employees

to enjoy. In addition, the company also holds pre-shift meetings on "heatstroke prevention" to provide training on heatstroke prevention and cooling knowledge, as well as emergency response skills. This strengthens the overall safety awareness of all employees and allows them to feel the care and concern of the workshop, protecting summer production.

## Work-Life Balance

The Group values the physical and mental well-being of its employees and is committed to helping them achieve work-life balance. We believe cultural and sports activities help enhance the physical and psychological quality of employees, establish the teamwork spirit among them and increase their sense of belonging to the Group. Therefore, the Group, including its various production sites and subsidiaries, has established cultural activity teams, and regularly organised employee activities,

thereby providing employees with a platform to enrich their spare time. The Group has organised numerous cultural and sports activities during the Year, such as sports competitions, staff travelling, departmental team building, film watching activities and festival activities. The Group will continue with the good corporate culture of having employees actively participating in activities, enabling all employees to attain work-life balance and stay both physically and mentally healthy.



## Employee Activities

### Fitness Training Camp

In order to encourage employees to actively participate in sports and exercise, and enhance their physical fitness, the Staff Union of Zhuhai Company has launched the 1st Staff Zumba Fitness Training Camp, with nearly 60

employees participating in the training camp. After the training camp, the employees expressed that the activity was enjoyable, healthy, and uplifting, injecting positive energy into their work for the following week.

### Club Activity

The members of the hiking club organized a hiking activity to climb the highest peak in Zhuhai, the Huangyang Mountain. The activity enriched the employees' leisure time, promoted communication among colleagues, and also

exercised employees' bodies. In the future, they plan to get close to nature, cross mountains and ridges together, and experience the infinite charm of hiking.



## 7.4 Employee Communication

The Group listens to the voices of grassroots employees through various channels, gathering the strength of employees to understand their thoughts and attitudes towards work and life. The company analyses and responds to employee opinions and

suggestions. The mutual communication between the company and employees enhances trust between each other and allows employees to truly feel the company's genuine care.

### 7.4.1 Labour Union

Labour union is the bridge and link between employees and the company, the Group values and respects the employee's rights to build a Labour Union. Abides by the rights and obligations conferred by the Trade Union Law of the People's Republic of China (《中華人民共和國工會法》) and the Articles of Association of Chinese Trade Union (《中國工會章程》), the Group strive to build a labour union team that serves employees wholeheartedly. Currently, Zhuhai Company, Zhongshan Company, and the Inner Mongolia Company has already established a sound employee union systems, mainly responsible for safeguarding the legitimate rights and interests of

employees, democratic management of employees, and management of employee welfare activities. The annual workers' congress is held to deliberate and pass major decisions of the company, to improve the company's democratic management level, and to promote harmonious labour relations. The union includes multiple committees and grassroots organizations such as union groups and clubs, which pay attention to employees' personal and family situations, solicit and listen to employee opinions, and regularly organize various sports and cultural activities and mutual aid activities.



#### Labour Union Symposium

During the Year, Zhuhai Company Labour Union held the 3rd Labour Union Committee Meeting, with the theme of "listening to the voices of employees and addressing their demands." The meeting discussed how to better serve the employees by being a bridge and bond between the union and the masses. The leaders of each union group presented about their work and

plans, while also proposing various work suggestions and activity ideas that come from the frontline and closely meet the practical needs of employees. This symposium laid a good foundation for promoting the construction of the company's trade union and accelerating its development.



#### Zhuhai Company Labour Union Received the Grassroots Labour Union Innovation Award

During the year, in order to satisfy the regular fitness needs of employees, the Zhuhai Company Labour Union combined popular sports programs such as yoga, Zumba, and boxing with the "Enjoy Slim Cup" healthy weight loss competition, forming a complete and scientific fitness chain. The company labour union also vigorously promotes the benefits of scientific fitness and healthy eating, encouraging employees to actively participate in sports and exercise, enhance their physical fitness, and better engage in work and life.

The project "Join us and get moving - promoting regular employee fitness" evaluated by the Zhuhai Company Labour Union Committee won the third prize in the "Grassroots Labour Union Organization Construction Innovation Projects in Zhuhai". The Zhuhai Company Labour Union is committed to working closely with the practical needs of employees and serving them attentively. Various cultural and sports activities, knowledge and skills competitions, public welfare activities, and other events organized by the union each year are highly regarded and appreciated by employees and the community.

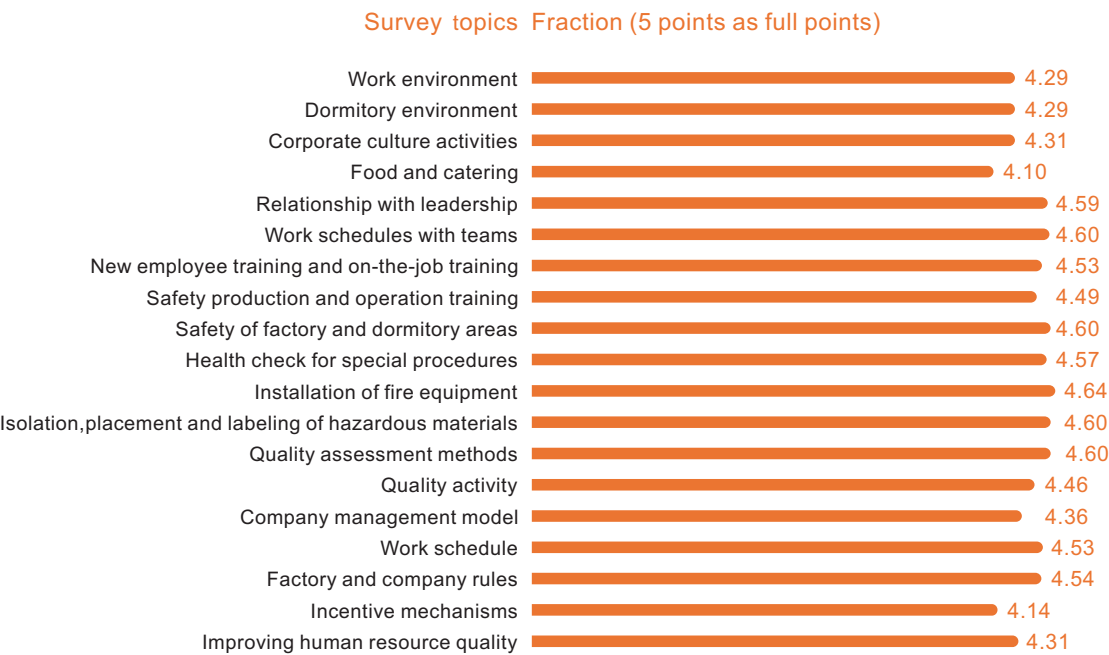
7.4.2 Employee Satisfaction Survey

Employee satisfaction surveys are helpful in listening to employee voices, collecting employee opinions, and improving their work environment and job satisfaction.

This year, The United Animal Healthcare distributed the annual satisfaction survey questionnaire to all employees, focusing on 19 topics such as work and life, company culture activities, company

management and systems, workplace communication, and production safety, and sought relevant opinions from all employees. The survey results showed that employees were more satisfied with fire equipment, work schedules with teams, the safety of the factory and dormitory areas, handling of hazardous materials, and quality assessment methods. Attached below is a horizontal bar chart showing the results of the employee satisfaction survey.

The United Animal Healthcare Employee Satisfaction Survey Results



### 7.4.3 Complaints and Suggestions

The Group insists on providing the employees clear and diverse channels to file complaints and suggestions. In order to further facilitate the communication between employees and the management of the Company, Inner Mongolia Company has established a sound mechanism for handling employees' opinions and feedback, guiding and helping employees to solve relevant problems, and better serving employees. The feedback channels include messages from the "Complaint and Suggestion" column of the logistics service of the WeChat public account of Inner Mongolia Company, suggestion boxes, e-mail and feedback phone. Any dissatisfaction or reasonable suggestions related to the development and construction of the Company, including management, life and work, can be responded. The Party Committee Office, the Labour Union and the Human Resources Department are responsible for management and daily maintenance. Opinions and suggestions collected are timely summarised and reported to the Company's leaders, and relevant departments are coordinated to handle and solve them. The Company hopes that employees can freely express their opinions through the above

communication channels, effectively listen to their voices, and solve their concerns.

In order to deal with complaints and disputes from employees, Zhongshan Company has established a "Grievance and Mediation System". Employees can submit their opinions and suggestions in writing or by email to the Administration and Human Resources Department, the Labour Union or other departments. For those who submit their opinions and suggestions in real names, the relevant departments will reply to the employees within a specified period of time after studying the matter. The Company has also set up a suggestion box for the person in charge of the company in public places, where employees can submit their opinions and suggestions to the company. The system also provides for dispute resolution. The Company has established a Dispute Resolution Committee to resolve labour disputes. The Committee will arrange mediation within a prescribed period of time upon receipt of an application for mediation.

### 7.4.4 Logistics Services and Communication

The Group attaches great importance to the personal life of its employees and provides them with staff quarters, staff canteens, staff activity centres and staff commuter buses, etc. The Group also strictly formulates and implements relevant

rules and regulations to implement the management of staff logistics, aiming to create a comfortable and warm working and living environment for its employees.



#### Platform for Logistics Services

In order to effectively guarantee the quality of work and life for employees, Inner Mongolia Company has set up a "Logistics Service" platform on its WeChat public account, which includes services in various areas such as "Canteen Management," "Staff Quarter Management," "Life Services," and "Flea

Market." On this platform, employees can access the weekly menu and provide feedback, report malfunctions in staff quarter for repair, and obtain the latest information about living areas. This move provides employees with more convenient and caring services for their daily lives.

## 7.5 Occupational Health and Safety

Production safety is an operating principle of the Group. The Group has put in place a comprehensive occupational health and safety management system to ensure that the health and safety of its employees are safeguarded. During the Year, the Group organised a series of activities related to production safety and fire safety to enhance the safety awareness of our employees. In

addition, the physical and mental health of our employees is also a key concern of the Group. The Group conducted comprehensive medical check-ups and health talks for our staff during the year. During the pandemic, employees were also provided with medicine and supplies for epidemic prevention.

7.5.1 Production Safety Maintenance

The United Laboratories adheres to the objective of “Safety First, Prevention Upmost”, sees production safety as our operational focus, carefully enforces and implements occupational-health-and-safety-related regulations and systems, and strives to reduce the occurrence of safety accidents. The Group has formulated a comprehensive occupational health and safety management system and obtained the OHSAS18001:2007 certification. Inner Mongolia Company has also passed the level two production safety standardisation review and obtained the ISO45001:2018 certification on Occupational Health and Safety Management Systems. With the

management system, all departments have to strictly comply with the relevant laws and regulations and related internal regulations, regularly analyse the condition of work safety and figure out the dangerous factors and potentials risks, and hence to formulate improvement measures. At the same time, the person in charge of the production department or the safety management committee are responsible for conducting regular safety inspections and enforcing safety education to strengthen employees' awareness of safety and reduce the potential risks of accidents.

Realm	Relevant Laws and Regulations
Safety Regulations	Work Safety Law of the People's Republic of China Law of the People's Republic of China on the Prevention and Control of Occupational Diseases Fire Protection Law of the People's Republic of China Rules for Fire Prevention and Control of Buildings
Management of Hazardous Chemicals and Work-related Injuries	Regulation on the Safety Management of Hazardous Chemicals Regulation on Work-Related Injury Insurance

In regard to the management of hazardous chemicals, the Group strictly complies with laws and regulations of hazardous chemical management, and highlights the risks and damages brought by the maltreatment of hazardous chemicals. The Group has formulated strict regulations in the areas of warehouse management, material safety management in warehouse and upon entering and leaving to monitor the storage and transportation of various types of chemicals. Inner Mongolia Company has also introduced strict hazardous waste collection facilities and procedures for hazardous waste treatment. Each type of hazardous waste has to undergo harmless treatment to secure the health and work safety of employees. The Group has also

developed treatment procedures for the issues of safety and work injures, to equip employees with sufficient knowledge in case of injuries, and enable them to promptly respond in an effective manner, so as to minimise the casualties and financial loss. For the injured employees, the Group strictly enforces the relevant provisions of wages, subsidies and fees related to work injury to protect the basic rights and interests of our employees.

To ensure that safety comes first, the Group held a series of training sessions as part of the “Production Safety Month” to ensure that employees in each workshop are familiar with operating in accordance with safety regulations and safe production procedures.



## 2022 Production Safety Month

### Operational Safety Training

On June 30, the Security Department of Zhongshan Company organized an operational safety training, which mainly covered the operations in "Restricted Spaces," safety precautions, and safety drills. All safety officers from various workshop departments participated in the training. The training emphasized the implementation of the special inspection content of "Safety Supervision

1710", strengthening the monitoring on the status of actual safety implementations in companies in dangerous chemicals, chemical, and pharmaceutical industries.. The training enabled participants to understand the importance of wearing emergency response equipment, how to correctly connect compressed air cylinders, and the application process of stretchers.

### Production Safety Learning

Inner Mongolia Company's Quality Inspection Department also conducted production safety learning activities with the theme of "Complying with the Work Safety Law, Be a Good Primary Responsible Person." The activity included teaching safety knowledge such as falling from

heights, being struck by objects, handling flammables and explosives, electric shock accidents, and fire accidents. It analysed the causes of accidents, proposed preventive measures, and standardised employee operating behaviour.

### Production Safety Inspection

During the Production Safety Month, Zhuhai Company effectively identified safety hazards through a combination of self-inspections and self-corrections led by workshop and department heads, and a joint safety inspections organized by the Safety

Management Department. They carried out standardised corrections with set deadlines, standards, and responsible persons, forming a closed loop to create a good safety work environment for the company.



## 7.5.2 Fire Safety Management

To enhance the awareness of fire safety among employees, the Group actively conducts fire safety education and organises fire emergency drills to equip every employee with basic firefighting skills.

The Group has also strengthened employee safety training and increased inspection efforts to eliminate fire safety hazards in a timely manner.



### Fire Safety Operations

#### Fire Safety Training

As a Grade A explosion-proof workshop, the 202 workshop of Inner Mongolia Company organised a special safety meeting for the workshop management according to the Safety Month Theme of "Abide by the Safety Production Law, Be the Primary Responsible Person", and conducted a video training on the recent fire accidents to emphasise the importance of safety work. After the training, the workshop stepped up the publicity efforts to

build up the awareness of safety responsibilities of all employees and mobilised them to pay high attention to the prevention and control of fires in the summer. The special training and special safety meeting enhanced the awareness of fire safety and the ability of all staff in the workshop to escape and save themselves in case of emergency, providing a strong guarantee for the development of fire safety in the workshop.

#### Practical Fire Extinguisher Drill for New Employees

To enhance employee safety awareness and improve firefighting skills, the Security Department of Inner Mongolia Company organised a practical fire extinguisher drill. Over 620 employees from 26 departments and workshops in the company participated in the drill. Before the drill began, dedicated firefighters explained the usage and safety precautions of dry powder and carbon dioxide fire extinguishers, and then conducted the fire extinguishing exercise. The dedicated

firefighters were responsible for monitoring, emergency response, and correcting the participating colleagues. The practical fire extinguisher drill is one of the most important task for the company annually, aimed at improving employees' practical skills in preventing and controlling initial fires, and to ensure that personnel can respond effectively in emergency situations and reduce losses and injuries caused by accidents.



## 7.5.3 Caring for the Physical and Mental Health of Employees

The health and safety of our employees are always our top priority. Therefore, in addition to the above safety measures and practices, we have arranged

various seminars and trainings to care for the physical and mental health development of our staff.



### Company-wide Health Examination

Zhuhai Company organized a 5-day annual company-wide health examination event in the employee activity centre for 2022. To ensure an orderly examination work and employee attendance, the Administrative and Personnel Department and the Examination Centre developed examination plans and procedures to actively arrange employees' health examinations. This examination included internal medicine examinations, blood routine tests, colour Doppler ultrasound, chest X-rays, and other specialized tests. Through this

company-wide health examination, employees could detect, prevent, and treat their health problems in a timely manner.



### Hypertension Prevention Lecture

In order to comprehensively control safety production accidents caused by employees' health and improve employees' awareness and knowledge of hypertension prevention and treatment, Zhuhai Company's labour union invited the "Haoyue Chuxin" (皓月初心) lecture team from the Zhuhai Organization Department to give a health knowledge lecture on the topic of 'The Internal Connection between Hypertension Prevention and Safety Production'. During the lecture, participants learned about the formation, measurement, and daily control measures of hypertension, analysed the types, common manifestations,

complications, and hazards of hypertension, as well as the safety details that should be paid attention to in daily work.

The content of the lecture greatly benefited the employees on site, enhanced their understanding of the internal connection between hypertension prevention and safety production, and raised their awareness of the dangers of hypertension in production. The lecture played a guiding role in promoting early prevention, timely treatment, improving employees' health concepts, and ensuring safety production.



### Distribution of Pandemic Prevention Supplies

Facing the new situation and changes in the prevention and control of the COVID-19



pandemic, in order to build a solid fortress for pandemic prevention and control in the Group, Zhuhai Company, Zhuhai United Bio-Pharmaceutical Co., Ltd., the Zhuhai United Laboratories Trading Company Limited, Zhongshan Company, Guangdong Kaiping Kingly Capsule Co., Ltd., Group headquarters, the China sales department have distributed pandemic prevention materials such as ibuprofen sustained-release capsules, vitamin C effervescent tablets, COVID-19 antigen test kits, and KN95 masks to employees, reducing their economic burden and helping them overcome the difficulties of the pandemic.

### > Our Focuses

Stepping Towards Carbon Neutrality  
Pollution Management and Control  
Green Operations

### > Our Actions

Promoting low-carbon development and increase energy and water efficiency  
Managing waste water, waste, and exhaust gas emissions and treatment  
Setting up a circular economy industrial chain

### > Our Achievements

**21%**

Reduction in the comprehensive energy consumption per unit output value of energy efficiency

**100%**

Recycling rate of reclaimed water

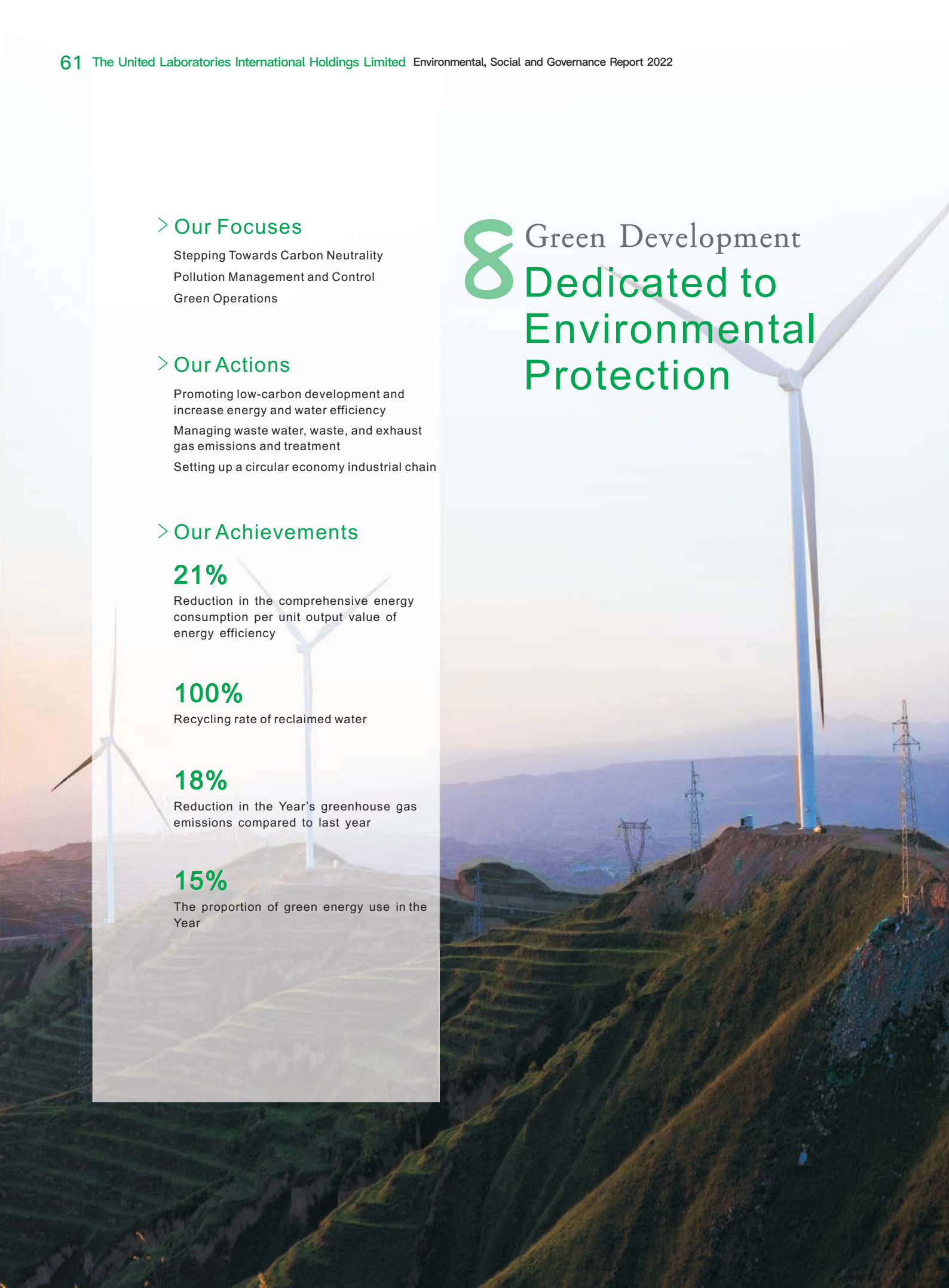
**18%**

Reduction in the Year's greenhouse gas emissions compared to last year

**15%**

The proportion of green energy use in the Year

# 8 Green Development Dedicated to Environmental Protection



Despite the ongoing pandemic in 2022, The United Laboratories persist in environment and ecology protection, mitigate climate change, and is dedicated to pollution prevention and control, energy conservation and emission reduction. In response to the national overall goal of “lucid waters and lush mountains are invaluable assets”, The United Laboratories sternly comply with the concept of co-prosperity between enterprise development and environmental protection, and is dedicated to achieving the ultimate mission of carbon neutrality through carbon emission reduction from production, technology and procedures, meanwhile, the Company is committed to achieving carbon neutrality together with global enterprises in the future without neglecting business operations.

In coordination with the Country's reduction targets, the local government of Inner Mongolia launched the 14th Five-Year Plan for Addressing Climate Change in Inner Mongolia Autonomous Region to strengthen the collaborative control and efficiency improvement of pollution reduction and carbon emission, reinforce the coordinated promotion of greenhouse gas emission reduction and pollution prevention, establish and improve the working mechanism of pollution reduction and carbon emission, and promote the overall integration of climate change response and ecological environment. As the production base with the largest scale and the greatest production of the Group, the operation and development of Inner Mongolia Company is closely related to the above

policies. Therefore, the Group always sees environmental protection as the top priority, and continues to implement the corporate environmental policy of “Law-abiding Integrity, Preventive Control, Environmental Protection, Continuous Improvement, and Harmonious Development”. Inner Mongolia Company actively responds to the national environmental protection policies, and strengthens environmental protection in its operation and production process during the Year to save energy and reduce carbon emissions, fully cooperating with the Country to respond to the challenges brought about by climate change.




Inner Mongolia Company is a modern comprehensive pharmaceutical factory integrating pharmaceutical intermediates and bulk medicines into one. Since the establishment of the plant, environmental protection has been the first priority. It has continuously introduced new environmental protection technologies and new equipment to treat wastewater and exhaust gas generated during the production process, and implemented a number of key environmental protection projects during the Year to fully support the construction of ecological civilization and green technology innovation. Inner Mongolia Company has passed the ISO14001: 2015 “Environmental management system - Requirements with guidance for use” certification. All construction projects have obtained environmental assessment approval and passed the environmental protection completion acceptance.

## 8.1 Steps Towards Carbon Neutrality

In response to the Paris Agreement and the national goal of achieving carbon neutrality by 2060, the Group has promoted a series of carbon reduction efforts during the year, hoping to align with the pace of the Country and reach carbon peak by 2030 and carbon neutrality by 2060. The Group regards net zero emission as its ultimate goal and believes that carbon reduction must be persistent

and progressive, and cannot be achieved overnight, so as to avoid affecting the Group's development in other aspects. During the Year, the Group was determined to set up strategies and annual targets in four directions to gradually reduce and offset carbon emissions and achieve carbon neutrality.

The following table summarizes the results of carbon reduction for the Year. Please refer to the corresponding sections for details:

 <b>Strategies</b>	 <b>Carbon Emission Targets</b>	 <b>Key Achievements in the Year</b>
<b>Promoting Low-Carbon Development</b> Carry out low-carbon activities to become a conservation-oriented enterprise	To reduce carbon emission in workshops and offices to meet the target of energy conservation  Set year 2020 as baseline, reduce the net carbon emission of the Group to <b>30%</b> by 2030	Actively carry out energy saving, consumption reduction, pollution reduction and efficiency enhancement in energy-saving publicity week and tree planting activities to reduce and offset carbon emissions  Greenhouse gas emission has reduced <b>18%</b> comparing to last year
<b>Use of Renewable Energy</b> Increase the use of green electricity	Increase the use of green electricity to offset emission reduction (medium-term target)  Set year 2020 as baseline, increase the use of green electricity to <b>30%</b> by 2030	Set clear goals and plans for green electricity usage, increase percentage of green electricity usage to <b>15%</b> in 2022
<b>Improving Energy Efficiency</b> Increase energy-saving projects, improve technology, eliminate high-consumption and low-efficiency equipment	Reduce energy consumption per unit of product produced, constant reduction in the comprehensive energy consumption per unit of product produced  Set year 2020 as baseline, reduce energy consumption by <b>30%</b> by 2030	Comprehensive energy consumption per unit output value decreased by <b>21%</b>  Added 5 optimization equipment, saving <b>850,643MWh</b> of electricity per year
<b>Align With State</b> Performance of national carbon emission trading plan	Supporting and fulfilling the national carbon emission trading scheme	Conduct carbon trading account opening and trading test and purchase carbon quota for the contract period.

### 8.1.1 Promoting Low-carbon Development

In the production and daily operations of the Group, the main sources of greenhouse gas emissions include:

- i. direct greenhouse gas emissions, including stationary combustion sources such as fuel combustion of boilers used for production and heating, mobile combustion sources like vehicle fuel combustion, and use of refrigerants;
- ii. indirect greenhouse gas emissions of energy, including purchased electricity;
- iii. other indirect greenhouse gas emissions, including the carbon emissions generated when employees are taking aircrafts for business trips, methane emitted from the disposal of wastepaper, and indirect emission generated from water and sewage treatment.

The Group has been adopting a multi-pronged approach and striving to reduce greenhouse gas emissions. The energy-saving and water-saving measures implemented by Inner Mongolia

Company, as well as various innovative energy-saving and emission-reduction projects can not only reduce energy consumption, but also minimize greenhouse gas emissions and help slow down the rate of global warming.

During the Year, the Group focused on reducing carbon emissions in the direction of energy conservation. The Production Technology Department organised and launched activities for the Energy Conservation Week to cultivate employees' awareness of energy conservation, eliminate energy waste, and achieve "energy conservation, consumption reduction, pollution reduction and efficiency enhancement". Tree planting is a way to offset carbon emissions. Even if the effect cannot be compared with active carbon reduction, it can take the effect of long-term absorption of carbon emissions. During the Year, the Group also held the Tree Planting Day to contribute to the low-carbon development.



#### Tree Planting Day

The Party Committee of Inner Mongolia Company organised 65 volunteers from Party members to carry out voluntary tree planting activities in factories, living areas and office areas. The volunteers had planted 280 trees in total. The volunteers had worked together on shovels, excavation, seedling, filling,

compaction of soil, and watering. During this tree planting activity, the volunteers contributed their own strength to the construction of green communities with practical actions. The Tree Planting Day not only shows the federal unity, but also reduces carbon and adds green to the community.





### Adoption and Signage of Flowers, Fruits, and Trees

The party organization office of Inner Mongolia Company organised each department in their office area to participate in the adoption and signage of flowers, fruits, and trees. The plants adopted and signed in this activity include 10 types, such as Chinese plum, apricot, locust

tree, lilac, red maple, crabapple, Chinese flowering apricot, pear, apple, etc., with a total of 80 tree signs hanged. We take practical actions to cherish the flowers, fruits, and trees around us, dedicate our love, and grow together with the trees.



## 8.1.2 Improving Energy Efficiency

Energy consumption is crucial to pharmaceutical enterprises, and the derived environmental impacts from greenhouse gas emissions cannot be ignored. In the production and daily operations, Inner Mongolia Company needs to use different energy sources, including purchased electricity, steam, and motor vehicle fuel. In response to the Country's implementation of energy conservation in major industrial segments, Inner Mongolia Company has improved energy efficiency to achieve sustainable development according to the Energy Conservation Law of the People's Republic of China. In order to effectively manage energy consumption and reduce carbon emission, Inner Mongolia Company has formulated a comprehensive energy management system according to the National Requirements on Energy Management System and Energy Management System Implementation Guide, including the electricity consumption management system and steam consumption management system. Inner Mongolia Company has also set up an enterprise energy management organization to coordinate energy consumption and energy conservation measures of each production plant or department. In the meantime, to effectively foster energy conservation, Inner Mongolia Company has formulated control measures of energy

consumption, so that targets and plans of energy conservation can be delivered to production plants, teams and even individual positions, prompting all plant employees to jointly perform energy-saving work, reducing emission and mitigating global warming. During the Year, the Group also set a long-term target for production to gradually reduce energy consumption per unit of product. The target for this year has been successfully achieved, and the comprehensive energy consumption per unit of production value of the Company has decreased by 21%.

In terms of power management, Inner Mongolia Company has specially set up a demand side management platform for power, installed with electricity monitoring devices at the distribution network gateway, power distribution cabinet and main power equipment to collect data in power strength and power quality indicator to monitor electricity consumption. Inner Mongolia Company will analyse the data collected by the management platform to understand the overall situation of electricity consumption and sources where power is wasted, so as to optimize the distribution network and power consumption facilities, hence reduce electricity consumption and save energy.

## Corporate Energy Management Bodies



### Task Force on Energy Consumption

- Supervise the implementation of energy conservation and environmental protection strategies, policy regulations, standards and related instructions
- Conduct regular audits of the entire factory's energy use to formulate energy conservation plans, technical renovation plans, etc.
- Supervise the monitoring devices for fuel, water, electricity, steam and other metering devices and environmental protection facilities
- Assess the energy conservation and protection work according to the related responsibilities and reward-and-punishment system of various departments



### Energy Saving Office

- Divide the energy consumption indicators and deliver them to relevant departments and sections on a case-by-case basis, and supervise their implementation
- Hold monthly meetings for energy conservation analysis to analyse the results and existing problems of energy conservation, and propose improvement measure
- Analyse the causes and propose corrective measures when the energy supply is abnormally fluctuating
- Supervise the implementation of reward and punishment for energy conservation and acknowledge the individuals and departments that contribute to energy conservation



### Control Centre of Energy and Raw Materials

- Focus on monitoring the transportation and use of energy and raw materials in Inner Mongolia Company
- Data analysis of energy consumption, material consumption and pollution generation through technical means such as automation and information technology

## Energy Saving and Emission Reduction

Under a well-established energy management system, Inner Mongolia Company implements energy conservation work from different aspects every year. Through regular inspections of the factories' machinery operation, investigation of the feasibility of various technological updates and transformations and practical implementation of energy conservation measures, the efficiency of

energy consumption has been enhanced. During the Year, apart from continuing the strict implementation of regular energy conservation measures in factories and offices, Inner Mongolia Company also implemented different types of energy-saving optimisation projects to improve energy efficiency and provide new ways of reducing consumption and conserving energy.

## Energy Conservation Measures in Production Plants

- Formulated feasible and rigorous performance assessments, and refined the company's energy saving and consumption reduction assessment and reward mechanism through analysis of energy consumption in production plants
- Incorporated energy consumption indicators into the annual assessment of each production plant
- Acknowledged the production plants or individuals with outstanding performance in carrying out energy conservation work

## Energy Conservation Measures in Offices

- Carry out energy and water conservation publicity activities to strengthen employees' awareness of energy conservation
- Prioritized the purchase of the energy conservation equipment or products with national certifications, adopted environmentally-friendly and energy-saving electrical appliances and equipment, and gradually eliminated the equipment with high energy consumption and low efficiency
- Reduced the power consumption of lighting equipment, turned on lighting only when necessary, and no lighting was turned on persistently, under the absence of workers, or during daylight
- Set computers, printers, copiers and other office equipment to low-consumption sleeping mode automatically when they were not in use, so as to reduce standby power consumption
- Made requirements on the operating temperature of the air conditioner, and not turning on air conditioning during holidays or when there were only few people working overtime

### The Energy-saving Optimisation Project of This Year



- Preplacing outdated motors with First-Class Energy Efficiency, which is expected to achieve an annual energy saving of 0.5GWh.
- By the end of 2022, 105 fermentation tanks in the workshop will be replaced with 15 double parabolic curved surface agitation blades, which is expected to achieve an annual energy-saving of 21.1GWh.
- The technical transformation of the brine unit in Workshop 505 is expected to achieve an annual energy-saving of 15.1GWh.
- Replacing the motor of the seed tank in Workshop 105 with a permanent magnet direct drive motor, which is expected to achieve an annual energy-saving of 5.5GWh.

## Usage of Clean Energy

We place a great importance to the use of clean energy and are committed to introducing renewable energy to all locations of the group. This year, though we has not integrated any renewable energy systems into the company's electrical systems, we has actively studied the feasibility of using different renewable energy sources and has started planning trial

applications for renewable energies such as solar panels to start in a short period of time. This will provide clean energy for the company, reduce carbon emissions related to energy consumption, achieve emissions reduction from the source, and contribute to our steps towards carbon neutrality.




### 8.1.3 Align with Country

Inner Mongolia Company actively responds to the national carbon emission plan and participates in the verification to verify its carbon emission. Since 2019, Inner Mongolia Company opened an account for carbon trading and opened different systems, including the national carbon emission registration system and trading system, and the national voluntary emission reduction registration system and trading system, which laid the foundation for contract performance. With the company purchasing of

582,411 tons of carbon quota in 2021, and carbon quota is cleared every two years according to the national regulations, the Inner Mongolia company did not purchase any carbon quota in the Year.

With the Group's active efforts to reduce emissions, the company's carbon emissions in 2022 decreased by 18.34% compared to 2021, and the gap in carbon emissions quota was reduced by 7.82%.

### 8.1.4 Management of Water Resource

Water Resource Management Strategy	Water Resource Management Target for the Year	Water Resource Management Achievement for the Year
<p>Increase water efficiency.</p> <p>Increase water saving projects, enhance technology, Increase rate of recycling, <b>reduce water consumption</b></p> 	<p>Increase rate of water reuse, <b>reduce water consumption</b></p> 	<p>Recycling rate of reclaimed water reached <b>100%</b></p> <p>The addition of 7 water recycling usage optimization projects, saving <b>3,123,600 tons</b> of water annually</p> 

Linhe District, where Inner Mongolia Company is located, has a diverse natural ecological environment, and ecological environment care and remediation has always been the main task of the provincial government. The comprehensive aquatic ecology governance action is an important part of the construction of ecological environment protection in Inner Mongolia. In this connection, Inner Mongolia Company actively coordinates with the policy to reduce water consumption in every step of its production and daily operation in different ways. In addition, greenhouse gas will be generated in the process of sewage treatment, leading to

carbon emission. Therefore, the consumption of water resources is closely related to climate change. Inner Mongolia Company thoroughly understands the details of the use of water resources and strives to reduce the consumption or waste of water resources in every detail, so as to reduce greenhouse gas emission and its impacts on climate change.

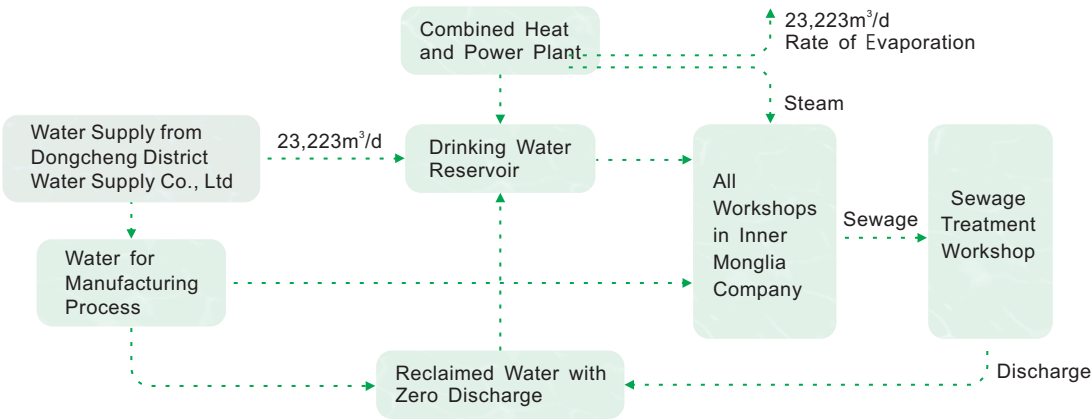
The Group has designated water resource management strategies for all operating locations, with main measures including water conservation in Inner Mongolia production workshops and daily office water conservation.

Water Conservation Measures in Production Plants

- Innovated the production processes to reduce water consumption, such as:
  - ✓ Recycle and reuse the condensate water of the whole plant, including steam pipeline condensate, machine seal cooling water, condensate water from material concentration, etc.;
  - ✓ Recycling and reuse of bacteria residue filter fluid; and
  - ✓ The low-temperature secondary dialysis solution is heated by the high-temperature product
- benzene acetic acid delivery solution to save steam.
- Incorporated consumption reduction indicators into the annual assessment of each production plant

Water Conservation Measures in Offices

- Increased the awareness of water conservation among employees through strengthening the publicity of laws and regulations related to water-saving by means of meetings, videos and display boards
- Strengthened the management of regular maintenance of water equipment to prevent leakage or dripping, so as to practice turning the faucet off at will



Water Balance Diagram

In addition, in order to further increase the effectiveness of water-saving and recycling of reclaimed water, the group has been monitoring and understanding the water consumption and sources of each location of the company in the long term.

The group does not operate in water-stressed areas. As a non-water-stressed location, the Inner Mongolia Company purchased 6,823,440 cubic meters of external water sources in the current year. The supplying unit of the external water sources is the Lin He Dong Cheng District Tap

Water Co., Ltd. of Bayannur City. The total amount of investment in water resource paid by the Inner Mongolia Company during the year was RMB 13,646,880, while the investment in optimizing the reclaimed water treatment facilities was RMB 104,478,700. Due to the impact of the pandemic this year, the company's water consumption has decreased significantly, resulting in an 11% decrease in the amount of reclaimed water used compared to the previous year. However, all wastewater has been reused without discharge this year.

Amount of Water (Cubic Metre)	2022	2021	2020
<b>Non-water-stressed Location:</b>			
Water Usage of the Inner Mongolia Company <sup>1</sup>	6,823,440	6,384,124	6,020,625
<b>Water-stressed Location:</b>			
Not Applicable	N/A	N/A	N/A

Note: 1. The source of water withdrawal for all of the water usage of the Inner Mongolia Company is municipal potable water, with no water withdrawn from sources such as groundwater from wells and boreholes, used quarry water collected in the quarry, surface water, external wastewater, harvester rainwater, and sea water and water extracted from the sea or the ocean.

Amount of Water (Cubic Metre)	2022	2021	2020
<b>Amount of Recycled Reclaimed Water<sup>2</sup></b>	13,286,551	13,686,190	11,953,995
<b>Amount of Discharged Reclaimed Water</b>	N/A	N/A	N/A

Note: 2. The wastewater management for the Inner Mongolia Company has all of the wastewater recycled, with no discharged wastewater to destinations such as ocean, surface water, subsurface/well, and off-site water treatment.

In order to promote water conservation work, Inner Mongolia Company fully implemented the key environmental protection project for reuse of reclaimed water and set the goal of reusing all reclaimed water during the Year. The treated wastewater is discharged to the reclaimed water reuse system for treatment, achieving zero discharge of wastewater and reducing new water consumption. At the same time, Inner Mongolia Company implemented water conservation measures in production plants and offices and

carried out water conservation optimization projects in the plants, bringing an increase in water reuse rate and reduction in unnecessary water consumption. The water reuse of Inner Mongolia Company is satisfactory, with 11,630,000m<sup>3</sup> of water reclaimed, accounting for 64.60% of the total water consumption. This year, the group has also carried out 7 key water-saving optimization projects in the workshop, aiming to increase water-saving by approximately 2,224 tons.

#### Water-saving Optimisation Projects in the Year



- Workshop 401: Concentrated evaporative condensate water was originally discharged directly, but now it is recycled for use in workshop 103, saving **50,000 tons** of water per year.
- Workshop 402: Steam condensate water is used to replace dry hot water pipe water, saving **4,000 tons** of water per year.
- Workshop 406: Steam condensate water is recycled to replace workshop drinking water, and machine seal cooling water is changed from direct discharge to loop use, saving **30,000 tons** of water per year.
- Workshop 403: The direct discharge of concentrated wastewater is now recycled for cleaning use on the carbon dioxide removed in the workshop and domestic cleaning water, saving **40,000 tons** of water per year.
- Workshop 406: Using benzoic acid handover liquid from high-temperature finished products to apply heat to low-temperature secondary dialysate, saving **2,190 tons** of steam per year.
- Workshop 105: Concentrated evaporative condensate water was originally discharged directly, but now it is recycled for use, saving **190,000 tons** of water per year.
- Workshop 407: After optimization, the drinking water that the tail gas absorption tower has been using is now replaced with concentrated water produced in workshop 203 without affecting the tail gas absorption effect, saving **22,000 tons** of water per year.

### 8.1.5 Climate Change Coping Mechanisms

The Group actively pays attention to the potential climate-related risks of the business operation, and strives to implement energy saving and emission reduction measures, as well as formulate contingency plans for environmental emergencies, so as to mitigate and adapt to the potential impacts on the business brought by climate change. In order to respond more

accurately to climate change, we have identified the risks associated with climate change, some of which involve potential physical and transition risks to production operations and facilities of the Group. Moreover, face increasingly stringent compliance and disclosure obligations, also create transition risks for the Group in terms of legal liability and increased operating costs.

Climate Issues	Physical Risks
More severe extreme weather events	<ul style="list-style-type: none"> <li>Potential natural disasters, resulting in transportation difficulties, damage to facilities, increased capital and operating costs</li> <li>Possible exposure to increase in insurance premium</li> <li>Possible decrease in the amount of water or other raw materials, resulting in an increase in input costs</li> </ul>
Changes in rainfall patterns and extreme changes in weather patterns	
Sea level rise	

Climate Issues	Transition Risks
Low-carbon technology transformation	<ul style="list-style-type: none"> <li>Increased investment in new low-carbon technology development</li> <li>Uncertainties such as higher maintenance costs may be faced</li> </ul>
Increase in discharge responsibility	<ul style="list-style-type: none"> <li>Increase in legal liability and compliance costs</li> <li>Increase in costs due to the purchase of carbon emission quota</li> </ul>

As the production base with the largest scale of the Group, Inner Mongolia Company strives to reduce the risks brought by climate change by saving energy and water and reducing greenhouse gas emission, with an aim to contribute to the international community on mitigating climate change through the efforts of The United Laboratories. Also, Inner Mongolia Company formulated a contingency plan for environmental emergencies to strengthen the preventive and control measures for extreme weather events and enhancing the coping capacity.

The Group has identified climate-related physical risks and taken mitigation measures to mitigate their impacts on the business. Inner Mongolia Company has formulated a contingency plan for environmental emergencies in accordance with relevant laws and regulations of the Country, including Environmental Protection Law of the People's Republic of China

and Emergency Response Law of the People's Republic of China. Inner Mongolia Company strives to improve the capability of its every department to prevent, response and handle environmental emergencies among all position levels, so as to reduce the risk of loss to corporate operations due to climate change. The contingency plan itemizes precautionary measures during flood seasons, which can help combat floods and other disasters during the seasons. The plan also clearly stipulates the response plan corresponding units should take when extreme weather events hit, and the emergency rescue system and procedures corresponding units should implement to prevent the leakage of hazardous materials. If the sewage station is being flooded, relevant departments must immediately close the inlet and drain valves of the sewage station and stop the system from operating, so as to prevent large-scale pollution caused by sewage overflow.

In order to coordinate emergency rescue work, Inner Mongolia Company has established an emergency rescue command centre, which has strengthened Inner Mongolia Company's ability to cope with extreme weather events, crisis resolution, and response emergencies. For hazardous chemicals, Inner Mongolia Company has specially set up detailed treatment methods for hazardous chemical leakage to minimise the risk of disasters. During the Year, Inner Mongolia

Company organised training in contingency planning for environmental emergencies, which enabled employees at all positions to understand and familiarise themselves with the procedures and responsibilities of emergency management. In addition, Inner Mongolia Company also held emergency response drills for sudden soil pollution accidents, so that employees can conduct simulation exercises and evaluate and review the performance of the drills.

## 8.2 Pollution Control and Treatment

While making good use of resources, Inner Mongolia Company also pays attention to emission reduction and proper handling of emissions generated in production and daily operations. The Group strictly abides by the relevant laws and regulations on air pollution,

water pollution and solid waste, and has established an internal emission management system to systematically manage and reduce emissions to reduce the impacts on the environment.

Category	Relevant Laws, Regulations, Guidelines and Technical Specifications
Wastewater treatment	Law of the People's Republic of China on the Prevention and Control of Water Pollution Integrated Wastewater Discharge Standard Technical Guidelines for Environmental Impact Assessment - Groundwater Environment
Exhaust Gas Treatment	Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution Emission Standard of Air Pollutants for Thermal Power Plants Emission Standard of Air Pollutants for Pharmaceutical Industry Standard for Fugitive Emission of Volatile Organic Compounds Technical Guidelines for Environmental Impact Assessment Atmospheric Environment
Waste disposal	Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste Technical Code for Seepage Prevention in Petrochemical Engineering Technical Guidelines for Solid Waste Treatment and Disposition Engineering Standard for Pollution on the Storage and Disposal Site for General Industrial Solid Wastes

## 8.2.1 Wastewater Treatment

The complicated production process of pharmaceutical intermediates and active pharmaceutical ingredients involves different kinds of emissions. As such, Inner Mongolia Company has implemented sewage treatment system that integrates biochemical, physicochemical, aerobic, and anaerobic feature to handle different wastewater produced such as acidic wastewater, cloth washing water, phenylacetic acid wastewater, crystallized mother liquor, circulating cooling water, and equipment cleaning water. Since 2007, Inner Mongolia Company has built a sewage treatment station, and has been expanding and renovating it according to the demand during operation, covering a total area of 500 acres. Through the treatment process of "pretreatment + hydrolytic acidification + Upflow Anaerobic Sludge Blanket (UASB) + Cyclic Activated Sludge System (CASS) + catalytic oxidation + secondary sedimentation tank", the sewage treatment station can effectively treat various water pollutants generated during the production processes in Inner Mongolia Company. The sewage treatment station is operated by professional technicians, and the 3 system can treat nearly 50,000 m<sup>3</sup> of wastewater per day. The treated wastewater is then discharged to the reclaimed water reuse system for treatment, and

the wastewater is fully reused to achieve zero wastewater discharge and completely avoid the risk of environmental pollution caused by wastewater discharge.

In addition, Inner Mongolia Company has established an online monitoring system on water pollutants to strictly monitor chemical oxygen demand (COD) and ammonia nitrogen (NH<sub>3</sub>-N) concentrations of the wastewater in the wastewater treatment system, preventing underground water pollution triggered by the "running, emitting, dropping and leakage" of wastewater during the wastewater treatment process. Furthermore, Inner Mongolia continues to implement wastewater pollutant reduction projects to reduce the pressure on wastewater treatment facilities.

To enhance the wastewater treatment goals, the group has newly built a three-effect evaporation system and a multi-functional high-efficient waste mineral oil and mechanical vapour recompression (MVR) system as a backup facility to complement the existing MVR evaporation system in the current year. This ensures the stable operation of the company's sewage treatment system, reclaimed water recycling system, and the production system.



### Three-effect Evaporation System Project

The company invested RMB12 million to build a new set of Three-effect Evaporation System, with a designed processing capacity of 300 tons per day, it is built on the south side of the MVR system for mother liquor in workshop 507 and on the north side of the concentration section in Workshop 406. The new system is used to treat the concentrated wastewater generated during the recovery process of 6-APA mother liquor, amoxicillin/amino benzoic acid mother liquor,

benzoic acid mother liquor, and the ultrafiltration and nanofiltration concentrated wastewater generated from D-acid mother liquor recovery process. The purpose of the new system is to reduce the operating load of the sewage treatment system and prolong the service life of the reclaimed water membrane system. The project is completed and put into operation in February 2022.



### Multi-functional MVR System

The Inner Mongolia company currently has four MVR evaporation systems, which are used for pre-treatment of high-concentration wastewater such as crystallization mother liquor, waste acid water, and concentrated brine water. However, both the crystallization mother liquor and the MVR system for reclaimed water are single-unit systems without backup facilities. As the system's operation length increases, the failure rate of the equipment rises, especially for critical components such as the imported compressors in the MVR system, resulting in longer repair and maintenance cycles. As any malfunction will directly affect the water quality of the wastewater treatment system and the

stable operation of the reclaimed water system, serious malfunctions can affecting the company's normal production and even posing the risk of forced shutdown.

To ensure the stable operation of the company's wastewater treatment system, reclaimed water system, and production system, the company plans to invest RMB78.48 million to build a new multi-functional MVR system with a processing capacity of 4,500m<sup>3</sup>/day as a backup facility for the existing MVR systems. The project is planned to be put into operation on 31 July 2022.



## 8.2.2 Exhaust Gas Treatment

Inner Mongolia Company generates air pollutants in the production process, including exhaust gas with a peculiar smell generated from sewage treatment process, exhaust gas generated from production process, phenylacetic acid exhaust gas generated from the fermentation process of phenylacetic acid recycling, smoke of coal-fired boiler and the exhaust gas emitted by the used motor vehicles. In regard to the various types of exhaust gas, Inner Mongolia Company has set corresponding treatment facilities and systems to undergo recycling or purification treatment, and has implemented organic exhaust gas treatment projects, so as to ensure that all exhaust gas have reached the national emission standard before being emitted. In order to ensure that the amount of emission does not exceed the legal

standard, Inner Mongolia Company has formulated systems relating to pollutant monitoring. In addition to maintaining the automatic monitoring systems for relevant exhaust gases, the company has also commissioned a third party monitoring institution to regularly monitor the gas from pollution sources in every month or quarter, so as to ensure that the emission of exhaust gas complies with exhaust gas pollution control standards such as the Pollution Control Standard for Hazardous Wastes Incineration (GB18484-2001). During the Year, Inner Mongolia Company has conducted 4 quarterly monitoring of exhaust gas outlets, all of which met the standards, and no excessive gas emissions occurred.



### *Removal of odours from sewage treatment processes*

For the exhaust gas with peculiar smell generated in the sewage treatment process, the factories adopt a measure to collect the odour source in a sealed way. The collected exhaust gas is deodorised through the process of "multi-level alkali spraying+ozonation" to reduce the impacts on the surrounding environment.



### *Treatment of exhaust gases from different workshop processes*

In regard to the technical processes of different factories and the exhaust gas released, Inner Mongolia Company handle them by adopting treatment measures such as active carbon regeneration adsorbing, active carbon fibre absorbing, low-temperature plasma, alkali spraying and catalytic oxidation, so as to greatly reduce the emission of pollutants.



### *Control of odours from fermentation plants*

In order to control the phenylacetic acid generated from fermentation plants and the peculiar odour emitted from the recycling process, Inner Mongolia Company adopts treatment processes such as the "cooling + alkali spraying + carbon fibre absorbing" to effectively prevent peculiar odour from spreading.

In order to achieve the environmental targets, the Group has also invested in the renovation of the existing waste gas facilities in this fiscal year. The current organic waste gas treatment process in Workshop 202, which is "condensation recovery + activated carbon adsorption," can only

ensure the waste gas emissions meet the standards but cannot regenerate and reuse the activated carbon. In addition, it requires frequent replacement of carbon. Hence, the Inner Mongolia Company has invested RMB2 million to upgrade and replace the system.



## Technical Renovation Project for Organic Waste Gas Treatment

The company has newly built an Activated Carbon Adsorption and Regeneration Waste Gas Treatment System on the second floor of the recycling section in Workshop 202, with a processing capacity of 5,000m<sup>3</sup>/h. The system includes three new activated carbon adsorption and regeneration beds, a 5,000m<sup>3</sup>/h induced draft fan, a 5,000m<sup>3</sup>/h drying fan, two 50m<sup>2</sup> condensers, and other main equipment.

The system has been in operation since April

2022, adopting the treatment process of "condensation recovery + water spraying + activated carbon adsorption and regeneration." The upgraded treatment facilities not only ensure stable and compliant emissions of waste gas, it can also recover some organic solvents, reduce the consumption of activated carbon, and decrease the amount of waste activated carbon generated, achieving energy conservation and efficiency improvement.

8.2.3 Waste Disposal

Waste Disposal Strategy	Waste Disposal Targets	Key Results of Waste Disposal for This Year
<p>Achieving waste reduction at the source, reducing waste generation</p> <p>Increasing the rate of waste disposal and recycling rate</p> 	<p>Reduce waste generation by 30% by 2030 based on 2020 levels</p> 	<p>Hazardous waste decreased by 21% compared to last year</p> <p>Non-hazardous waste decreased by 29% compared to last year.</p> 

The Group has strict monitoring and control on the wastes generated during the production process. Apart from complying with the national laws and regulations, Inner Mongolia Company also formulates management measures and emergency plans for handling different types of wastes. The wastes generated by Inner Mongolia Company could be classified into two types, namely non-hazardous wastes and hazardous wastes.

The non-hazardous wastes include waste diatomite, sludge and glass generated during production, as well as the general garbage generated in daily operation. Inner Mongolia

Company considers recyclable wastes as resources, and collects and delivers them to the qualified units for reuse, so as to effectively minimize the amount of wastes disposed. For example, waste diatomite and sludge could be used to produce organic fertilizer and waste glass could be used for recycling.

In order to reduce the costs of sludge generation and outsourcing utilization, the company invested RMB4 million to upgrade the original sludge horizontal screw centrifugal dewatering technology to the "concentration + high-pressure diaphragm filter press dewatering" technology.

 High-pressure Plate and Frame Sludge Dewatering Project.

**Project Design**

The project is to build a two-storey steel structure factory with a single storey building area of 912m<sup>2</sup>. The project will add major equipments including two sludge concentrators with a processing capacity of 110m<sup>3</sup>/h, two sludge tanks with a volume of 75m<sup>3</sup>, two PAC dosing tanks with a volume of 25m<sup>3</sup>, and four high-pressure plate and frame filters with a filtering area of 450m<sup>2</sup>. The design processing capacity is 2,000 tons per day (for sludge and water mixture), aiming to reduce sludge



Inner Mongolia Company complies with the "Guiding Opinions on Improving the Capabilities of Environmental Monitoring, Utilization and Disposal, and Environmental Risk Prevention for Hazardous Wastes" and has formulated strict treatment procedures to handle hazardous wastes, including hyphae slag, waste activated carbon, waste enzyme, concentrated solution of phenylacetic acid, used mineral oil and concentrated liquid in Mechanical Vapor Recompression (MVR). In order to reduce the amount of waste discarded, Inner Mongolia Company has reused the recyclable hazardous wastes, such as concentrated phenylacetic acid, for production. For the hazardous wastes that could not be recycled, such as waste activated carbon, waste enzyme, and concentrated liquid in MVR, treatment for turning them into harmless wastes was made through the boiler comprehensive treatment system of Inner Mongolia Company. The used mineral oil, which was sealed in barrels to ensure zero leakage,

was transferred to the unit qualified for hazardous waste treatment for subsequent treatment. The fermented fungi residue was delivered to the qualified unit to produce organic fertilizers. During the Year, the Group set a goal to dispose or utilize all wastes in a safe and harmless manner to minimize the harm to the environment. Zhuhai Company also vigorously promoted waste sorting in response to the Group's goal. This year, we have achieved the safe and harmless disposal and utilization of all waste, such as entrusting qualified units to comprehensively utilize hazardous waste such as mycelium residue and waste mineral oil, and disposing of hazardous waste such as waste activated carbon, waste enzymes, concentrated benzoic acid, crystallization mother liquor from MVR concentrated liquid through the company's own incineration. This year, the Group has also successfully reduced the amount of hazardous waste generated, reducing it by 21% compared to 2021 level.

## 8.2.4 Cleaner Production

In order to better manage the Group's sewage discharge process, reduce pollutant emissions and avoid causing adverse effects to the environment, Inner Mongolia Company has

developed cleaner production management measures to further improve cleaner production strategies, which include four foci:



Incorporate the results of cleaner production audit into the daily management of the company, and integrate the cleaner production awareness and methods into the company's production and quality management.



Through the implementation of performance appraisal and post duty system, we establish a cleaner production incentive mechanism, and link the reward and punishment measures such as employee bonuses, wage distribution, criticism and recognition to cleaner production performance, so as to enhance employees' eagerness to participate in cleaner production.



Establish a special fund for cleaner production of enterprises, and use the economic benefits generated by the implementation of cleaner production for cleaner production in the future, so as to secure the source of funds for cleaner production. This can continuously facilitate the work of cleaner production.



Establish long-term cleaner production planning, and further reduce material consumption and energy consumption according to the specific conditions of the enterprise, and hence gradually recycle various energy and waste generated in the production process. Production, energy conservation and environmental protection can be equally valued.

Inner Mongolia Company insists on strictly implementing clean production management methods, and maintaining production quality while gradually reducing resource consumption and pollution. We also raise employees'

awareness of cleaner production, and incorporate relevant awareness into daily operations to reduce the impacts on the environment.

## 8.3 Green Operations

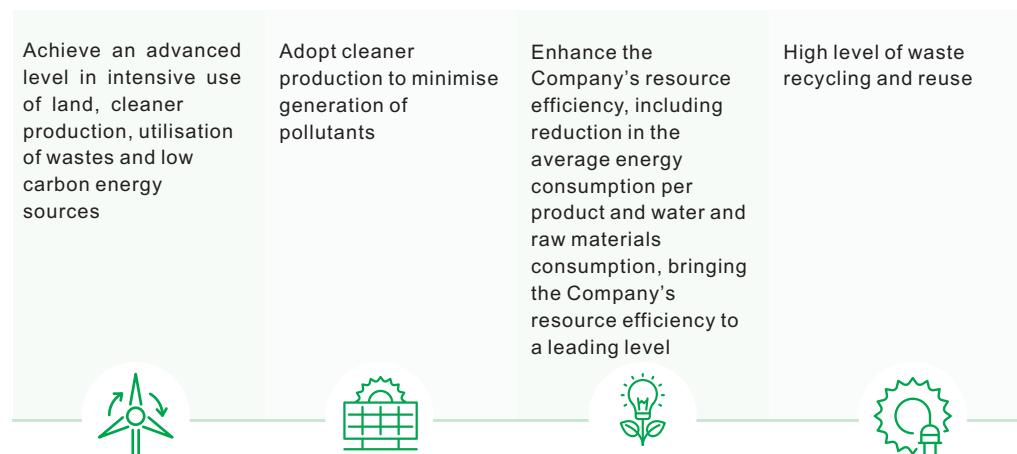
The Group regards water as the source of life, electricity as the development leverage, and at the same time, it gives back to nature. The Group always keeps in mind the environmental impacts triggered by each action in the course of business

operations and production, so as to conceive corresponding response strategies and implement effective solutions to reduce the impacts.

The Group attaches great importance to the environmental governance of its subsidiaries, and conducts environmental audits on the Group's relevant operation locations to reduce impact and promote ecological and environmental construction. The Group has undergone annual compliance audits on the environmental management systems at the Inner Mongolia and Zhuhai Company, which both locations have obtained the ISO 14001:2015 environmental management system certification, accounting for 33% of the group's business premises. Zhuhai Company has also established an annual toxic emission plan named the "Hazardous Waste Management Plan". Measures that can reduce the generation of toxic emissions have been set, realising emission reduction at source, implementing environmental protection policies and achieving higher environmental goals, becoming a "green factory" and actively promoting green production. With the expansion of the Group's development scale, the amount of electricity and water consumption also increased inevitably. During the Year, with the slogan of

"Saving Electricity, Starting from Scratch", Zhuhai Company continued to advocate water and electricity conservation, and has zero tolerance for waste. It actively carried out electricity and water conservation activities, and advocated a fashionable and civilized green and low-carbon lifestyle. The Group also realises the recycling of resources through the circular economy industrial chain. Zhuhai Company also promotes the classification of domestic waste, strengthens the recycling of resources, and cultivates employees' daily habits of waste classification. To cope with climate change, the Group has strengthened the prevention and control measures for extreme weather events, strengthened environmental education and training to enhance the Group's resilience, and to establish the company's overall environmental culture. At the same time, Inner Mongolia Company also held a tree planting festival, planting more than 280 trees to support low-carbon development and strive to build a green community.

### 8.3.1 Green Factory



Inner Mongolia Company is a national "Green Factory", which vigorously promotes cleaner production, improves production processes, formulates emergency plans for environmental emergencies and provides training on environmental protection. It actively promotes environmental protection, and gradually incorporates the concept of green production into its corporate culture. Inner Mongolia Company has established an implementation plan for the construction of green factories. It has invested a lot of resources in the realms of "intensive land use, turning raw materials into harmless, cleaner production, waste recycling, and low-carbon energy" to systematically formulate corresponding work measures and targets,

normalise green factory operation mode and green development management, hoping to reach the advanced level of the industry in the various objectives of green factories. In order to effectively manage and maintain the characteristics of green factories, the Company has implemented assessment and reward methods for employees to carry out green environmental protection work in an orderly and efficient manner. The Group will guarantee the investment of funds in Inner Mongolia Company, strengthen technological innovation, and ensure that production technology, equipment, inputs of energy resources, products, environmental protection emissions, performance, etc. all meet the standards of national green factories.

Inner Mongolia Company has always attached great importance to energy measurement management, and advocated energy conservation, emission reduction and energy consumption control. From the standardized collection network to the measurement and flow of internal audit energy, Inner Mongolia Company adopts a rigorous attitude and establishes a sound energy management system. During the

Year, the energy measurement review group, which was jointly formed by the Institute of Measurement and Testing of Inner Mongolia Autonomous Region and the Administration for Market Regulation of Bayannur City, conducted on-site review of the energy measurement of Inner Mongolia Company, which highly affirmed the Company's energy measurement management.



### Saving Energy, Starting from Small Things

All staff of the Zhongshan Company developed the habit of saving energy and carrying out activities to save electricity. The company's leaders actively promote the campaign of saving electricity, setting an example to raise awareness of all staff on saving and scientific use of electricity. When there is sufficient light, lighting sources are turned off as much as possible or the number of lighting sources is reduced. Lights are turned off when staffs are leaving, and daytime lighting is reduced to eliminate all-day lighting. Air conditioning is set at 26°C or above and the usage time is reduced. Office equipment and household appliances are turned off in a timely manner when not in use to reduce the standby power consumption, and elevator usage is minimized. The Group does not use high-power electrical equipment during peak electricity usage periods. The Group

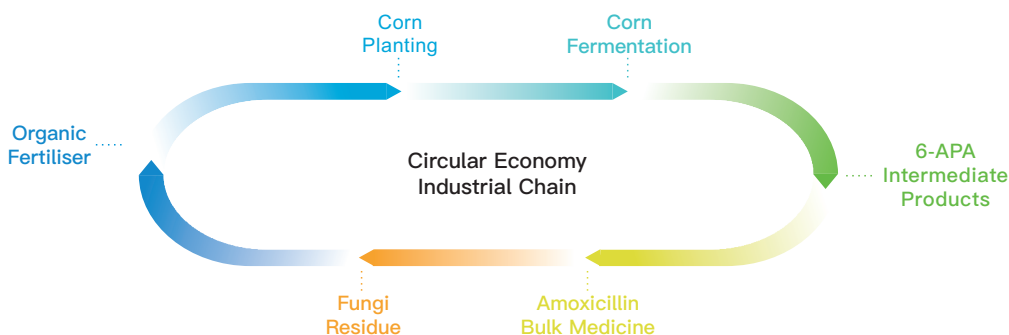
reasonably adjusts street lights and excessive lighting, rationalises the use of energy-saving products, and eliminates high-energy-consuming equipment. The Group supports and cooperates with various workshop departments for scientific management of electricity use. Photocopiers and printers and other office equipment are turned off as much as possible when not in use for long periods. When leaving the office, staff will turn off the power source of lighting, air conditioning, office equipment, and instrument equipment. During the day, corridor lights and restroom lights on each floor are turned off in time, and energy-saving lighting and electrical appliances are used as much as possible, and all electrical equipment is adjusted to the best energy-saving state.

## 8.3.2 Circular Economy Industrial Chain

The adoption of the "Corn fermentation – 6-APA intermediate products – amoxicillin bulk medicine" circular economy industry chain has always been an important operational strategy of the Group. Our self-designed circular economy industrial chain converts the fungi residue generated during production into organic fertilisers, and re-invests in corn planting to achieve resource recycling, which can simultaneously reduce the environmental impacts of resource consumption and waste disposal. As the products of Inner Mongolia Company are mainly pharmaceutical ingredients, they require fewer packaging materials throughout the production chain. Inner Mongolia Company is also committed to reducing the use of packaging

materials and optimising the use of resources, subject to the relevant packaging requirements.

Inner Mongolia Company continues to conduct research and application of production technology optimisation on the circular economy industrial chain, and strives to reduce resource consumption and enhance energy resource use efficiency while increasing output. Regarding the 6-APA fungus growing, Inner Mongolia Company has gradually applied it to various plants, successfully shortened the fermentation cycle of the fungi, and reduced the energy and resource investment in the fermentation cycle.





### 8.3.3 Training in Environmental Protection

Employees' awareness of environmental protection is an important part of the Group's efforts to maintain green operations. Therefore, Inner Mongolia Company attaches great importance to the environmental protection training of employees, and carried out environmental protection education and training according to the annual environmental protection training plan during the Year. This enabled employees to understand the environmental impacts that may be triggered by the company's business and corresponding mitigation measures, and strengthened employees' awareness of environmental protection.

According to the plan, each new employee will be arranged to receive new employee training in environmental protection knowledge, so as to let them acquire the most fundamental knowledge of Inner Mongolia Company's environmental issues. For environmental protection specialists, Inner Mongolia Company provides targeted training. The content covers the interpretation of legislation and related emission standards such as Emission Standard of Air Pollutants for Pharmaceutical Industry, pollution control situation, hazardous waste storage standards and emergency plans for environmental emergencies. For the methods of pollution treatment and sampling, Inner Mongolia Company also arranges relevant training such as the standardized setting of exhaust gas sampling ports, explanation of wastewater treatment

process and emergency response drills for sudden soil pollution accidents to ensure that personnel understand the treatment process and reduce the pollution of the business to the environment. Through written and oral examinations, Inner Mongolia Company can clearly understand the learning outcome of employees. Upon completion of the training, Inner Mongolia Company will issue a training outcome evaluation questionnaire to employees to collect opinions and analyse the training content and effectiveness in order to make improvement on the course. In addition, there are written and oral assessments at the factory level to ensure that employees can grasp and apply their knowledge of environmental protection. During the Year, in order to support the national carbon reduction target, Inner Mongolia Company also arranged training for employees on carbon asset management strategies and practices to understand the knowledge of carbon emission rights. Furthermore, Inner Mongolia Company continued to hold the 3<sup>rd</sup> Environmental Protection Knowledge Contest. This year, more than 150 players from 25 workshops/departments participated in the competition. Through this competition, the popularisation of environmental protection knowledge and environmental protection regulations can be successfully promoted, and the environmental awareness and knowledge skills of employees can be strengthened.



### Energy Conservation Promotion Week

The Production Technology Department of the Inner Mongolia Company jointly responded to the theme of "Green Low-Carbon, Energy Conservation First" and carried out the "Energy Conservation Promotion Week" activity with various workshops and departments. The Group produced and hung promotional banners, energy-saving and emission-reduction promotional boards, slogans, and played promotional videos in various locations in the factory area, office area, and living area to create an atmosphere of energy-saving and low-carbon living, and to deeply implement the concept and goals of energy conservation and emission reduction into the hearts of every employee.

During the activity, each participating unit organised energy-saving knowledge quizzes at the entrance of the factory area, and small gifts were distributed on-site. The Production

Technology Department will continue to perform energy conservation effectively, contributing to the company's energy conservation and environmental protection efforts.



### Garbage Sorting, Action is Key

Zhuhai Company aims to strengthen the awareness of garbage sorting among its cadres and employees, create an atmosphere of environmental protection, and perform garbage sorting effectively. The company has established a living garbage management team, and each workshop and department has designated environmental protection personnel for garbage sorting. The job responsibilities of each member are clearly defined and refined, with specific processes, standards, and requirements to promote garbage sorting.

The company's management team is responsible for daily management and inspections, of which will include the garbage sorting work for cadres and staff in the assessment scope. Real-time inspections are conducted on the implementation of living garbage sorting and disposal management in each department. If problems are found, the person in charge will be required to rectify them in a timely manner.

# 9 Working Together Building a Better Community

## > Our Focuses

Public Welfare Activities  
Fight Against COVID-19  
Supporting Education  
Love-filled Volunteering

## > Our Actions

The "Filial Piety Swallows" Charity  
Pandemic Relief Aid  
The United Laboratories Medical  
Education Scholarship  
Caring for the Community

## > Our Achievements

**RMB310,000**

Total amount disbursed for The United  
Laboratories Medical Education  
Scholarship in the Year

**82,700<sub>ml</sub>**

Total amount of blood donation by  
employees in the Year

Donations of pandemic prevention  
materials, facilities, and equipment

Assisting the community in carrying out  
nucleic acid testing for all members

Since its establishment, The United Laboratories has been adhering to the corporate philosophy of “Love China, For China”, bearing social responsibilities in mind while pursuing economic development, promoting the development of China's medical and health industry, and creating more high-quality medical products for the society. At the same time, the Group also actively participates in social welfare undertakings and

gives back to the society with practical actions. The Group held a number of charity events during the Year, covering many fields such as education donation, anti-epidemic and disaster relief, poverty alleviation, taking care of the needs of different people in the society and actively promoting a healthy lifestyle in the community to foster positive community development.

### 9.1 The “Filial Piety Swallows” (反哺燕) Charity

Giving back to the society is a social responsibility that the United Laboratories need to fulfill. The “Filial Piety Swallows” public welfare activity, organised by the Zhuhai United Laboratories Co., Ltd., was officially launched in 2019 and has held 45 public welfare activities by the end of this year, benefiting a total of 3,965 people. The service scope includes the elderly, children, and disabled persons, providing comprehensive, high-quality, and diversified care services, continuously conveying the United Laboratories' humanitarian care, and imprinting the spirit of “giving back” into the United culture.

This year, the “Filial Piety Swallows” public welfare activity has been held 7 times. In cooperation with the poverty alleviation and education assistance program of the Guan Gong Committee in Sanzaotown, the “Filial Piety Swallows. Poverty Alleviation and Education Assistance for 100 Students” activity was launched, bringing hope and warmth to poor students. In addition, the “Filial Piety Swallows” team also organised a series of activities to care for the elderly and community workers, providing material assistance to the elderly in home care service stations and community sanitation workers.



45  
Public welfare activities  
since launched

3,965  
Number of benefited people

7  
Public welfare activities  
in the Year





## “Filial Piety Swallows” Public Welfare Activity

The "Filial Piety Swallows" public welfare team participated in the "Sanzao Town Guan Gong Committee and Zhuhai United Laboratories Co., Ltd. donation of school supplies distribution ceremony" held at the Haicheng Village Committee in Sanzao Town, **donating daily necessities and learning materials to economically disadvantaged students**, expressing greetings and care through actions.

Books are the ladder of human progress. With the assistance of the Social Work Service Centre, the "Filial Piety Swallows" team **transported the donated books to Wanshan Island and stored them in the "Children's Home" for the island students to read**. The team enriched the Children's Home with books and will continue to provide support according to the needs in the future.



To express our concern and gratitude to community workers, the "Filial Piety Swallows" team **visited the Sanzao community sanitation workers with supplies**, thanking them for bringing beauty to the city. We hope to express our high respect for sanitation workers through this small act of kindness and raise awareness of the community's care for sanitation workers through such public welfare activities.

At the Dong'ao Village Home Care Service Station, the "Filial Piety Swallows" team held the "Assisting the Elderly and Loving the Elderly Double Ninth Festival Donation Event," **donating suitable shopping carts for elderly residents** on the island who have difficulty walking, facilitating their travel activities and solving the problem of inconvenient procurement and transportation for the elderly.

## 9.2 Fight Against COVID-19

Since the outbreak of the COVID-19 pandemic, The United Laboratories has organised a number of charity donations and material donations to support the fight against the pandemic with funds, and provided protective supplies to the epidemic prevention areas and the areas in need and regions to support anti-pandemic actions. At the same time,

the Group cared about the safety of the community and partners, and donated materials and disinfection supplies required for epidemic prevention to the government and committees, schools and partners to tide over the difficulties together with the community.



### Donating Supplies to Frontline Workers Fighting Against COVID-19

To support the fight against the COVID-19 pandemic, Zhongshan Company proactively applied to the government to donate supplies worth nearly RMB10,000 to the Anfu Community nucleic acid testing centre. The donated supplies include sports drinks, milk, chocolate, eight-treasure porridge and other foods and drinks that can quickly replenish body energy, while expressing support and care to the frontline workers fighting against the pandemic. During the epidemic prevention and control period this year, the United Laboratories actively engaged in epidemic prevention and control work, fulfilling corporate

social responsibility through practical actions and contributing to the epidemic prevention and control efforts.



### Volunteers Fighting Against COVID-19

21 volunteers from the United Laboratories rushed to the nucleic acid collection points in Haicheng, Yuyue, Dingjiawan Village, and Sanzao Community in Zhuhai to assist the village committees and communities in carrying out nucleic acid testing for all residents, helping with epidemic prevention and control work. At the nucleic acid collection points, the team of volunteers enthusiastically maintained order for villagers who came for nucleic acid testing, guiding everyone to wear masks, maintain the one-meter social distance in line, scan the code for information registration and check the travel code, and collect nucleic acid samples. To further investigate the risk,

volunteers were assigned to several nearby construction sites to supervise the collection of samples by construction workers, ensuring the workers' health.





### Ensuring Supply of Key Anti-Epidemic Drugs

During the pandemic, the supply of various types of drugs was in short supply. Zhongshan Company ensured the market supply of scarce anti-epidemic drugs by fully utilizing its production capability, making a positive contribution to the fight against the epidemic. Overcoming difficulties such as a shortage of manpower, the company worked overtime to maintain production, supplying a total of 4 million tablets of ibuprofen to Zhongshan for emergency use, nearly 1 million tablets of ibuprofen to Zhuhai, and more than 1 million

tablets of ibuprofen to the Guangdong Province Epidemic Prevention and Control Office, making every effort to meet the public's demand for medication and contributing to the fight against the epidemic through practical actions.

Subsequently, the Group received thank-you letters from the Zhuhai Medical Security Bureau and the Office of the Novel Coronavirus Infection Pneumonia Epidemic Prevention and Control Headquarters of Zhongshan City.

## 9.3 Active Support for Education

The United Laboratories has always been caring regarding the medical education industry, and has initiated the "United Medical Education Scholarship" project since 1998, established by Mr. Cai Jinle, the founder of the Group, to support the development of the national medical education industry. Over the years, this public welfare project has benefited more than 50 universities, with a total donation amount of nearly RMB50 million. This year, the Group has awarded scholarships totaling RMB310,000 to several universities, including Central South University and Anhui Medical University.

The Group also actively maintains in-depth technical and personnel exchanges with major universities. This year, United Biomedical Co. invited more than 70 teachers and students from the School of Bioscience and Engineering of South China University of Technology to visit and learn. Such activities have a positive significance in enhancing the interaction between universities and enterprises and helping enterprises on expanding their talent reserves.



### Internship Activity

Students from South China University of Technology learned about the corporate culture, departmental structure, academic achievements, and more of United Biomedical Co. during their internship activity. The students visited production bases such as the Quality Inspection Department, Quality Research Department, and Pilot Workshop. Department heads showed the students relevant equipment and introduced the work content of different positions. The visit and learn activity provided practical experience for the students and

narrowed the gap between textbook knowledge and practical application.



## 9.4 Love-filled Volunteering

### 9.4.1 Non-remunerated Blood Donation

Considering the needs of the community is an important part in leading the enterprise towards sustainable development, hence we always regard the subsidiaries and the communities in which the production sites are located as important stakeholders of the Group. The Group has been paying attention to the medical needs of the

community. In addition to our unremitting efforts in developing and popularising various types of drugs, we are also enthusiastic about the community's voluntary blood donation, in which we encourage our employees to help those in need in the community.



#### "Boundless Love, Infinite Affection" Non-remunerated Blood Donation Public Welfare Activity

This year, Zhuhai Company participated in the "Boundless Love, Infinite Affection" free blood donation public welfare activity in Zhuhai City. A total of 147 employees participated, donating over 46,600ml of blood. The company was awarded the title of "Compassionate Public Welfare and Free Blood Donation" Love

Enterprise, recognising the love and care shown by the Group's employees to others and society. In addition, Zhongshan Company also held its annual free blood donation activity. A total of 143 people participated, donating 36,100ml of blood to help those in need in the community.



### 9.4.2 Supporting the Agricultural Industry

Affected by the pandemic, many vegetables and fruits were unsold. Inner Mongolia Company sent volunteers to help solve the local vegetable sales problem by adopting the approach of "buying

instead of donating, helping through purchasing", making a modest contribution to the local community.



#### Assistance to Farmers with Love

When Inner Mongolia Company learned that there were unsold greenhouse vegetables in Deshun Heyuan District of Minzhu Village, Linhe District, the Company sent volunteers to order more than 1,000kg of vegetables in bulk through the "help through purchasing" approach. They went to the vegetable greenhouse in person, worked together to shovel, cut, bundle, weigh, package, transport, and load the vegetables, helping to solve the problem of unsold vegetables.

Inner Mongolia Company also helped local apple and pear farmers to solve the problem of unsold fruit. They purchased 4,100 boxes of

apples and pears through the "buying instead of donating, helping through purchasing" approach, and distributed them to all employees through the company's labour union, fulfilling their corporate social responsibility while providing benefits and care for employees.



### 9.4.3 Poverty Alleviation

The Group also actively helps impoverished families in remote areas. This year, Zhuhai Company's labour union organised the "Old Clothes Deep Affections, Beneficial Clothing Donation Activity" ( "衣" 舊情深, "益" 起捐衣活

動) in the employee activity centre, initiated by the Red Flag Garden Party and Mass Service Center. They sent warm greetings to the difficult families in the Daliang Mountains of Sichuan by donating clothes.



#### "Old Clothes Deep Affections, Beneficial Clothing Donation Activity"

Zhuhai Company carried out promotional work through attendance officers and labour union group leaders' WeChat groups before the activity. Employees actively responded to the call and participated in the donation. Zhuhai Company collected a total of 231 jackets and

132 pants. The company's labour union then transferred these donated clothes to the Hongqi Party and Mass Service Centre, which will donate them to impoverished families in mountainous areas to alleviate their economic burden.

9.4.4 Building a Better City Together

Assisting in building a civilized city and constructing a beautiful home is an inescapable responsibility of the Group. Under the guidance of the company's labour union and Youth League Committee, Zhuhai Company's Volunteer Association carried out the "Assisting in Building the City" volunteer service activity to contribute to the creation of a civilized

city. The Group will also strictly fulfill its corporate environmental responsibility and encourage employees to participate in environmental volunteer public welfare activities to contribute to environmental protection and achieve the unified goal of environmental protection and development.



"Assisting in Building the City" Volunteer Service Activity

In response to the call to create a civilized city in Zhuhai and practice the core socialist values, Zhuhai Company's Volunteer Association, under the guidance of the company's labour union and Youth League Committee, carried out the "Assisting in Building the City" volunteer service

activity. A total of 15 volunteers participated in the service, cleaning and sweeping the parking lot and surrounding roads near the company entrance. The total service time was 30 hours, which added a touch of deep meaning to the Group's volunteer service in building the city.



Beach Clean-up Volunteer Activity

The "6.15 Low Carbon Day" beach clean-up volunteer activity, organised by the Zhuhai Ecology and Environment Bureau and the Jinwan Branch of the Zhuhai Ecology and Environment Bureau, was held at Hengshi Ji Beach. The leaders of Zhuhai Company led a team of volunteers composed of both full-time and part-time environmental protection officers to participate in the event. The environmental

protection volunteers, led by staff from the Zhuhai Environmental and Ecological Association, carried cleaning tools to clean up the coastal garbage. This beach clean-up activity enhanced the participation and sense of environmental mission of the company and employees in ecological environmental protection.



## Appendix: Key Performance Indicators

### Employment

As at 31 December 2022, the Group employed 14,410 employees, representing an increase of 7.7% compared with the same period last year. During the Year, the Group did not have any work-related fatalities or any confirmed violations or complaints relating to human rights, labour practice, occupational health and safety that have significant impact on the Group.

Indicators	2022	2021
<b>Number of employees</b>	<b>14,410</b>	<b>13,384</b>
By gender		
Male	8,592	7,898
Female	5,818	5,486
By age group		
< 30	4,603	4,477
30 to 50	9,268	8,437
> 50	539	470
By geographical region		
Mainland China	14,322	13,297
Hong Kong, China	88	86
India	0	1
By employment type		
Full-time staff	13,687	12,974
Interns	723	410
<b>Employee Turnover Rate (%)</b>		
By gender		
Male	15	21
Female	10	16
By age group		
< 30	26	33
30 to 50	7	12
> 50	11	15
By geographical region		
Mainland China	13	19
Hong Kong, China	13	20
India	100	0
<b>Total number of training hours (hours)</b>	<b>730,021</b>	<b>548,728</b>
<b>Average number of training hours (hours)<sup>1</sup> and percentage of employees trained (%)</b>		
By gender		
Male	51.9 (96)	40.5 (95)
Female	48.8 (95)	41.7 (93)
By employee level		
Senior	67.2 (98)	52.7 (100)
Middle level	54.7 (100)	48.3 (100)
Basic level	50.0 (95)	40.2 (94)

Note:

1. Due to changes to the method of calculation, the data in 2021 has been relisted.

Indicator	2022	2021	2020
Occupational Health and Safety			
Number of work-related deaths	0	1	N/A
Number of working days lost due to work-related injuries	2,114.00	653.00	1,494.25

## Supplier Management

Indicators	2022	2021
Number of major suppliers <sup>1</sup>	119	111
By geographical region		
East China	36	33
South China	21	21
Central China	3	5
North China	26	21
Southwest China	6	6
Northwest China	24	23
Northeast China	2	2
Outside of China <sup>2</sup>	1	0

Notes:

1. Major suppliers are identified by purchase amounts of the suppliers for all the production sites of the Group.

2. There is one new supplier located outside of China during the Year

## Environmental Management

Unless otherwise stated, environmental data covers only the production plants of Inner Mongolia Company as it is the Group's production base of largest scale and production. We will continue to monitor the environmental impacts of related operations and will include relevant environmental data in future reports as appropriate. During the Year, the Group did not have any confirmed violations or complaints relating to environmental protection that had a significant impact on the Group.

Indicator	2022	2021
Exhaust gas (tonnes) <sup>1,2</sup>		
Nitrogen oxides (NO <sub>x</sub> )	204	522
Sulphur oxides (SO <sub>x</sub> )	120	401
Particulate Matter (PM)	14	64
Waste (tonnes)		
Total non-hazardous waste <sup>3</sup>	27,426	38,828
Non-hazardous waste produced per tonne of products	0.75	0.91
Total hazardous waste <sup>4</sup>	194,684	246,950
Hazardous waste produced per tonne of products	5.31	5.81
Greenhouse Gas (tones of CO <sub>2</sub> e)		
Total emission	1,216,069	1,481,113
Scope 1 – direct emissions <sup>5</sup>	965,987	1,245,851
Scope 2 – energy indirect emission <sup>6</sup>	247,666	232,415
Scope 3 – other indirect emission <sup>7</sup>	2,416	2,847
Emission of greenhouse gas per tonne of products	33.19	34.83

Indicator	2022	2021
Energy Consumption (MWh) <sup>8</sup>		
Total consumption	3,256,904	4,107,517
Direct energy consumption	2,976,834	3,844,693
Fuel combustion for stationary sources	2,976,663	3,844,271
Fuel combustion for vehicles	171	423
Indirect energy consumption	280,070	262,823
Purchased electricity	280,070	262,823
Energy consumption per tonne of products	88.88	96.59
Water Consumption (m <sup>3</sup> )		
Total consumption <sup>9</sup>	4,970,837	5,900,247
Water consumption per tonne of products	135.66	138.74
Amount of reclaimed water <sup>9</sup>	13,286,551	13,686,190
Amount of purchased water saved <sup>10</sup>	8,023,456	9,393,307
Packaging materials Consumption		
Total consumption (tonnes) <sup>11</sup>	2,444	2,682
Plastic products	383	499
Paper products	1,963	2,132
Metals	98	51
Consumption of packaging materials per tonne of products (kg)		
Plastic products	10.46	11.73
Paper products	53.56	50.13
Metals	2.67	1.20

## Notes:

1. The standard of exhaust gas follows the amount of air emission stated on the pollutant discharge license. The parameter standard for exhaust gas: Nitrogen Oxides (NO<sub>x</sub>): 820, Sulphur Oxides (SO<sub>x</sub>): 805, Particulate Matter (PM): 246.
2. The sources of exhaust gas emission includes the exhaust gas emission from production and vehicles. The data is calculated based on the actual amount of emission and the Reporting guidance on Environmental KPIs published by HKEX.
3. The data refers to the actual amount of non-hazardous wastes generated.
4. The data refers to the actual amount of hazardous waste generated.
5. Sources of Scope1 – direct greenhouse gas emission includes the fuel combustion for stationary sources and vehicle, and the consumption of refrigerants, while the reduction of greenhouse gas comes from tree planting in the production plant. The data is calculated based on the Chinese national standards GB/T32151.10 - 2015 Requirements of the greenhouse gas emissions accounting and reporting – Part 10: Chemical production enterprises and the Reporting guidance on Environmental KPIs published by the HKEX. The conversion factors used in the calculation of emissions from the combustion of stationary sources, vehicles, and refrigeration and air conditioning equipment are based on the "Guidelines for Greenhouse Gas Emissions Accounting and Reporting for Chemical Production Enterprises" and "Guidelines for Greenhouse Gas Emissions Accounting and Reporting for Land Transportation Enterprises" provided by the National Development and Reform Commission ("NDRC"), as well as the Sixth Assessment Report provided by the Intergovernmental Panel on Climate Change (IPCC).
6. Sources of Scope2 – indirect greenhouse gas emission of energy includes the greenhouse gas emission involved in purchased electricity. The data is calculated based on 2011 and 2012 Average Carbon Dioxide Emission Factors for Regional Power Grids in China issued by the National Development and Reform Commission of the People's Republic of China. The conversion factors used in the calculation are based on the Guidelines for Greenhouse Gas Emissions Accounting and Reporting for Enterprises, Power Generation Facilities (Revised in 2022), page 11.
7. Sources of Scope3 – other indirect greenhouse gas emission includes the greenhouse gas emission generated from employee business air travel, electricity used for fresh water processing by the Water Services Department and sewage processing by the Drainage Services Department, and greenhouse gas emissions from paper disposal. Carbon emissions from employee business air travel are calculated using the carbon emissions calculator of the International Civil Aviation Organization. Carbon emissions from the electricity used for fresh water processing by the Water Services Department and sewage processing by the Drainage Services Department are calculated based on the research published by Tsinghua University in "China Urban Water Supply System Energy Consumption Study" and the statistical analysis and quantitative identification of the energy consumption law of urban sewage treatment plants in China published by Tsinghua University and the National Urban Water Supply and Drainage Engineering Technology Research Center. The carbon emissions from paper disposal are calculated based on Appendix 2 of the "Environmental Key Performance Indicators Reporting Guidelines" published by the HKEX.
8. The calculation of total energy consumption includes fuel combustion for stationary sources and vehicle, and purchased electricity. The data is calculated based on the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions of Road Transport Corporation (Trial) issued by the National Development and Reform Commission of the People's Republic of China, the Chinese national standards Gb17930 - 2016 Gasoline in Vehicles and the Chinese national standards GB/T32151.10 - 2015 Requirements of the greenhouse gas emissions accounting and reporting – Part 10: Chemical production enterprise. The conversion factors used in the calculation of fuel consumption for stationary equipment (including production, cafeteria, and heating), vehicle fuel consumption, and purchased electricity consumption are based on the "Guidelines for Greenhouse Gas Emissions Accounting and Reporting for Chemical Production Enterprises" and "Guidelines for Greenhouse Gas Emissions Accounting and Reporting for Land Transportation Enterprises" provided by the National Development and Reform Commission ("NDRC"), as well as the Guidelines for Greenhouse Gas Emissions Accounting and Reporting for Enterprises, Power Generation Facilities (Revised in 2022), page 11.
9. The data refers to actual water consumption record. Total water consumption did not increase due to increased production and full production throughout the year due to process improvements and vigorous promotion of recycling in each workshop of Inner Mongolia Company.
10. The saved volume of purchased water is the amount of water saved through water reuse. During the Year, Inner Mongolia Company operated a water reuse system throughout the year and the volume of water reused was higher than that of the previous year, resulting in an increase in the saved volume of purchased water.
11. The data is based on the Group's actual usage records of packaging materials.

## Appendix: Content Index of Environmental, Social and Governance Reporting Guide

ESG Indicators	Overview	Chapter	Page
<b>Environment</b>			
A1 Emissions	General disclosure on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Steps Towards Carbon Neutrality Pollution Control and Treatment	62 72
A1.1	Types of discharges and related discharge information.	Steps Towards Carbon Neutrality Pollution Control and Treatment Key Performance Indicators	62 72 90
A1.2	Direct (Scope 1) and energy indirect (Scope 2) GHG emissions (in tonnes) and (where applicable) intensity (per unit of production, per facility).	Key Performance Indicators	90
A1.3	Total volume of hazardous waste generated (in tonnes) and (where applicable) intensity (per unit of production, per facility).	Key Performance Indicators	90
A1.4	Total volume of non-hazardous waste generated (in tonnes) and (where applicable) density (per unit of production, per facility).	Key Performance Indicators	90
A1.5	Description of the emission targets set and the steps taken to achieve these targets.	Steps Towards Carbon Neutrality Pollution Control and Treatment Green Operations	62 72 77
A1.6	Description of the methods used to treat hazardous and non-hazardous wastes and description of the waste reduction targets set and the steps taken to achieve these targets.	Steps Towards Carbon Neutrality Pollution Control and Treatment Green Operations	62 72 77
A2 Resource Use	General disclosure Policies on effective use of resources (including energy, water and other raw materials).	Steps Towards Carbon Neutrality	62
A2.1	Total direct and/or indirect energy consumption (e.g. electricity, gas or oil) by type (in thousands of kWh) and intensity (e.g. per unit of production, per facility).	Key Performance Indicators	90
A2.2	Total water consumption and intensity (e.g. per unit of production, per facility).	Key Performance Indicators	90
A2.3	Description of the energy efficiency targets set and the steps taken to achieve these targets.	Steps Towards Carbon Neutrality Green Operations	62 77
A2.4	Description of whether there is any issue in sourcing water and the water efficiency targets set and the steps taken to achieve these targets.	Steps Towards Carbon Neutrality Green Operations	62 77
A2.5	Total volume of packaging material used for finished products (in tonnes) and (where applicable) the amount per unit of production.	Key Performance Indicators	90
A3 Environmental and Natural Resources	General disclosure Policies on minimizing the issuer's significant impacts on the environment and natural resources.	Green Operations	77
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Operations	77
A4 Climate Change	General disclosure Policies for identifying and responding to significant climate-related matters which have caused and may have an impact on the issuer.	Steps Towards Carbon Neutrality	62
A4.1	Description of significant climate-related matters which have caused and may have an impact on the issuer and the responding actions.	Steps Towards Carbon Neutrality	62

ESG Indicators	Overview	Chapter	Page
<b>Society</b>			
B1 Employment	General disclosure on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment Benefits and Welfare Employee Communication	40 51 54
B1.1	Total workforce by gender, employment type (e.g. full-time or part-time), age group and geographical region.	Key Performance Indicators	90
B1.2	Employee turnover rate by gender, age group and geographical region.	Key Performance Indicators	90
B2 Health and Safety	General disclosure on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Occupational Health and Safety	56
B2.1	The number and ratio of work-related deaths in each of the past three years (including the reporting year).	Key Performance Indicators	90
B2.2	Number of working days lost due to work-related injuries.	Key Performance Indicators	90
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Occupational Health and Safety	56
B3 Development and Training	General disclosure Policy on enhancing the knowledge and skills of employees to perform their job duties. Description of training activities. Policy on enhancing the knowledge and skills of employees to perform their job duties. Description of training activities.	Talent Cultivation and Development	44
B3.1	Percentage of employees trained by gender and type of employee (e.g. senior management, middle management).	Key Performance Indicators	90
B3.2	Average number of hours of training completed per employee by gender and type of employee.	Key Performance Indicators	90
B4 Labour Standards	General disclosure The information on (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer in relation to the prevention of child labor or forced labor.	Benefits and Welfare	51
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Benefits and Welfare	51
B4.2	Description of steps taken to eliminate such practices when discovered.	Benefits and Welfare	51
B5 Supply Chain Management	General disclosure Policies on managing environmental and social risks of the supply chain.	Sustainable Supply Chain Management	36
B5.1	Number of suppliers by geographical region.	Key Performance Indicators	90
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	36
B5.3	Description of practices used to identify environmental and social risks at each stage of the supply chain, and how they are implemented and monitored.	Sustainable Supply Chain Management	36
B5.4	Description of practices used to promote environmentally friendly products and services when selecting suppliers, and how they are implemented and monitored.	Sustainable Supply Chain Management	36

ESG Indicators	Overview	Chapter	Page
B6 Product Responsibility	General disclosure 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 redress.	Quality Management Product Marketing and Promotion Customer Service Information Security Pharmacovigilance	28 32 34 24 35
	B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Customer Service	34
	B6.2 Number of products and service-related complaints received and how they are dealt with.	Customer Service	34
	B6.3 Description of practices relating to observing and protecting intellectual property rights. (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Protection of Intellectual Property Rights	25
	B6.4 Description of quality assurance process and recall procedures.	Quality Management Customer Service	28 34
	B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Information Security	24
B7 Anti-corruption	General disclosure on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of bribery, extortion, fraud and money laundering. Policy on enhancing the knowledge and skills of employees to perform their job duties. Description of training activities.	Business Ethics	20
	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.	Business Ethics	20
	B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Business Ethics	20
	B7.3 Description of the anti-corruption training provided to the directors and employees. The information on (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer in relation to the prevention of child labor or forced labor.	Business Ethics	20
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.	Facilitating the Development of the Pharmaceutical Industry	16
		The "Filial Piety Swallows" Charity	83
		Fight Against COVID-19	85
		Active Support for Education	86
		Love-filled Volunteering	87
	B8.1 Focusing on contributing areas (e.g. education, environmental matters, labour needs, health, culture, sports).	Facilitating the Development of the Pharmaceutical Industry	16
		The "Filial Piety Swallows" Charity	83
		Fight Against COVID-19	85
		Active Support for Education	86
		Love-filled Volunteering	87
	B8.2 Focus on contributing areas (e.g. education, environmental issues, labour needs, health, culture, sports).	Facilitating the Development of the Pharmaceutical Industry	16
		The "Filial Piety Swallows" Charity	83
		Fight Against COVID-19	85
		Active Support for Education	86
		Love-filled Volunteering	87

## Appendix: Verification Statement



SHINEWING  
Sustainability Advisory Services Limited  
17/F, Leighton Centre, 77 Leighton Road,  
Causeway Bay, Hong Kong

信永方略可持續發展諮詢服務有限公司  
香港銅鑼灣禮頓道77號  
禮頓中心17樓

### Scope and Objective of Verification

SHINEWING Sustainability Advisory Services Limited ("SHINEWING Sustainability") has been engaged by The United Laboratories International Holdings Ltd. (Stock Code: 03933) and its subsidiary (collectively referred to as "The United Laboratories") to undertake an independent verification on The United Laboratories' 2022 environmental, social and governance report (the "ESG Report"). The ESG Report set out the environmental and social performance of The United Laboratories from 1 January 2022 to 31 December 2022. This independent verification statement is solely for the use of the stakeholders and management personnel of The United Laboratories. The statement has been prepared in English and Chinese versions. Should there be any discrepancies between these versions, the Chinese version shall prevail.

This verification statement aims at providing Type 2 moderate level of assurance in accordance with the AA1000 Assurance Standard regarding the greenhouse gases<sup>1</sup> and use of resources<sup>2</sup> data ("Specified Performance Information") set out in the ESG Report. The ESG Report has been prepared in accordance with the requirements of Appendix 27 of the "Environmental, Social and Governance Reporting Guide" ("Appendix 27") of the "Rules Governing the Listing of Securities" of the Stock Exchange of Hong Kong (the "Stock Exchange").

### Level of Assurance and Methodology

AA1000 Assurance Standard v3 ("AA1000AS v3") issued by AccountAbility, an international advisory and standardization firm is adopted for a moderate level of assurance regarding Specified Performance Information. Our data collection process aims at obtaining the reasonable level of assurance specified in the standard to formulate verification conclusions.

### SHINEWING Sustainability's Assurance Activities Included the Following:

- Reviewing the preparation process of the ESG Report, including stakeholders engagement and materiality assessment.
- Verifying the system and process of collection, analysis and reporting of selected data.
- Interviewing the manager responsible for sustainability performance and data collection.
- Verifying the samples of the representative data and information selected, including audit on conversion data and calculation as well as inspecting the original data and supporting evidence of the data selected during the verification process.
- Assessing whether the preparation of the ESG Report by The United Laboratories responded to the principles of Inclusivity, Materiality, Responsiveness, and Impact as defined in the AA1000AS v3.

### Independence

The United Laboratories was responsible for data collection, calculation and presentation. SHINEWING Sustainability's assurance works are independent of The United Laboratories. Except for the services specified in the engagement letter, there is no relationship between SHINEWING Sustainability and The United Laboratories affecting the independence of SHINEWING Sustainability for providing assurance service.

#### Notes:

1. Refer to ESG Report Appendix - Key Performance Indicators: Data of Greenhouse Gas Emission
2. Refer to ESG Report Appendix - Key Performance Indicators: Data of Energy and Water Consumption

## Conclusion

In accordance with the AA1000AS v3 principles of Inclusivity, Materiality, Responsiveness and Impact, our conclusions are as follows:

**Inclusivity:** The United Laboratories has identified key stakeholders and has understood stakeholders' needs and concerned issues through various forms of stakeholder engagement. The United Laboratories has demonstrated that their formulation of policies accounted for stakeholders' expectations and their impacts.

**Materiality:** The United Laboratories has accounted for stakeholders' needs and concerned issues, and has disclosed identified material issues based on its unique business characteristics, legal and regulatory requirements, economic, environmental and social impacts, etc. The United Laboratories has disclosed the methodology, process and outcome of the assessment on material issues.

**Responsiveness:** The United Laboratories has established channels for its stakeholders to understand their concerns and expectations. Meanwhile, through the ESG Report, The United Laboratories has disclosed corporate sustainability strategies, management systems, management key points, key stakeholder participation activities as well as major sustainability development related issues to respond to key stakeholders.

**Impact:** The United Laboratories has considered and evaluated its impacts and realised its impacts on stakeholders, so as to make a more effective decision-making and result-based management within the organisation.

**Specified Performance Information:** Based on the procedures that SHINEWING Sustainability has performed and the evidence we have obtained, no specific issue has come to our attention that causes us to believe that the disclosed Specified Performance Information in the ESG Report is not accurate or not been prepared in accordance with the basis of reporting as set out in the ESG Report.

All compulsory disclosure has been provided in the ESG Report in accordance with the "Comply or Explain" provision in alignment with Appendix 27 of the Stock Exchange. The ESG Report has described sustainability performance of The United Laboratories in a balanced, precise and timely manner, covering all relevant material aspects and/or themes.

## SHINEWING Sustainability Team

SHINEWING Sustainability has studied, standardized and verified corporate environmental performance data since 2016. SHINEWING's Sustainability team possesses relevant professional technical capability and experience. The relevant personnel received professional training regarding sustainability standards such as GRI Sustainability Reporting Standards issued by Global Reporting Initiative, AA1000AS v3, Appendix 27 of the Stock Exchange of Hong Kong, ISO 14064 and PAS2600.

SHINEWING Sustainability Advisory Services Limited



Our mission is to make life more valuable