INNOCARE
诺诚健华

InnoCare Pharma Limited
諾誠健華醫藥有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 9969

2023
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Contents

InnoCare Pharma Limited
2023 Environmental, Social and Governance (ESG) Report

NOTES ON REPORT PREPARATION

REPORTING SCOPE

The content of this report ("**Report**") covers InnoCare Pharma Limited (hereinafter referred to as "InnoCare", "the Group", "the Company" or "**we**") and its subsidiaries. Unless otherwise stated, the scope of this Report shall be the same as that of the consolidated financial statements in the annual reports of InnoCare (stock codes: 09969.HK, 688428.SH).

List of names and abbreviations of the subsidiaries contained in this Report

Major Subsidiaries	Abbreviations in the Report
Beijing InnoCare Pharma Tech Co., Ltd.	Beijing InnoCare
Beijing Tiancheng Pharma Tech Co., Ltd.	Beijing Tiancheng Pharma
Nanjing Synercare Pharmaceutical Technology Co., Ltd./ Nanjing Tian Yin Jian Hua Pharma Tech Co., Ltd.	Nanjing Synercare/Nanjing Tian Yin Jian Hua
InnoCare (Guangzhou) Biotech Co., Ltd. and Guangzhou InnoCare Pharma Tech Co., Ltd.	Guangzhou InnoCare
Shanghai Tianjin Pharmaceutical Technology Co., Ltd	Shanghai Tianjin

TIME RANGE

The period of this Report is consistent with our 2023 Annual Report, covering the business operations during the period from 1 January 2023 to 31 December 2023 (Reporting Period or this year) information. In the event that any part of the written information is beyond this period, it will be explained in the main text.

BASIS OF PREPARATION

This Report has been prepared in accordance with Appendix C2 the *Environmental, Social and Governance Reporting Guide* (31 December 2023) issued by The Stock Exchange of Hong Kong Limited (HKEX) and Guidelines *No. 2 for Application of Self-Regulation Rules for Companies Listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange Voluntary Information Disclosure* (Revised in December 2023) and *Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of the Shanghai Stock Exchange* (Revised in August 2023) issued by the Shanghai Stock Exchange (SSE).

REPORTING PRINCIPLES

This Report complies with the reporting principles set forth in the *Environmental, Social and Governance Reporting Guide*, including:

- Materiality

  In accordance with this principle, this Report identifies the issues to be addressed in this Report through stakeholder research and materiality assessment, and focuses on reporting on matters that may have a significant impact on investors and other stakeholders in relation to ESG issues.

- Quantitative

  In accordance with this principle, this Report discloses key quantitative performance indicators and provides an explanation on the meaning of indicators and the basis of calculation and assumptions.

- Balance

  In accordance with this principle, this Report reflects objective facts and discloses indicators involving both positive and negative information.

- Consistency

  In accordance with this principle, this Report provides an explanation of the meaning of the key ESG quantitative performance indicators disclosed herein and elaborates the basis for their calculation and the assumptions on which they are based. The indicators used in different reporting periods are consistent as far as possible to reflect the trend of performance level..

DATA DESCRIPTION

The data and sample cases in this Report are derived from the original records or financial reports regarding the actual operations of the Company.

All financial data in this report are denominated in RMB. If the financial data are inconsistent with the annual financial report of the Company, the annual report shall prevail.

RELIABILITY ASSURANCE

The Board of Directors and the senior management team of InnoCare have confirmed that there are no false records, misleading statements, or material omissions in the contents of this Report, and they are responsible for the truthfulness, accuracy, and completeness of its contents.

REPORT PUBLICATION

Publication channels: The electronic version of the Report is published on the official website of InnoCare Pharma Limited (www.innocarepharma.com), the HKEX news webpage of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Shanghai Stock Exchange (http://www.sse.com.cn/).

Report language:	This Report is published in Traditional Chinese and English.
Contact us:	InnoCare Investor Relations Department
Email:	ir@innocarepharma.com

MESSAGE FROM THE CHAIRMAN

Respected shareholders, partners, and friends from all walks of life who keep an eye on the sustainable development of InnoCare:

OPENING REMARKS AND ACKNOWLEDGEMENTS

In 2023, the global market has gone through significant changes and challenges, and InnoCare consistently adhered to its beliefs, pushing forward with a determined spirit. I take this opportunity to express my utmost respect to all the dedicated and hardworking staff, and my sincere gratitude to all our long-standing partners who have provided unwavering support and cooperation..

REVIEW OF OUR ESG PHILOSOPHY AND STRATEGY

InnoCare firmly embeds the ESG concept into the fabric of its core strategy, using it as a cornerstone to drive sustained and steady development and to shape the industry as a model. 2023 marked the first year of InnoCare's entry into the 2.0 development phase. We targeted efforts to promote specialized governance on important ESG issues and continued to achieve breakthroughs in various key areas.

WE ENHANCED ACCESS TO HEALTHCARE WITH INNOVATIVE DRUG DEVELOPMENT

InnoCare adheres to a patient-centered approach, actively developing innovative drugs to offer high-quality treatment options to a broader patient population. In 2023, Orelabrutinib obtained approval for a new indication and was successfully included in health insurance coverage, making it the first and only BTK inhibitor approved for marginal zone lymphoma in China. Phase II trials of ICP-332, a novel TYK2 inhibitor for treating moderate-to-severe atopic dermatitis, met their primary endpoints. The commercialization and globalization of Tafasitamab, which has been implemented in the Greater Bay Area, are progressing rapidly, continuing to benefit patients globally.

WE UPHELD QUALITY STANDARDS TO ENSURE PATIENT MEDICATION SAFETY

InnoCare regards quality and safety as paramount, implementing the Quality Risk Management Procedures and establishing a comprehensive quality management system that spans product research and development, manufacturing, inspection, and post-market oversight. Regular training on the quality management system is provided to all employees, with targeted training for those involved in product quality. As a result, we have achieved the goal of zero reports of adverse reactions stemming from medication defects.

WE PRIORITIZED PEOPLE AND FOSTERED MUTUAL GROWTH WITH OUR EMPLOYEES

InnoCare has consistently adhered to the talent development values of "Dedication, Perseverance, Innovation, Win-win collaboration, and Pursuit of Excellence", considering employee well-being and growth as crucial factors for sustainable business development. In 2023, the Company enhanced employee engagement and happiness through diversification initiatives. We empowered employee development by organizing lectures under the "InnoCare New Drug Club", offering professional online courses on competency skills, and providing online management training through the China Europe International Business School (CEIBS), among other programs. These training sessions were tailored to different stages of new drug development, enabling both employee and company growth.

WE PRACTICED GREEN AND LOW-CARBON INITIATIVES TO ACHIEVE SUSTAINABILITY

InnoCare adheres to an environmentally friendly policy, embracing the green and low-carbon concept of harmonious coexistence between humans and nature. We actively promote energy conservation and emission reduction throughout the processes of new drug research and development, production, and operations, striving to minimize our environmental footprint across the entire lifecycle. In 2023, our Guangzhou base made significant progress in recycling waste methanol, thereby reducing its environmental impact. We utilized a total of 96.6 tons of waste methanol for various purposes and effectively decreased carbon emissions by 144.9 tons. These efforts underscore our firm commitment to sustainable development.

FUTURE PROSPECTS

Standing at a new starting point, InnoCare will continue to fulfill its mission of "Science Drives Innovation for the Benefit of Patients", maintaining our sharp insight and spirit of continuous innovation. We will further solidify our commercialization capabilities as we strive to become a global leader in biopharmaceuticals, ensuring the harmonious development of the company, its employees, the environment, and society!

Chairman and Chief Executive Officer
Dr. Jisong Cui (Jasmine Cui)

1. ABOUT INNOCARE

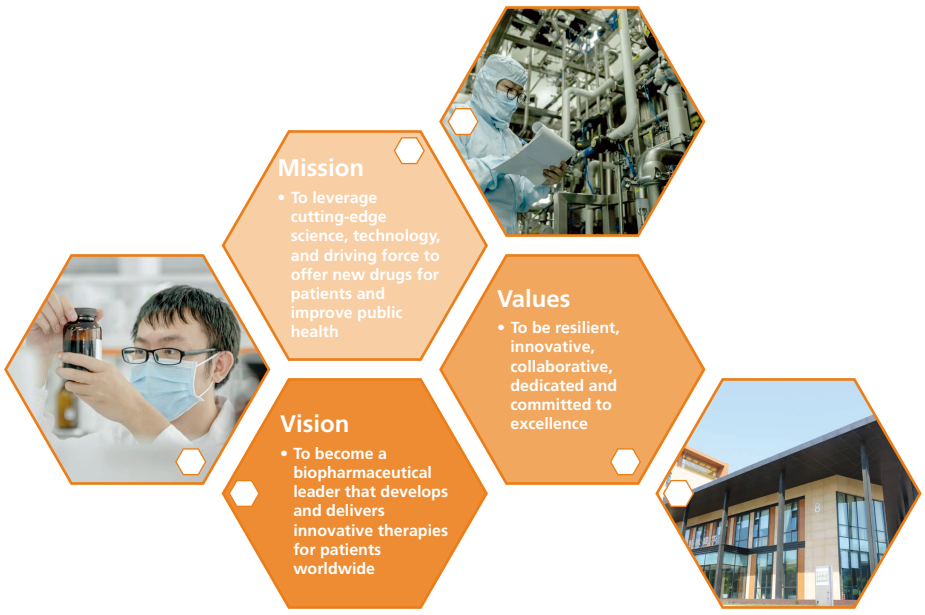
1.1 COMPANY OVERVIEW

InnoCare is a commercialized biopharmaceutical company dedicated to the discovery, development, and delivery of innovative treatment for patients with malignant tumors and autoimmune diseases around the world through science-driven innovation and patient-oriented care. We adhere to the development philosophy of Science Drives Innovation for the Benefit of Patients. Led by a management team consisting of renowned industry experts, we have built a fully integrated biopharmaceutical platform with strong in-house R&D, clinical development, manufacturing to commercialization. The Company has branches in Beijing, Nanjing, Shanghai, Guangzhou, Hong Kong, and the United States.

With the global vision and local expertise of the management team, the Company has built strong product pipelines and a differentiated and balanced drug portfolio covering hematological tumors, solid tumors, and autoimmune diseases. The Company continues to strengthen its dominant position in hematological tumors with Orelabrutinib as the core of its product portfolio. We also explore autoimmune disease therapeutic products covering the B-cell and T-cell signaling pathways and stock a rich pipeline with great clinical application value for solid tumors. We strive to become a global biopharmaceutical industry leader in developing and delivering innovative therapies to patients around the world.

Company Name	InnoCare Pharma Limited
Date of Establishment	2015
Stock Code	9969.HK
	688428.SH
Headquarter	Beijing, China

Mission, Vision and Values



RESULTS OF 2023 IN FIGURES

Corporate Operation & Governance		R&D and Innovation		
2 Dual listing A+H	**RMB 739 million** Overall revenue	**2** Products launched	**13** Clinical pipelines	**30+** Clinical trials
50% Percentage of female directors	**1,113 participants** Trained in anti-corruption	**40%+** R&D team		**RMB757 million** Investment in R&D

Talent Development			Environmental Protection	
100% Coverage of employee training	**29.27 hours** of training per employee	**10.54%** Decrease in employee turnover compared to the previous year	**0.16 tons of CO_2 equivalent/RMB0'000** Greenhouse gas (GHS) emissionintensity	**0.33 MWh/RMB0'000** Electricity consumption intensity
			8.51% Decrease inwater consumption intensity compared to the previous year	**100%** Waste disposal compliance rate

1. ABOUT INNOCARE

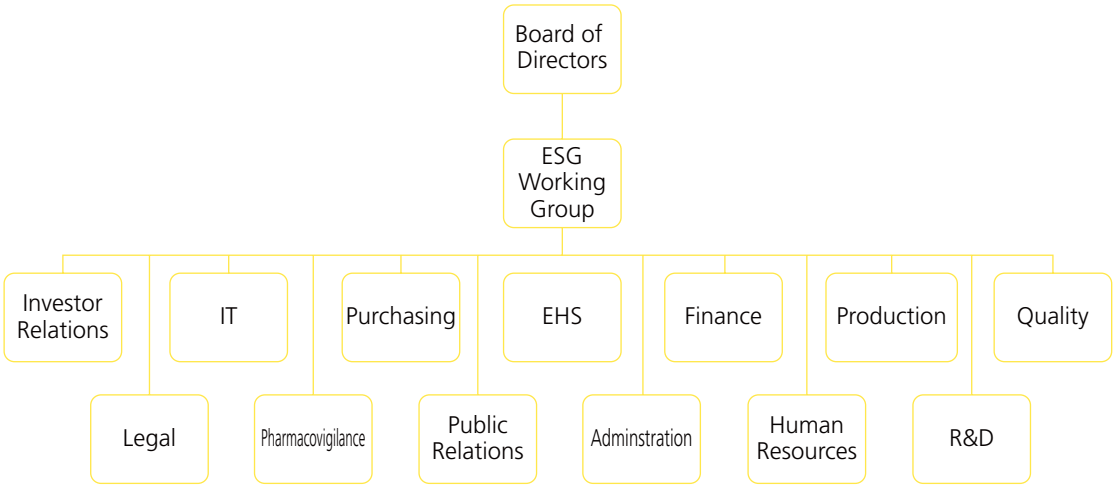
AWARDS OF INNOCARE IN 2023

ESG Class	Innovation class
InnoCare was included in China's Top 20 Listed Pharmaceuticals in ESG Competitiveness 2023	InnoCare was included in the List of Innovative Listed Pharmaceuticals of the 2023 Future Healthcare VB100 Awards
InnoCare was listed in the Most Socially Responsible Pharmaceuticals of the 2023 Sina Finance "Golden Kirin"	Novel TYK2 inhibitor ICP-332 was selected as one of the Top 10 Influential New Technologies and Products
InnoCare won the award of 3rd Excellent Healthcare Employer of the Year (2023)	Guangzhou InnoCare was granted Guangdong Intelligent Manufacturing Eco-Partners — Intelligent Manufacturing Pilot Demonstration
Market value class	Guangzhou InnoCare was recognized as a Gazelle Enterprise of Huangpu District and Guangzhou Development District
InnoCare was awarded the "Investor Relations Pioneer Award" of iFinD Enterprise Account in 2022	InnoCare was listed in China's Top 100 Innovative Pharmaceuticals 2023
InnoCare was listed in the Top 15 Biotech Stocks in the 10th Top 100 Hong Kong Listed Companies	InnoCare was listed in Top 10 Innovative Pharmaceutical Enterprises of the Golden Walking Stick 2023 by *China Times*
InnoCare was awarded the title of "China's New Economy Enterprise Top 500" for 2022	InnoCare was listed in 2023 Excellent Innovative Healthcare Enterprises by *The Economic Observer*
InnoCare was included in the 2023 Top 100 Enterprises in China — R&D Comprehensive Strength in Drugs and 2023 Top 100 Enterprises in China — R&D Strength in Chemical Drugs	InnoCare ranks among the top five in the 2022 China Small-Molecule Drug Enterprise Innovation TOP 30 Ranking
InnoCare was certified as a national specialized, refined, differential and innovative (SRDI) "little giant" enterprise	Guangzhou InnoCare was awarded the qualification of "Guangdong Province 2022 Technologically Advanced Service Enterprise" and "Guangdong Province 2022 Innovative Small and Medium-sized Enterprise"
Guangzhou InnoCare was listed in Guangzhou's First Top 100 Emerging Enterprises	InnoCare was recognized as one of the Top 10 Innovative Companies in Precision Medicine for 2022
InnoCare was included in the Guruclub Outstanding Health Companies 2023	Guangzhou InnoCare was awarded the titles of High and New Technology Enterprise and Guangdong National Specialized, Refined, Differential and Innovative (SRDI) Enterprise
InnoCare won the Pharmaceutical and Biotechnology Industry Excellent Prize of Golden Wisdom Award	Guangzhou InnoCare was accredited by Guangdong Engineering Technology Research Center
InnoCare was honored as one of the Top 10 Business Breakthrough Companies of China's Health Industry in 2023	

1.2 ESG MANAGEMENT

As the Group established a top-down ESG governance structure, the Board of Directors, as the highest decision-making body for the Groups management of ESG issues, is responsible for making decisions, formulating strategies, and monitoring ESG issues of the Group. Meanwhile, we have set up an ESG Working Group to comprehensively manage the Group's ESG issues and coordinate all functional departments to carry out ESG work efficiently. All levels and departments within our ESG governance structure synchronically and independently perform their duties while maintaining mutual communication, ensuring that the Group conducts its new drug research, clinical development, drug manufacturing, and commercialization activities in a sustainable and responsible manner, and delivers on our commitments to its stakeholders.

ESG Governance and Management Structure

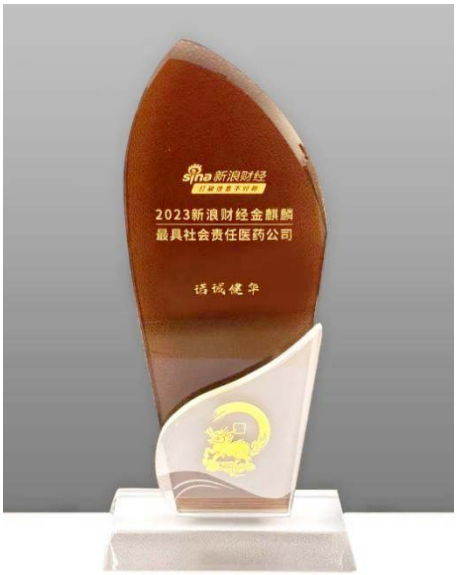


ESG Governance and Management Responsibilities	
Board of Directors	• Assessing and evaluating the Group's ESG risks • Ensuring that appropriate and effective ESG risk management and internal control systems are in place • Reviewing ESG issues reported by the ESG Working Group and approving the Group's ESG disclosures
ESG Working Group	• Regularly reporting to the Board of Directors on ESG policies and issues • Assisting the Board of Directors in assessing ESG risks • Developing ESG management strategies and medium-to long-term management plans • Communicating regularly with investors about ESG issues
Functional Departments	• Fully integrating ESG considerations into the Group's daily operations • Executing the ESG work plan developed by the Board of Directors and the ESG Working Group.

1. ABOUT INNOCARE

During the Reporting Period, the Group continued to improve its environmental, social and governance performance management. We focused on the five major responsibility systems, namely corporate governance responsibility, product and service responsibility, talent development responsibility, environmental protection responsibility, and social welfare responsibility. We actively communicated with various stakeholders to identify ESG issues and improve our ESG management level. All departments of the Group regularly organized and reported on ESG management work and performance. After collating the ESG work information about all departments, the ESG Working Group regularly reported to the Board of Directors on the management progress of the Group's ESG objectives and the current management status of ESG material issues. The Board of Directors carried out their responsibility for deliberating on and making decisions on high materiality issues related to the Company, to continuously enhance the level of the Group's ESG management.

The ESG management work carried out by the Group has also been recognized and supported by external parties on a variety of occasions. During the Reporting Period, the Group was honored with the Healthcare Executive China's Top 20 Listed Pharmaceuticals in ESG Competitiveness 2023 and the Most Socially Responsible Pharmaceuticals of the 2023 Sina Finance "Golden Kirin" among others.



1.3 MATERIAL ISSUE IDENTIFICATION

COMMUNICATIONS WITH STAKEHOLDERS

The Group maintains continuous and effective communication with all stakeholders to fully understand the Group's ESG work priorities and objectively assess its own ESG performance. The Board of Directors is responsible for deliberating on and making decisions on ESG material issues related to the Group. It actively receives feedback from stakeholders and urges each department to implement relevant ESG management work.

Stakeholders	Issues of Concern	Communication Methods
Shareholders and investors	• Compliance • Business ethics • R&D and innovation • Risk management	• Shareholders' meeting • Regular reports and company announcements • Investor conferences • SSE E-interactive • Roadshows, healthcare summits, etc. • Hotline and e-mail for investor inquiries
Government and regulatory authorities	• Compliance • Business ethics • R&D ethics • Emissions management • Climate change mitigation and adaptation	• Government meetings • Project cooperation • Monitoring by government staff
Customers	• Product quality and safety • R&D and innovation • Drug availability • Information security and privacy protection • Customer rights protection	• Customer complaints and feedback • Product quality inspection • Information security and privacy protection statement
Employees	• Employee rights and benefits • Employee training and development • Occupational health and safety	• Regular employee meetings • Employee training • Employee care activities • Employee complaints and feedback
Suppliers	• Supply chain management	• Supplier access review • Supplier evaluations and surveys • Induction training
Partners	• R&D and innovation • Intellectual property protection	• Industry conferences and communications
Community and public	• Product quality and safety • Drug availability • R&D ethics • Climate change mitigation and adaptation • Protection of the rights and interests of subjects • Animal welfare protection	• Media communication • Support for public welfare activities • Energy saving and environmental protection activities • Corporate culture communication

IDENTIFICATION OF MATERIAL ISSUES

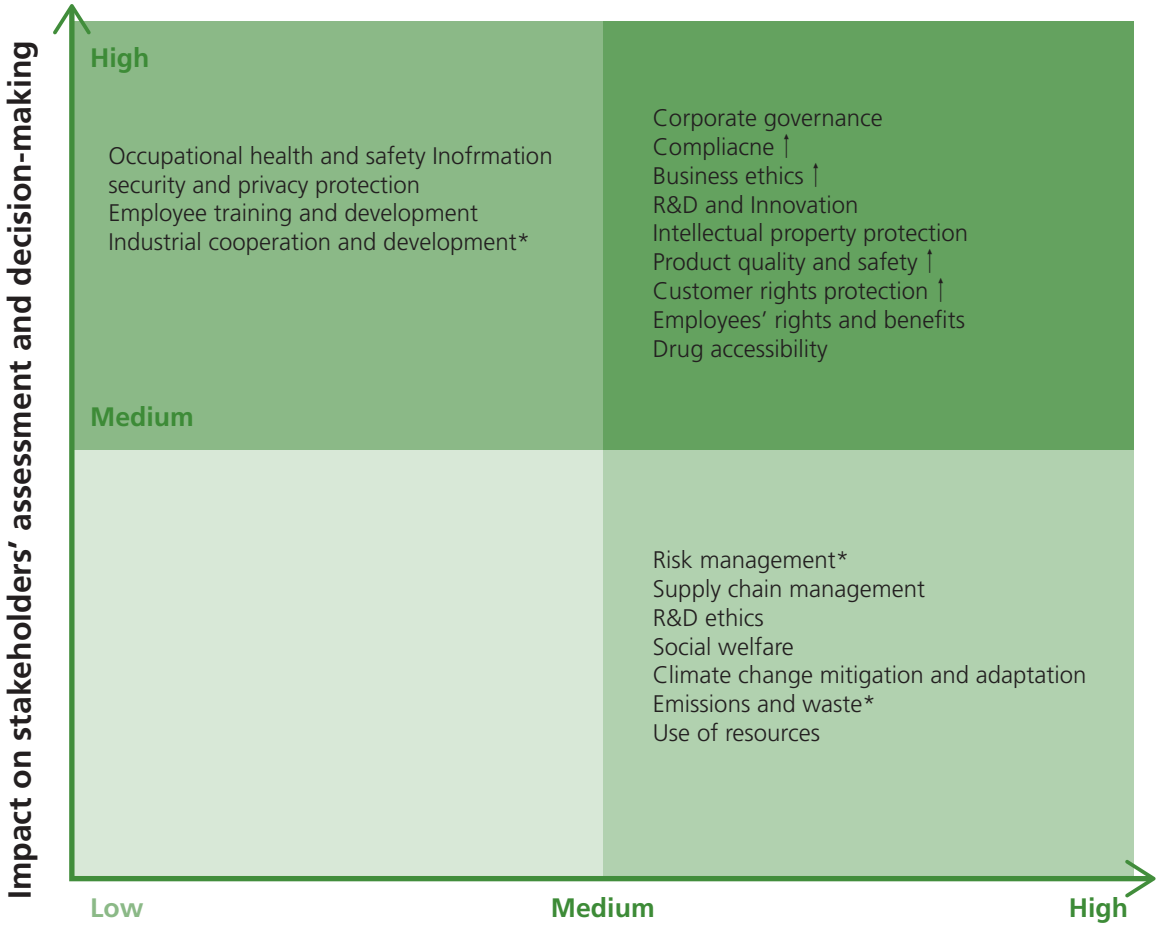
he Group regularly identifies and updates ESG material issues as a basis for ESG management. We take into account the domestic and international policies and regulations involved in the Group's business, the latest policies of the stock exchange, the excellent ESG management practices of industry peers, and the opinions of internal and external experts. We identify and assess material issues from the perspective of their impact on the economy, environment, and society as well as their impact on our external stakeholders. Through analysis, we ultimately form a library of material issues and their prioritization order, which are presented in the form of a matrix.

During the Reporting Period, through the material issue analysis mentioned above, the Group added some new issues of concern to the industry, the capital market, and stakeholders, and adjusted the presentation and the degree of materiality of some of the issues, such as R&D ethics.

Identification Process of Material Issues

Identifying ESG issues	Assessing the importance of issues	Developing a materiality matrix
• Developing an ESG issue pool applicable to the Group based on our development strategies and realities, the U.S. Sustainability Accounting Standards Board's material issue pool for the biotechnology and pharmaceutical industry, and benchmarking issues of concern to industry peers	• Conducting optimization and comprehensive analysis on the presentation of some of the issues in the light of expert advice • Assessing the 20 issues in terms of both " Impact on stakeholder assessment and decision-making " and "importance of economic, environmental and social impacts"	• Building an analysis matrix of material issues based on the results of assessment • Providing a focused response in the Report on high materiality issues after review and final approval by the Board of Directors

Materiality Matrix



Notes:

1. " ↑ " indicates a material increase in the current year;
2. "*" indicates a new issue for this year in response to capital market and stakeholder concerns;
3. This year, we adjusted the former issue "Climate change response " to "Climate change mitigation and adaptation";
4. This year, we split the former "Compliance and business ethics" into "Compliance" and "Business ethics".

2. CORPORATE GOVERNANCE RESPONSIBILITIES

2.1 CORPORATE GOVERNANCE

The Group strictly abides by the *Company Law of the People's Republic of China*, the *Hong Kong Companies Ordinance*, the *Securities and Futures Ordinance and other laws and regulations*. We have formulated the *Articles of Association*, the *Shareholder Communication Policy*, the *Procedures for Shareholders to Nominate Candidates for Election as Directors*, the *List of Members of Board of Directors and their Roles and Functions* in accordance with the regulatory documents such as *Appendix C1 to the Listing Rules: Corporate Governance Code*, and *Appendix C3 to the Listing Rules: Standard Rules for Securities Trading by Directors of Listed Issuers* published by HKEX, the *Rules Governing the Listing of Stocks on the Science and Technology Innovation Board and the Guidelines No. 1 for Self-regulation of Listed Companies on SSE STAR Market — Standardized Operation* by SSE. In this manner, we establish a corporate governance system with clearly defined lines of responsibility and standardized operations.

In accordance with the requirements of laws and regulations, the Group has established a corporate governance structure comprising the Shareholders Meeting, the Board of Directors, and senior management. The Audit Committee, Remuneration Committee, and Nomination Committee have been established under the Board of Directors of the Company to effectively ensure the fairness and scientificity of corporate governance decisions.

The Group gives due consideration to factors such as the industry experience, background, and gender of the Board members to ensure a diverse Board composition. The current independent directors have more than ten years of working experience in law, economics, accounting, finance, management, or other areas necessary for the performance of their duties as independent directors, as well as professional backgrounds in chemistry, pharmacy, life sciences, or other industries, and rich experience in the management of large-scale enterprises. This helps to enhance the efficiency of the Board of Directors' operations, to analyze issues from multiple perspectives, and to improve the quality of decision-making.

The Group also communicates with its shareholders through various communication channels to propose and vote by poll on all resolutions at Shareholders Meeting in respect of various material matters. During the Reporting Period, the Group passed the amendments to the *Fourth Amended and Restated Memorandum and Articles of Association and the Rules of Procedure of the Board of Directors* by a resolution voted by the Shareholders Meeting in accordance with the amendments made by the HKEX to Appendix 3 to the Listing Rules and the relevant provisions of the Shanghai Stock Exchange's *Guidelines No. 1 for Self-regulation of Listed Companies on SSE STAR Market — Standardized Operation regarding related party transactions*.

Composition of the Board of Directors in 2023 and the Convention of Three Meetings

Composition of the Board of Directors	Convention of Three Meetings
8 directors in the Board of Directors	2 Shareholders general meetings
3 independent directors	15 Board meetings
	16 meetings of specialized committees of the Board of Directors
4 female directors 50% of the total	A total of about 96 proposals and reports were deliberated, reviewed, or heard.

Composition of the Board of Directors

Title	Name	Gender	Age	Committee Appointments			Industrial/Professional Background
				Audit Committee	Remuneration Committee	Nomination Committee	
Chairman and Executive Director	Cui Jisong	Female	60		√	C	Pharmaceutical R&D, microbiology, and bioscience, in combination with more than 20 years of experience in R&D and company management in the pharmaceutical industry
Executive Director	Zhao Renbin	Female	55				Biological sciences and biotechnology, biochemistry and molecular biology
Non-executive Director	Shi Yigong	Male	56				Biological sciences and biotechnology, biophysics and biophysical chemistry; Academician of the Chinese Academy of Sciences
	Xie Ronggang	Male	38	√			Biomedicine, with approximately 10 years of investment experience
	Jin Ming	Male	50				Bioscience and genetics, in combination with 20 years of experience in the pharmaceutical and biotech industries and 7 years of investment experience
Independent non-executive directors	Hu Lan	Female	52	C	C	√	Accounting and business administration, with over 20 years of accounting experience
	Chen Kaixian	Male	78	√	√	√	Radiochemistry, quantum chemistry and structural chemistry; Academician of the Chinese Academy of Sciences
	Dong Dandan	Female	40				Life Sciences, infectious diseases, molecular microbiology

Notes:

"C" indicates the Chairman of the Committee of the Board.

"√" indicates a member of the relevant board committees.

2.2 PROTECTION OF INVESTORS' RIGHTS AND INTERESTS

INFORMATION DISCLOSURE

Timely and accurate corporate disclosure is a prerequisite to fostering investor relations and protecting investor rights and interests. The Group strictly complies with the *Administrative Measures on Information Disclosure of Listed Companies* issued by HKEX, the *Rules Governing Listing of Stocks and Guidelines No.2 on the Application of Self-Regulation Rules for Listed Companies — Voluntary Information Management* of the SSE, and other systems. After dual listing A+H, the Group has proactively responded to the differentiated requirements of the H-shares and the A-shares in terms of information disclosure and ensured the openness, timeliness, and truthfulness of the information.

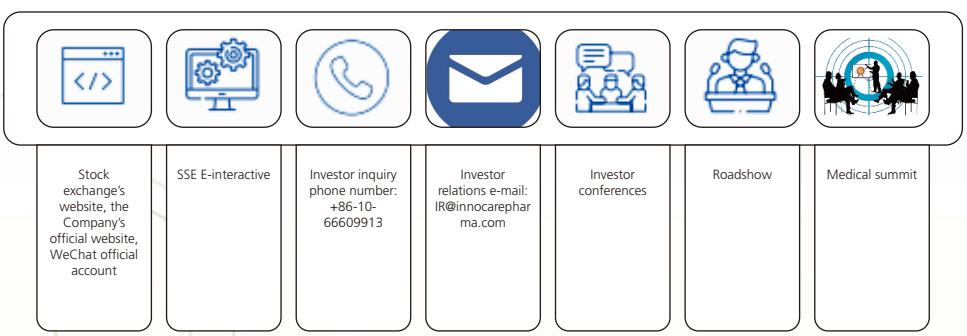
The Group adheres to the principles of openness and transparency, and fulfills its information disclosure obligations in accordance with the law. We continue to enhance our transparency, accuracy, and timeliness by disclosing information through the website of the HKEX, the website of the SSE, and the Group's official website, to adequately safeguard the rights and interests of investors. During the Reporting Period, the Group issued a total of 118 announcements or documents.

The Group has actively responded to the requirements of the HKEX and the SSE by regularly updating the management system related to investor communications on a yearly basis. The specific rules and regulations of the Articles of Association are available on the Company's official website (www.innocarepharma.com) and the website of the HKEX (www.hkexnews.hk). We also maintain communication with shareholders through annual general meetings and extraordinary general meetings. Board members respond to shareholders' inquiries during these meetings and ensure timely publication and distribution of notices for both annual general meetings and extraordinary general meetings.

INVESTOR COMMUNICATION

The Group is committed to establishing a favorable communication mechanism with investors and maintains an open dialog with investors through videos, investor conferences, roadshows, and healthcare summits. This ensures that the market and investors have an in-depth understanding of the Group's business development, core strategies, and corporate governance principles. The Group also maintains effective communication with its shareholders, investors, and the public through various channels. We publish the latest information on business operations and development, financial data, corporate governance practices, and other data in a timely manner. During the Reporting Period, the Group held over 500 investor exchange meetings with domestic and international institutional investors and research analysts.

Investor Communication Channels (Enumerated)



The Group strictly abides by the relevant provisions of the *Rules Governing the Listing of Securities on the HKEX* and the *Administrative Measures for the Registration of Initial Public Offerings on the SSE STAR Market (for Trial Implementation)* and the *Rules Governing the Listing of Stocks on the Science and Technology Innovation Board of the Shanghai Stock Exchange* in relation to related transactions. The Group has formulated the *Measures for the Administration of Related Transaction*, which regulates the relationship between the related parties, related transactions, and the administration of the related parties and the related transactions, to strengthen the management of the Group's insiders and directors in relation to related transactions and thereby protect the rights and interests of investors.

During the Reporting Period, the Group was recognized by various sectors for its innovative strength and investment value, including 2023 Excellent Innovative Healthcare Enterprises by *The Economic Observer* and Top 10 Innovative Pharmaceutical Enterprises of the Golden Walking Stick 2023 by *China Times*.

2.3 RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT

The Group has set up a sound risk management system to cope with the increasingly complex and volatile market environment. We enhance the effectiveness of internal control by means of establishing a comprehensive risk management structure and clarifying the responsibilities and roles of the Board of Directors, the Audit Committee, and the Internal Control Department in risk management. The results of the assessment of the internal control system will be reported to the Audit Committee on a regular basis by the Internal Control Department, which will continue to improve the Group's internal control system with reference to the opinions of the Audit Committee and other functional departments. It thus can ensure that the Group's information interactions are smooth, and that the Group can identify and respond to the changes in the risk environment in a timely and effective manner and achieve its strategic objectives.

Risk Management Structure and Responsibilities

Board of Directors	• As the decision-making organization for internal risk management and internal control, it is responsible for planning, implementing, and monitoring the risk management strategy.
Audit Committee	• Assisting the Board of Directors in providing independent advice on the effectiveness of the Group's financial reporting process, internal controls, and risk management systems, monitoring the audit process, and performing other duties and responsibilities as assigned by the Board of Directors.
Internal Audit Department/ Compliance Department	• Responsible for the implementation of the risk management strategy at the management level as well as the periodic evaluation and review of the internal control system to ensure the adequacy and effectiveness of the control measures.

The Group has formulated management systems, such as the *Procedures for the Management of Corporate System Documents*, *Credit Management System*, *Measures for the Management of Monetary Funds and Bank Accounts*, *Guidelines for Interaction and Communication with External Stakeholders*, *Procurement Management System*, *Contract Management System*, and *System of Responsibility for the Management of Environment, Health and Safety*. Through these, we comprehensively cover the risks that may be involved in the course of the Group's business activities and carry out risk management work.

2. CORPORATE GOVERNANCE RESPONSIBILITIES

According to the *Risk Rating and Control Management System*, the Group has identified the major risks that require management measures to be taken, including operational risk, adverse drug reaction risk, financial risk, credit risk, EHS risk, compliance risk, and information security risk. The corresponding management measures are set out in the figure below.

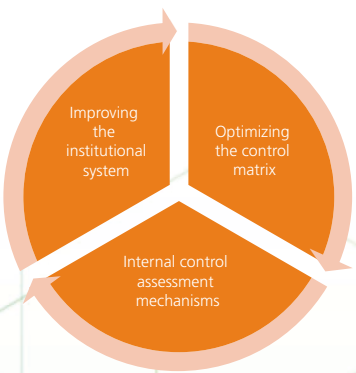
Responses to Major Risks

Major Risks	Management Practices
Business risk	The Group's management carries out a systematic analysis of its operations at least monthly to assess the potential risks faced by the operations and the corresponding countermeasures. The Group's supply chain department takes the lead in organizing monthly cross-departmental sales and operation meetings, to discuss and determine the Group's overall sales forecasts, order demand arrangements, production plans, and corresponding procurement requirements. Contracts signed with external parties in daily operations must follow the contract templates provided by the Legal Department of the Company or be reviewed and approved by the Legal Department in advance. All types of operating expenditures are audited by the Finance Department. The compliance and internal control department will participate in the review of key projects and activities as needed.
Risk of adverse drug reactions	The Group's management establishes an effective adverse drug reaction event reporting mechanism that includes training, public opinion monitoring, reporting, and other procedures. The Group requires third-party vendors to also complete training and comply with this mechanism. The results are regularly summarized and analyzed by the Pharmacovigilance Department and effective measures are developed as appropriate.
Financial risk	The Group's management steadily realizes the company's strategic development objectives and rationally allocates resources through annual budget management. On the one hand, efficiency is improved and costs are rationally controlled through the adoption of digital tools or systems; on the other hand, more capital reserves are acquired through listing and financing to address the uncertainties and challenges of the market. Meanwhile, the Group has established an effective financial reporting mechanism and a standardized review process for monthly, quarterly, and annual financial reports. During the Reporting Period, we optimized the internal system by adding a number of new reporting functions and data synchronization functions with the original business system. This improves management efficiency and facilitates more timely identification of relevant risks and their control.
Credit risk	The Group has initiated a strict distributor access system. We emphasize the credit risk assessment and review of dealers, and review and adjust the credit risk of all cooperative dealers at least quarterly. The Group has established an effective accounts receivable management mechanism, which is a two-pronged approach to ensure that credit risk is updated in a timely and controllable manner.

Major Risks	Management Practices
EHS risk	The EHS Department has come up with a comprehensive training system. It regularly conducts risk identification, analyzes potential impacts, and determines risk levels and risk control measures in accordance with the requirements of risk grading and control management. The Group's management has established a mechanism for daily and quarterly safety inspections in conjunction with the EHS Department. The EHS Department is responsible for tracking the improvement measures, promoting the implementation of hidden danger corrections, and thereby significantly reducing the potential safety risks.
Compliance risk	The Group has formulated a comprehensive compliance management system. The system incorporates the latest international and domestic compliance concepts, and clarifies compliance requirements through the signing of agreements by employees and the standardization of supplier behaviours. The Group has also established an end-to-end management mechanism. We conduct regular internal audits and risk assessments to minimize risks. Once irregularities are detected, we deal with them immediately and report them to ensure the compliant operation of the Group.
Information security risk	The Group has established a comprehensive information security management system. We regularly review and update management systems, clarify privacy protection requirements, and implement multiple protection measures. We standardize data security management from the system end to personal computer terminals. We enhance cloud data center security protection by building disaster recovery centers, formulating data backup and encryption strategies, establishing visitor information management regulations, and strictly managing document lending and dissemination. The group regularly provides information security training to enhance employee awareness and comprehensively ensure information security.

INTERNAL CONTROL MANAGEMENT

Based on the development requirements of the business strategy, the Group identifies potential risk points and updates the internal control system and management system in a timely manner. During the Reporting Period, the Group formulated 22 management systems, including the *Procurement Management System*, the *Application System Change Management System*, the *Enterprise Mail Group Management System*, the *Hazardous Chemical Safety Management System*, and the *Major Accident Hazard Investigation System*, to ensure the effective operation of the internal control system.

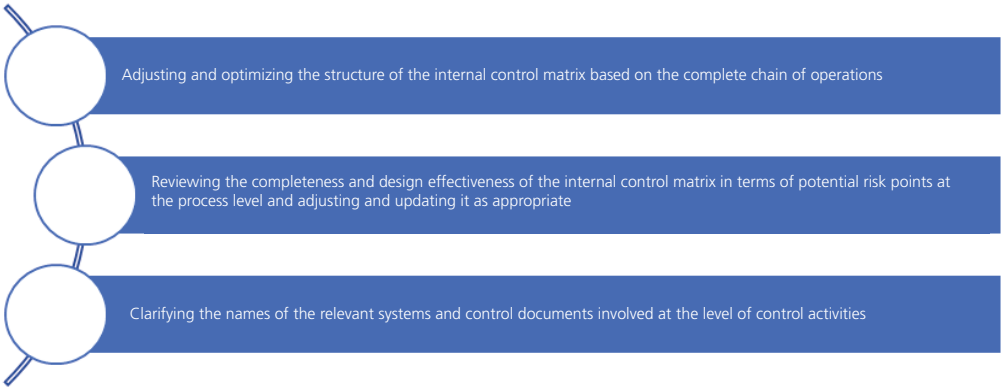


With the internal control system in place, the Group evaluates and formulates plans for updating the policies and systems for the following year on a yearly basis. We continue to optimize the internal control system to effectively respond to potential risks arising from changes of policies, and to safeguard the Company's sound operation and sustainable development. Based on the established standardized system of policies and systems, the Group continues to standardize the operation of various processes. These processes include system writing, cross-departmental communication, initiation of the approval process, and review by the Internal Control Department and relevant departments. The Group regularly shares new, updated, or repealed corporate policies and systems with all staff via exclusive mailboxes. This ensures adequate and timely communication of information. We separately archive and manage repealed systems, which are under authority management of visitors by the Internal Control Department.

Meanwhile, we continue to sort out and optimize the internal control matrix at the Group level. The matrix covers control activities related to dimensions such as sales and refund management, fixed assets management, EHS management, pharmacovigilance management, and procurement and payment management. The Group classifies all the above control activities into three risk levels, namely high, medium, and low, based on the different impacts of the relevant control activities on the Group's operations and on the financial indicators. We deal with them in the order of priority, and provide timely feedback to the relevant functional departments. The Group makes dynamic adjustments to effectively respond to risks after taking into account its own strategic objectives and operating conditions.

During the Reporting Period, the Group focused on procurement and payment management, production and planning management, sales and refund management, and personnel management processes in the internal control matrix. These helped to enhance the Group's operational efficiency, risk control capability, and overall competitiveness.

Internal Control Matrix Optimization Measures 2023



The Group has also set up an evaluation mechanism for its internal control system. The Group uses all internal control activities enumerated in the internal control matrix as standards and references for the execution of its daily operations. The heads of related departments regularly assess their execution in the course of their daily management. During the Reporting Period, the Group performed walk-through tests on key business processes and optimized the identified design issues of internal control measures, to simultaneously achieve the risk control objectives and the operability for implementation. For example, the Group conducted an expanded sample test on key control points involving the maintenance of master data of the enterprise resource planning (ERP) system. The Internal Control Department, in collaboration with the relevant business units, formulated corrective actions in response to the deviations in the test results, and clarified the persons responsible for the corrective actions and the deadlines for the corrective actions.

The Group categorizes identified internal control deficiencies into material, significant, and general deficiencies, depending on the degrees of deficiency and taking into account factors such as business scale, industry characteristics, risk appetite, and risk tolerance. During the Reporting Period, the Group conducted relevant tests and did not identify any material weaknesses or significant deficiencies in internal control. Rectification has been completed for the general deficiencies identified in the tests.

2.4 COMPLIANCE AND BUSINESS ETHICS

COMPLIANCE MANAGEMENT

Integrity and business ethics are the cornerstones of a sound and healthy company. The Group has formulated a series of internal management systems such as the *Anti-Corruption and Anti-Bribery Policy* in strict compliance with the *Law of the Peoples Republic of China Against Unfair Competition*, *Anti-Money Laundering Law of the Peoples Republic of China*, and other relevant laws and regulations. The Group also regularly reviews and updates its anti-corruption and anti-bribery policies to ensure that they are appropriate and meet the requirements of the Group and regulatory authorities. For details of the anti-corruption related management system, please refer to the anti-corruption and anti-bribery policies in the Corporate Governance section of the Group's website (www.innocarepharam.com).

The Group has incorporated the latest concepts and norms of the China Pharmaceutical Industry Association's *Compliance Management Standard for the Pharmaceutical Industry* and the international standard ISO 37301 *Compliance Management Systems — Requirements with Guidance for Use* into its daily practices. We establish and improve the Group's end-to-end compliance management mechanism covering prevention, discovery, corrective testing, and auditing, to build an all-round compliance management system.

The Group adheres to the compliance management system by clearly stipulating the requirements for employees in terms of ethical practices in its anti-corruption and anti-bribery policies. We require employees to operate transparently in accordance with the highest principles of professionalism, fairness, impartiality, and honesty in all our operations. We formulate the *Guidelines for Interaction and Communication with External Stakeholders*, which regulates the interactions and communication with stakeholders, third-party sponsorships, donations, and grants, and specifies the type of restriction, the scope of applicability, and the approval process. The Group requires all employees to understand and sign the *Anti-Commercial Bribery Agreement for Employees*. It clearly stipulates that employees are not allowed to commit any form of commercial bribery and the liability for breaching such provision, to standardize the behavior of employees and help the long-term healthy development of the Group.

The Group strictly regulates the behavior of rebates, discounts, gifts, and gratuities from suppliers, which are monitored and inspected by the Group's audit department and senior management. The Group sets out the requirements for the compliance system and ethical business practices of its distributors through the *Criteria and Procedures for Distributor Selection*. Suppliers are required to sign the *Anti-commercial Bribery Agreement for Suppliers*, which specifies anti-corruption clauses and requirements and prohibits any form of commercial bribery and malpractice. It also stipulates the complaint and reporting mechanism of both parties in the agreement and establishes a two-way supervisory mechanism, to jointly safeguard the market order and business integrity, and to promote the sustainable development of the Group.

The Group has established a comprehensive anti-corruption and anti-fraud incident management mechanism, to ensure the compliance of corporate operations through regular internal audits to scrutinize the links that may give rise to corruption and fraud. The Group's *Internal Audit Management System* and *Annual Audit Plan* involve steps to validate the effectiveness of compliance management. These help establish anti-fraud, anti-money laundering, and anti-fraud mechanisms. In carrying out annual enterprise risk assessments, the Group incorporates a comprehensive assessment of the risks of fraud, corruption, money laundering, and bribery. We implement control measures to minimize the probability of risks occurring. Once relevant behaviors are discovered, the Group's Internal Audit Department and Compliance Department will immediately report to the Audit Committee and deal with them in accordance with relevant regulations. During the Reporting Period, the Group conducted an anti-corruption audit for all domestic subsidiaries to confirm the existence of internal corruption through the review of expenses, and rectified the problems found in the audit process and updated the relevant system.

2. CORPORATE GOVERNANCE RESPONSIBILITIES

BUILDING A CULTURE OF COMPLIANCE

The Group is actively engaged in building a culture of compliance and business ethics. We continue to deepen employees' understanding of relevant internal and external regulations through training activities and raise their awareness of anti-corruption and anti-bribery. The Group regularly tracks the latest developments in relevant laws and regulations, and shares external anti-corruption developments through daily communication, regular emails, and all-employee or targeted trainings. We highlight relevant internal company requirements to spread the compliance culture to all employees of the Group to regulate their behaviors.

During the Reporting Period, the Group provided 12 compliance training sessions and compliance communication emails covering relevant group policies, national policies and regulations, and updates on relevant national law enforcement to its employees. There were a total of more than 1,000 participants, covering all employees.

COMPLAINTS AND REPORTING MANAGEMENT

To ensure that employees strictly observe ethical business standards, the Group encourages employees to report existing or perceived misconduct that violates the policy. The Group regulates reporting matters, reporting channels, and investigation processes in accordance with its internal management system *Management Measures for Anti-fraud*, *Anti-corruption*, *Anti-money Laundering*, *Anti-bribery*, and *Reporting and Complaints and Reporting Policies*. We also clarify the reporter protection system, the reporting confidentiality system, and the handling of inaccurate reports to deal with issues related to fraud, unethical behavior, or non-compliance with laws and company policies. The relevant institutional policies apply to all employees, officers, and directors of the Group as well as external third parties (including but not limited to customers and suppliers) with whom the Group has business dealings. Details of the Reporting Policies can be found in the Corporate Governance section of the Group's website (www.innocarepharam.com).

While encouraging employees to report misconduct, the Group gives due consideration to the protection of reporters, confidentiality measures, and the prevention of malicious allegations and false reports. The Group will provide protection to reporters. All information received (including the identity of the reporter) will be treated in the strictest confidence so that he or she will not be unfairly disciplined or victimized as a result of any genuine report.

Employees and parties with direct or indirect financial relationships with the Group may report and expose actual or suspected violations to the Audit Department through the Group's reporting channels, either anonymously or with their real names.

Reporting Channels

- Reporting email: legal_compliance@innocarepharma.com (read only by Legal and Compliance Department)
- Mailing address for reporting letters: InnoCare Pharma Limited — Audit Committee, No. 8 Life Science Park Road, Zhongguancun Life Science Park, Changping District, Beijing 102206, China

Depending on the circumstances, the Audit Committee or the Legal and Compliance Department of the Group will decide on the course of action to be taken in respect of the report in question and authorize the persons concerned to proceed with it. The Group will respond to the reporter as soon as practicable after receipt of the report, informing the reporter of whether the matter will be further investigated, the expected timing of the investigation and final response, and whether any remedial or legal action will be taken.

Report Handling Process

During the Reporting Period, there were no incidents of corruption litigation filed and concluded against the Group or its employees, nor were there any litigation cases arising from the above-mentioned matters.

3. PRODUCT AND SERVICE RESPONSIBILITY

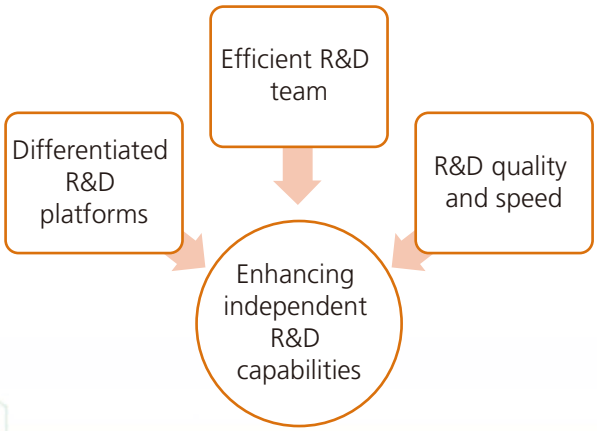
3.1 R&D AND INNOVATION

R&D AND INNOVATION

Since its inception in 2015, the Group has adhered to the development philosophy of "Science Drives Innovation for the Benefit of Patients". We have formed a team of talents with rich experience in drug R&D, clinical development, manufacturing, and commercialization. We have constructed an all-in-one biopharmaceutical platform, taking into account the quality and speed of R&D, to accelerate the advancement of a highly promising product pipeline for the benefit of patients worldwide.

Integrated Biomedical Platform

In terms of new drug discovery and R&D, the Group always insists on independent innovation as the engine of sustainable development. We have built a series of differentiated R&D platforms to deeply cultivate in-house innovation from the source, with R&D covering a number of innovative targets and indications with great market prospects, to develop small molecule drugs, monoclonal antibodies, bispecific antibodies, and antibody-small molecule coupled drugs for the treatment of hematological tumors, solid tumors, and autoimmune diseases.



Core R&D Technology Platforms

Compound optimization platform	• Drug design based on protein-drug structure and ligands to accelerate the optimization of multiple parameters of drug molecules, so as to improve druggability
Drug crystallization research platform	• Complete drug crystallography capability that supports CMC development of drug molecules
R&D and industrialization platform for solubilizing preparation technology of insoluble drugs	• Solving the bioavailability problem of insoluble innovative pharmaceutical preparations • An industrialization platform equipped with spray drying and hot-melt extrusion technologies
Biomolecule discovery and engineering transformation platform	• Innovative and integrated platform for efficient antibody screening • A platform for protein structure design and optimization
CMC platform for biomolecules of new structural model	• Innovative small molecule-antibody coupling process to improve ADC druggability • Next-generation technology platform for cell line-based antibody production process and quality analysis
Translational medicine research platform	• Evaluating clinical trial data effectively using biomarkers as indicators • Improving the efficiency of drug discovery and development

The Group has actively established professional R&D and clinical development teams to continuously enhance its independent R&D capabilities. We have scientific advisory board members and R&D teams with diversified backgrounds, high levels of education, and wide coverage of specialties in China, the United States, and other countries and regions. The team members boast extensive industry experience, a deep understanding of product differentiation, and the ability to capture clinical opportunities. These help fully explore the therapeutic potential of the products under development for a wide range of indications. We also have first-class R&D centers in Beijing, Nanjing, and Guangzhou. They are capable of independently carrying out chemical, biological, pharmacological, pharmacokinetic, toxicological, and drug crystalline research, as well as CMC R&D, to accelerate innovation for saving lives. In addition, the Group has partnered with the industry's leading clinical CROs. This allows us to accelerate clinical development globally and adopt a productive registration and declaration strategy to drive product approvals to market.

To retain and incentivize R&D personnel, the Group has established an R&D incentive mechanism to reward inventors or designers who have obtained R&D results and to encourage the spirit of innovation. As of the end of the Reporting Period, the Group had 474 R&D personnel, and the number of R&D personnel accounted for 43.53% of the total number of employees.

3. PRODUCT AND SERVICE RESPONSIBILITY

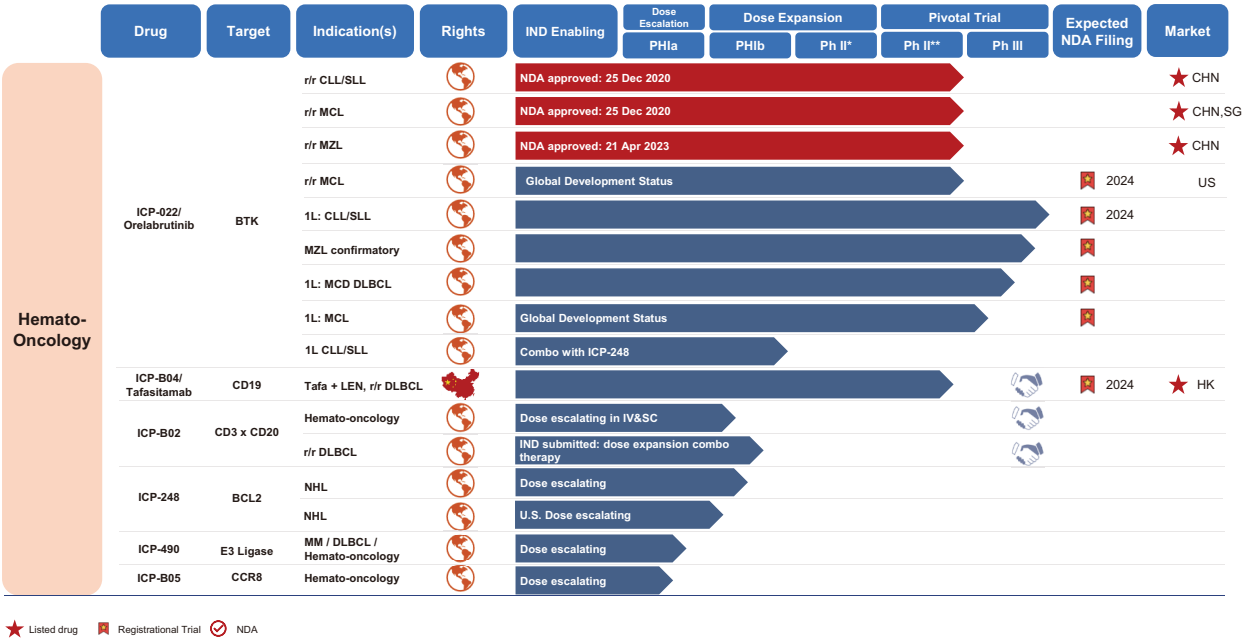
We are also committed to building long-term win-win partnerships and actively engage in clinical development with external partners to enhance the efficiency of drug development for the benefit of patients worldwide. During the Reporting Period, the Group entered into a clinical collaboration with ArriVent to explore the new SHP2 drug in combination with Furmonertinib for the treatment of advanced solid tumors. ICP-B02, a CD20xCD3 bispecific antibody co-developed by the Group and Keymed Biosciences, completed subcutaneous administration to the first patient in July 2023 in China.

Guangzhou InnoCare continues to improve the strength of R&D and innovation and build advanced technology platforms, including the internationally advanced spray drying production line, the hot-melt extrusion solid dispersion production line, and the hot-melt extrusion solid preparation production line. The subsidiary is also equipped with three major platforms of insoluble drug solubilizing preparation technology, oral solid preparation modified-release technology, and target-locating drug delivery preparation technology, to solve the difficult problem of solubilizing insoluble drugs faced by the industry. During the Reporting Period, Guangzhou InnoCare rapidly realized the production of (Orelabrutinib) after it was approved for commercial production. This innovative drug was available to patients in 30 provinces (autonomous regions and municipalities directly under the central government) such as Beijing, Guangdong, and Jiangsu. This marked that InnoCare's platform has fully integrated research, production, and marketing, covering the whole industry chain from independent R&D and sales to production.

R&D RESULTS

With an efficient R&D platform and internal and external collaboration, the Group has achieved abundant R&D results and continues to promote the development of product lines under development. As of the end of the Reporting Period, Orelabrutinib had entered the commercialization stage, and tafasitamab had been approved for use in Hong Kong, Boao, Hainan, and the Greater Bay Area. 13 drugs were in the clinical stage, with more than 30 clinical trials undergoing in various stages worldwide. A number of innovative drugs were in the preclinical stage. Through precision medicine, the Group strives to expand the range of drugs under development for the treatment of solid tumors, to provide appropriate drugs to patients in need in a timely manner, and to benefit more patients.

Product Pipeline — Hematological Tumors



Product Pipeline — Autoimmune Diseases and Solid Tumors

The Group also actively communicates and exchanges with external parties on our R&D and clinical progress. This allows us to showcase the Group's latest R&D achievements in the fields of hematological tumors, solid tumors, and autoimmune diseases, strengthen international exchanges and cooperation, and promote the development of innovation in the industry.

3. PRODUCT AND SERVICE RESPONSIBILITY

- **In May 2023, InnoCare made its debut at Zhongguancun Forum 2023 with ICP-332, a new TYK2 inhibitor independently developed by InnoCare, and took part in the "New Technology and New Products Debut and Promotion Conference" of the International Technology Trading Conference;**

- **In September 2023, InnoCare appeared at CIFTIS 2023 with its innovation pipeline to share our latest progress, comprehensively display our latest innovation pipeline, and participate in relevant pharmaceutical and healthcare international exchange forums to contribute ideas.**

During the Reporting Period, the Group's R&D and innovation capabilities continued to receive external recognition, including the inclusion of ICP-332, a novel TYK2 inhibitor, as one of the Top 10 Influential New Technologies and Products; The Group was also included in the List of Innovative Listed Pharmaceuticals of the 2023 Future Healthcare VB100 Awards, 2023 Top 100 Enterprises in China — R&D Comprehensive Strength in Drugs, and 2023 Top 100 Enterprises in China — R&D Strength in Chemical Drugs.

PROTECTION OF THE RIGHTS AND INTERESTS OF SUBJECTS

In respect of the protection of the rights and interests of the subjects, the Group strictly complies with the *Good Clinical Practice* (GCP) and other laws and regulations. We have set up an Ethics Committee to conduct ethical reviews of all aspects of drug clinical trials. We have also formulated systems such as the *Ethics Committee Framework and SOP* to manage ethical risks and clarify the responsibilities of each department therein.

In the course of clinical research, the Group will sign the *Clinical Trial Agreement* and the Informed Consent Form with the subjects based on the management system related to the protection of the rights and interests of the subjects. We clearly inform them of the possible risks and discomforts, the possible adverse events, the rights of the subjects, and other detailed information, to ensure that the subjects fully understand the nature of the research, the risks and benefits, and their own rights.

ANIMAL WELFARE

The Group strictly complies with the *Laboratory Animal — Guideline for Ethical Review of Animal Welfare* (GB/T 35892–2018) of the People's Republic of China, the Care and Action Plan for Laboratory Animals of the United States of America, and other laws and regulations to protect the welfare and rights of laboratory animals.

The Group's Institutional Animal Care and Use Committee (IACUC) complies with the above laws and regulations in formulating management systems including the *Management Procedures of the Laboratory Animal Welfare Ethics Committee and the Care and Action Plan for Laboratory Animals* to carry out ethical reviews of animal welfare. Based on the principles of laboratory animal protection ("**Replacement, Reduction and Refinement**"), the Group endeavors to use molecular biology and cell biology methods as much as possible to replace animal experiments. This effort can minimize the amount of animals used during experiments, and improve the conditions of experimental animals in terms of diet and environment to maximize the protection of animal welfare.

Laboratory Animal Care Measures

Feeding	• Providing sterilized feed that will keep the animals healthy and clean and sterile drinking water; • Checking daily and changing and adding drinking water promptly.
Living environment	• Using cages that meet the requirements of the national standard, and are clean, sterile, and well ventilated; • Replacing the cage box at the specified time and frequency.
Physical and mental needs	• Meeting the physiological needs of animals, such as defecation, urination, maintenance of constant body temperature, normal activity, and provision of nesting materials; • Providing snacks and toys on a regular basis to ensure mental health of the animals.
Social need	• Ensuring mice live in colonies; • Ensuring that mouse cages that need to be placed separately are not placed on the outermost side of the cage as much as possible.
Daily operation	• Trying to avoid operations that cause discomfort to the animals. If operations that cause pain and discomfort to the animals are needed, anesthetics should be used, and the anesthesia process should be monitored to avoid overdose of anesthesia leading to death of the animals; • The animal should be properly cared for after anesthesia, such as insulation measures.
Phase-out disposal	• Euthanasia of culled laboratory animals or animals in obvious discomfort is carried out in a timely manner to minimize animal suffering;; • The presence of other animals is avoided during the operation.

INTELLECTUAL PROPERTY PROTECTION

Intellectual property is the foundation for maintaining the competitive advantage and sustainable development of enterprises. The Group strictly complies with the *Copyright Law of the People's Republic of China*, *Patent Law of the People's Republic of China*, *Trademark Law of the People's Republic of China*, and *Law of the People's Republic of China on Scientific and Technological Progress*. We adopt a series of measures in respect of external cooperation, internal staff management, information security management, and staff training to protect the Group's commercial and technological secrets effectively and to reduce the risk of infringing on the intellectual property rights of others. The Group will promptly file patent applications in the relevant countries and regions where our technological path and development strategy allow.

Measures and Actions for Intellectual Property Protection

External Cooperation	Employee Management	Information Security Management	Employee Training
• When external cooperation projects involve confidential information, the Group signs contracts with the relevant parties, including confidentiality agreements, to ensure that the contracts provide adequate protection of the intellectual property rights of both parties.	• The Group and its employees sign the *Agreement on Confidentiality, Proprietary Information and Intellectual Property Protection* and the *Non-competition Agreement* to clarify the rights and obligations of both parties in relation to the protection of intellectual property rights.	• In terms of information security, the Group sets requirements on access rights, approval mechanisms, and document storage and backup according to the position level of employees and the confidentiality level of documents, to reduce the risk of intellectual property leakage.	• We contact external third parties to provide industry insights and regulatory training sessions for our large and small molecule team leaders to help them better understand the industry outlook and patent protection strategies.

During the Reporting Period, the Group filed a total of 59 patent applications in a number of countries and regions (including the PRC, Australia, the United States, the European Union, and Japan). This provided full-cycle intellectual property protection for the Group's products.

3.2 ENTIRE PROCESS QUALITY MANAGEMENT

PRODUCT QUALITY MANAGEMENT SYSTEM

The Group strictly complies with the *Drug 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*, *Measures for the Supervision and Administration of Drug Production*, *Provisions for Drug Registration*, *Provisions for the Change Management of Post-approval Drugs ((for Trial Implementation)*, *Provisions for Drug Insert Sheets and Labels*, the *Good Manufacturing Practice (GMP)*, the *Good Clinical Practice (GCP)*, the *Good Laboratory Practice (GLP)*, the *Announcement on the Direct Reporting of Adverse Reactions by Marketing Authorization Holders*, the *Good Pharmacovigilance Practice*, and other relevant laws, regulations, and guiding documents, as well as the international standards of relevant norms, such as those of the International Council for Harmonization (ICH). During the Reporting Period, the Group has studied the newly released *Notice on Enhancing the Supervision and Management of Outsourced Manufacturing for Drug Marketing Authorization Holders (MAHs)* (No. 132 of 2023) and *Introduction of the Guidelines for Quality Risk Management of Different Medicinal Products in Shared Facilities*, performed benchmarking analyses, and revised its internal management procedures in accordance with the Guidelines.

The Group has formulated the *Quality Risk Management Procedures* to identify, assess, control, and monitor risks throughout the life cycle of products, including the processes of R&D, production, storage, transportation, and service, to ensure that the quality management work in each of these processes is carried out efficiently. During the Reporting Period, Guangzhou InnoCare updated and optimized the *Change Control Management Procedures* to establish a process for the assessment and management of all changes affecting product quality or product validation status. This ensures that the application, assessment, review, approval, and implementation of changes in APIs, excipients, packaging materials, specifications, test methods, and operating procedures comply with the requirements of GMP-related regulations.

The Group utilizes risk assessment tools such as failure mode and effects analysis (FMEA), hazard analysis and critical control points (HACCP), and auxiliary statistics to assess and analyze quality risks and further safeguard the effectiveness of product quality management.

The Group regularly provides quality management system training for all employees and targeted quality management training for employees related to product quality to enhance employees' quality awareness and to ensure product quality. During the Reporting Period, the Group provided a total of 11 GMP training sessions covering topics such as learning of regulations, documentation, change control, deviation handling, etc. Through on-site interactions and assessment through exam questions, the Group ensured that participants fully understood the training contents.

Digital quality management — introduction of the Veeva system (a content management platform designed for life sciences companies)
The Group realizes online revision, approval, and issuance of document records through the Veeva system. It ensures the transparency and traceability of the revision process, realizes an efficient online approval and issuance process, and improves the overall work efficiency and management level. The Veeva system helps the Group realize comprehensive online management of employee training. This ensures automatic and accurate matching of jobs and training needs and quick access to employee training history, thereby effectively improving quality management efficiency.

The Group carries out product quality self-inspection regularly. In accordance with the *Self-inspection Management Procedures*, we conduct a comprehensive self-inspection at least once a year. During the Reporting Period, the Company established a self-inspection schedule and plan. We completed the annual self-inspection and formed a report in accordance with the plan. No items were found in the self-inspection results that affected product quality. In respect of product quality management items that still have room for improvement, the Group has formulated the *Corrective and Preventive Action Management Procedures*. We will continue to follow up and implement improvement measures through the implementation of the Corrective Action and Preventive Action (CAPA) management procedures to enhance the product quality management level.

In addition, the Group holds an annual quality system management review at least once a year, which covers key quality indicators, internal and external audits and regulatory inspections, and CAPA. The results of the review are recorded in the *Minutes of Quality Management Review Meeting*. During the Reporting Period, the Group conducted two management reviews of the quality management system. According to the rectification suggestions made by the evaluation, the Group formulated an improvement action plan to specify the improvement measures, responsible person, and completion date, and followed up on the progress of rectification.

The Group is also subject to regular supervision and inspection by external regulatory authorities and takes all necessary measures to improve the quality system and enhance product quality. During the Reporting Period, the Group was subject to GMP daily supervision and inspection by the Beijing Municipal Medical Products Administration and the Guangzhou Huangpu District Medical Products Administration. Among them, the Beijing Municipal Medical Products Administration carried out inspections on the Group's marketed product, Orelabrutinib Tablets, and the Guangzhou Huangpu District Medical Products Administration inspected the computerized management system of InnoCare Guangzhou. Both inspection results were in compliance with the regulations.

R&D QUALITY MANAGEMENT

Before a product enters into clinical trials, the Group conducts toxicology studies and pharmacology studies on it in compliance with GLP requirements and submits clinical trial applications as per regulatory requirements.

In the course of clinical trials, the Group strictly complies with the requirements of laws and regulations such as the *Guideline for Good Clinical Practice of the International Conference on Harmonisation* (ICH-GCP), the Appendix of Drugs for Clinical Trial of *Good Manufacturing Practice* (GMP), and other laws and regulations, and carries out the design of the protocols, the production of clinical drugs, the operation of the clinical trials, the collection and management of data, the statistical analyses, and the submission of applications for new drugs accordingly.

QUALITY MANAGEMENT IN THE PRODUCTION PROCESS

For strict controls of product quality requirements throughout the entire production process, the Group has developed systems such as the *Management of Production Plans*, the *Drug Release Management Procedures*, and the *Management Rules on Quality Management Reviews* to strengthen the quality management of its products. According to the management procedures, the Group evaluates the operation of the quality systems and key performance indicators on a monthly basis, takes corresponding measures, and provides resources based on the evaluation results.

The Group attaches great importance to the responsibilities of the marketing authorization holder (MAH) and the product quality management of the entrusted enterprises. The entrusted manufacturers are required to carry out inspection and production in accordance with the Group's process transfer protocols and relevant standards for approved materials and product quality, and the products are approved by a qualified person before they are released to the market. In the event of product quality-related issues, the Group will require the entrusted manufacturer to deal with them in accordance with the quality agreement. During the Reporting Period, the Group conducted 2 on-site audits of the quality management system of the entrusted manufacturer, issued audit reports, and supervised its rectification. In August 2023, the Group conducted an on-site audit of InnoCare Guangzhou, which was entrusted with the production of Orelabrutinib tablets. The results were in compliance with the regulations and the relevant rectification had been completed. In November 2023, the Group conducted an on-site audit of STA Pharmaceutical Co. Ltd., which was entrusted to carry out the production of Orelabrutinib APIs. The results were in compliance with the regulations and the relevant rectification was in progress.

InnoCare Guangzhou has established a thorough product quality assurance process, and realized continuous and stable operation, ensuring that its own production of products is in line with specifications and registration requirements. At the front end of production, the Company manages and controls the quality of material suppliers, and inspects the quality of all materials before releasing them into the factory. During the production process, the Company carries out centralized inspection and production process control of intermediates. After the production is completed, the Company analyzes and inspects the products, and the QA audits and approves the documents of the entire production process before releasing them. At the same time, the Company establishes and implements processes to prevent contamination, cross-contamination, and confusion to ensure that product quality meets requirements.

In respect of product labeling, the Group is committed to strictly complying with the laws and regulations relating to product labeling. We ensure that truthful and rigorous product and academic information will be provided to the public during the sale of pharmaceutical products. The Group also enters into entrustment agreements and quality agreements with entrusted manufacturers. This ensures that their manufacturing activities are carried out in accordance with the manufacturing processes, specifications, instructions, and labeling approved in the drug registration certificate. During the Reporting Period, due to the change of the expiry date of the products, the Group has updated the packaging and package inserts of the products in a timely manner. We added special precautions on the storage of the products, such as "Please keep the products out of the reach of children".

3. PRODUCT AND SERVICE RESPONSIBILITY

PRODUCT VERIFICATION AND CORRECTIVE AND PREVENTIVE MEASURES

The Group strictly complies with the *National Registration Standards*, the *Chinese Pharmacopoeia*, and other laws and regulations. We have formulated in-house standards, such as the *Quality Standards for 50 mg of Orelabrutinib Tablets*, to carry out product quality inspection. The Group carries out testing of its products with reference to the *U.S. Pharmacopeia* to facilitate the subsequent application and registration process in the U.S. market.

For non-conforming products, the Group has formulated the *Management Rules on Nonconforming Products* and *Management Rules on Rework and Reprocessing* to effectively control and manage non-conforming products. In response to deviations and defects in the production process or non-conforming products due to deviations, the Group develops systems such as the *Deviation Management Rules* to clarify the deviation management responsibilities of each department and the deviation management process. We establish CAPAs based on the results of the investigation of deviations to prevent them from recurrence.

Handling Process of Non-conforming Products

POST-MARKET PRODUCT MANAGEMENT

The Group strictly complies with the requirements of the *Good Pharmacovigilance Practice* and the *Announcement on the Direct Reporting of Adverse Reactions by Marketing Authorization Holders*. We have developed the *InnoCare Pharmacovigilance Policies* and other management systems to standardize the process of collection and handling of adverse events. We make every effort to safeguard the safety of the drugs.

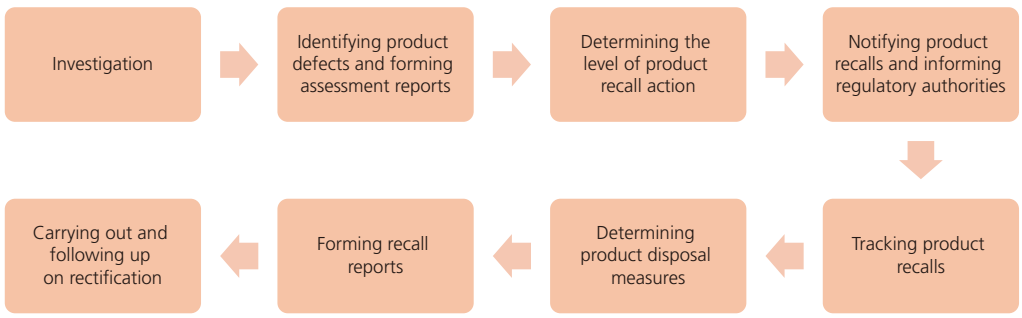
To ensure the safety of drugs, the Group has set up a Drug Safety Committee, which is responsible for the study and judgment of major risks of drugs, the handling of major or emergency drug events, and the decision-making of risk control. The Group also carries out safety signal testing on a regular basis, and continues to monitor possible adverse drug reactions and safety issues.

The Group encourages all employees, partners, or members of the public to inform the Group through a dedicated telephone number (400–635–1999) or email (PV@innocarepharma.com) when they are notified of safety events such as adverse reactions. We have published the feedback channel on our official website. For the handling of individual safety reports of marketed products, the Group has formulated independent standard operating procedures, which cover report collection and review, data entry, data quality control, medical review, report submission, report follow-up, and death case investigation. During the Reporting Period, the Group did not receive any reports of mass adverse reaction events on account of defective medicines.

Meanwhile, we also require all new employees to carefully read and sign the *Confirmation Letter of Duty Notification of Pharmacovigilance (PV) for InnoCare Employees*, learn about pharmacovigilance-related laws, regulations, and systems, and fully understand their core contents during new employee training.

The Group has established a recall management system that complies with GMP requirements. Through documents such as the Regional Action Management Procedures, the Group standardizes the regional actions triggered by product defects, such as the process related to product recalls. The Group has also established a process for handling product returns or exchanges. If there is any demand for product returns or exchanges, the Group will follow the process and the Quality Department will conduct inspections and analysis to make a decision on the handling.

Product Recall Process



During the Reporting Period, to ensure the effectiveness of the recall process, the Group conducted a mock recall procedure jointly with the relevant departments to test and enhance the capability and efficiency in responding to recall incidents. The product under mock recall was the Group's only commercialized product, Orelabrutinib Tablets. The execution of the mock procedure was effective, fully proving the effectiveness and operability of the Group's recall process. During the Reporting Period, the Group did not undergo any incidents requiring recalls due to product safety and quality issues.

3.3 CUSTOMER RIGHTS PROTECTION

CUSTOMER COMPLAINT HANDLING

The Group attaches great importance to the opinions of its customers and deems them as important references for service improvement and product quality enhancement. We have set up various communication and feedback channels for customers, such as e-mail (info@innocarepharma.com) and a dedicated telephone number (+86-10-66609999), to receive customer feedback. We have also formulated the *Product Complaint Management Procedures* to continuously optimize the product complaint handling process to ensure that customer complaints are handled in a timely and professional manner. Upon receipt of a complaint, the Group will immediately carry out registration, assessment, investigation, continuous tracking, and report summarization. At the assessment stage, we categorize customer complaints according to their severity and handle them separately. We ensure that a reply is given to the customer within a limited period of time, that a proper solution is provided, and that appropriate extensions of time may be granted only under special circumstances. In the meantime, we strictly implement CAPAs to guarantee customer satisfaction. During the Reporting Period, the Group received a total of 11 cases of quality-related complaints and resolved 100% of the customers' complaints.

The Group has also established a feedback channel for patients or doctors to obtain information on drugs in the market through opening a medical service contact channel, continuing to monitor the improvement of drugs that have entered the commercialization stage. During the Reporting Period, the Group has completed the investigation and handling of all complaints received in relation to its products and services.

INFORMATION SECURITY AND PRIVACY PROTECTION

The Group strictly complies with the *Data Security Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China*, and other laws and regulations.

We have set up a comprehensive information security and privacy protection management system covering a wide range of aspects such as management system, protection measures, and awareness enhancement, to strengthen the all-round management of information security. During the Reporting Period, the Group did not have any privacy leakage incidents involving related parties.

Information Security and Privacy Management System

Management system	• During the Reporting Period, the Group sorted out the existing information management system. We added the *Enterprise Mail Group Management System* to standardize the security management of the Company's mail groups on the basis of the existing management systems, including the *Information System Access Management System*, the *Information System Change Management System*, the *Computerized System Access Right and Password Management*, the *Information-Based System Events Management Regulations*, the *Server Room Security Management System*, the *Management System on Information System Disaster Recovery*, the *Management System on Information-Based System Accounts*, and the *Backup, Archiving and Recovery of Computer Informatization System*. • We establish a personal privacy management system, clarify privacy protection requirements for personal information processors, and improve our own data security capabilities and risk management.
Protective measures	• We standardize the updated data security management requirements from the information technology application system end to the personal computer terminals of employees; • We implement enhanced security measures in cloud data centers and local Internet Data Centers (IDCs) to improve network and data protection capabilities; • We have built a disaster recovery center in the cloud data center to ensure the continuity of the Company's important business under disaster scenarios; • We formulate data backup and encrypted storage strategies, establish a unified data backup center, and complete the off-site backup mechanism at multiple sites; • We establish information management procedures for third-party visitors, including visitor registration, visitor reception, and a dedicated Wi-Fi network for visitors; • Any lending or dissemination of documents of the Group to third parties, except in cases where it is necessary for work purposes, will be subject to legal liability.
Raising employee awareness	• We provide information security training to employees on a regular basis, and incorporate information security training into the new employee orientation training, making it a monthly training covering all new employees. These measures have significantly enhanced employees' awareness of information security.

3.4 SUPPLY CHAIN MANAGEMENT

SUPPLIER QUALITY MANAGEMENT

Suppliers of the Group mainly include production suppliers and non-production suppliers of products and services. To efficiently manage suppliers and supply chain-related affairs, the Group has formulated management systems such as *Procurement Management Policy*, *Supplier Management*, *Material Supplier Management*, *Consumable Supplier Management*, *Contractor Management*, *Monitoring and Maintenance of Supplier*, and corresponding management processes.

Supplier Quality Management Process

The Group stipulates the corresponding auditing frequency and auditing method requirements based on the categories of suppliers. We continue to evaluate the suppliers in terms of their quality, service, cost, and other dimensions to ensure that the suppliers always meet the Group's requirements and expectations. When a qualified supplier's product is found to have substandard quality, the Group will conduct a risk assessment of the finding. According to the risk level obtained from the assessment, we take measures such as rectification within a certain period of time or suspension of supply qualification for such suppliers. The Group provides incentives to high-performing suppliers by increasing the proportion of purchases according to the actual situation, to recognize their excellent performance and to promote a closer partnership.

Supplier Category		Audit Frequency and Methods	Quality Management Measures
Tier 1 suppliers (production)	Major suppliers	No less than 1 on-site audit every 2 years	• According to the management requirements, we conduct on-site audits or written qualification audits on the production testing capability and quality management capability of the suppliers. We only carry out cooperation after confirming the supplier's compliance with the requirements. • The competency of the supplier's quality management is continuously recognized through cyclical audits.
	General suppliers	Written qualification review	
Tier II suppliers (non-production)	Key indirect suppliers (service providers)	Conduct on-site audits for high-risk suppliers and perform written qualifications for the rest.	• Focus on their performance in terms of service quality, and constantly evaluate their supply reliability, logistics competency, and emergency response capability.

To manage supply chain quality risks, the Group conducts regular quality audits or improvement training for all major suppliers. We carry out service training, technical training, and quality communication with suppliers through various means such as on-site training, online meetings, or written communication. The Group also conducts online meeting communication with major suppliers every two weeks and on-site communication or annual review once a year in respect of demand forecasting, post-supply review, quality assessment, and issues and deviations. In response to quality issues arising from suppliers, the Group discusses with suppliers the causes of occurrence and solutions to assist suppliers to better address quality issues and continuously enhance product quality.

3. PRODUCT AND SERVICE RESPONSIBILITY

SUPPLIER SUSTAINABILITY

The Group continues to focus on the environmental and social performance of the suppliers. To ensure that suppliers comply with the relevant standards and requirements, the Group has established the *Supplier EHS Management Procedures* to further standardize the approval and qualification procedures for suppliers. We audit the qualifications of suppliers in terms of their occupational health, safety, and environmental management. We carry out access auditing inspections to comprehensively assess the compliance and risk control capabilities of suppliers, and to effectively avoid procurement risks and compliance risks.

The Group regularly audits and monitors the environmental and social regulatory risks of its suppliers to ensure that they comply with relevant laws and regulations, such as respecting the basic human rights of employees. During the construction of new plants, the Group sets the EHS (Environment, Health and Safety) goal of "zero injuries and zero accidents" for construction suppliers. We require suppliers to sign an EHS agreement to protect the health and safety of their employees.

The Group supervises the rectification of suppliers with problems such as non-conformities in occupational health, safety, or environmental assessments. If the supplier still fails after rectification, the Group will eliminate them from its list of suppliers to ensure that the quality and compliance of suppliers meet the Group's expectations and requirements. The Group may terminate the cooperation with a supplier if the supplier's performance fails to meet the expected requirements and does not take effective improvement measures.

The Group is committed to creating an atmosphere of healthy competition among suppliers. We prompt suppliers to continuously improve their EHS management through the mechanism of survival of the fittest. This ensures that suppliers continue to provide satisfactory products and services to the Company on a stable basis. It also promotes the continuous improvement and enhancement of the whole supply chain. We promote the sustainable development of our supply chain through regular communication, induction training, monitoring, and signing of agreements. Through regular communication with suppliers, we help suppliers gain a deeper understanding of the Group's requirements in compliance, labor standards, and environmental management. We encourage suppliers to prioritize the use of environmentally friendly products and services.

4.1 EMPLOYEE RIGHTS AND BENEFITS

EMPLOYMENT

The Group strictly complies with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Minors*, and the *Social Insurance Law of the People's Republic of China*. We have formulated an *Employee Handbook* in accordance with them. This document regulates the employment and dismissal, remuneration, promotion, benefits, working hours and rest periods, anti-discrimination, and equal opportunities of employees, to ensure the improvement of the Group's internal management system and the compliance of various measures.

The Group has three types of employees: regular employees, labor dispatch employees, and part-time employees. We always adhere to the principles of fairness, equity and openness in recruitment, and eliminate any form of discrimination and unequal competition. We do not differentiate between employees on the basis of their gender, age, marital status, nationality, and religious beliefs to ensure that every employee receives equal opportunities and treatment. The employment and dismissal of employees shall be subject to the approval and operational procedures set out in the *Employee Handbook*, fully safeguarding employees' legal rights and interests.

The Group implements the standard working hour system, the flexible working hour system, and the comprehensive calculation of working hour system to ensure reasonable and lawful working time arrangements for employees. We apply to the labor security administrative department for the implementation of the flexible and comprehensive calculation of working hours system as needed to meet the requirements of different work natures and tasks. The Group actively encourages its employees to improve work efficiency to ensure that work tasks are completed on time, with the right quality and quantity. If employees need to work overtime due to special circumstances, they must make an application in writing in advance to their department and obtain approval. Upon approval, the Group will provide reasonable compensation to employees for overtime work by exchanging the time off or paying overtime payment.

The Group is committed to a safe, respectful, and inclusive work environment and is strongly opposed to all forms of workplace harassment. The *Employee Handbook* clearly states that any form of harassment, including verbal, physical, and visual harassment, is prohibited in the workplace. It applies to all employees of the Group, customers, suppliers, and other individuals with whom the Group conducts business. Based on our management regulations, the Group classifies and gives examples of workplace harassment to provide employees with a clear code of conduct and behavioral boundaries, so that they can strictly regulate their own behavior. Besides, the Group has made it clear in the *Employee Handbook* that in the event of a breach of the above, the Group will deal with it promptly and take legal action where appropriate.

The Group strictly complies with employment and labor-related laws and regulations and industry standards to put an end to child labor and forced labor. When new employees join the Group, they are required to sign employment contracts and present documents such as ID cards, academic certificates, and proof of termination of their employment relationship with their former companies, to ensure that their identities are genuine and valid, to eliminate irregularities in employment. The Group guarantees that no forced labor or child labor occurs through stringent system regulations and process controls.

During the Reporting Period, the Group had no any labor employment-related violations or employment disputes.

4. TALENT DEVELOPMENT RESPONSIBILITIES

EMPLOYEE BENEFITS AND CARE

Upholding the core value of being "people-oriented", the Group has always regarded employee welfare as a key factor in the sustainable development of the enterprise. We provide a comprehensive welfare program for our employees, and enhance their sense of belonging and happiness by focusing on four areas: insurance and leave benefits, cultural and sports activities, employee care initiatives, and daily communication mechanisms. This lays a solid foundation for the Group's sustainable development.

Employee Benefits and Caring Measures

Dimension of Care	Measures
Insurance and leave benefits	• We provide all regular employees with social insurance, housing funds, supplemental commercial insurance, and children's insurance, including critical illness insurance and supplemental medical insurance for two children. • Newly married employees are entitled to wedding leave; Pregnant female employees are entitled to a half-day pregnancy check-up leave once a month; Male employees are entitled to fifteen days of paid paternity leave among others. • We provide supplementary annual leave in addition to the statutory annual leave, which is categorized as 10, 12, or 15 days per year depending on the employee's position level. The annual leave is incremental from the third year of employment up to a maximum of 25 days per year. • In addition to various statutory holidays, we also give out holiday benefits or hold activities during festivals, such as celebrations for International Children's Day on 1 June, International Women's Day on 8 March, Mid-Autumn Festival, Company anniversary, and New Year celebrations as well as welfare distribution and Lottery Draw during the company's annual meeting, to recognize our employees' hard work and outstanding performance. • We arrange a physical examination for each employee annually, guaranteeing the timely concerns for such employee's physical conditions.
Recreational and sports activities	• We organize sports and cultural activities after work, such as badminton club and basketball club. • We develop policies for team activity fund management, so that internal teams can use special funds to organize all kinds of team-building activities to enrich employees' lives. During the Reporting Period, the Group organized team-building activities for the middle and senior management of the Group, such as "Striving to be the First".

Dimension of Care	Measures
Employee care initiatives	• We strive for government support policies for employees in difficulty and provide certain medical relief, subsidies, and other humanistic care such as public rental housing for employees suffering from serious illnesses, to alleviate the burden of some employees in difficulty. • We regularly distribute health protection products such as masks to employees and make every effort to protect their physical and mental health. • We pay attention to the psychological health of employees and provide timely assistance or psychological counseling to employees suffering from psychological problems. • We set up baby care rooms specially for female employees in each office area to provide professional facilities and a comfortable environment for novice mothers among employees. • We organize International Women's Day activities for female employees to enliven the corporate culture, select female representatives to disseminate their deeds, for concerns about women's rights and interests and presentation of women's strength.  • We organize International Children's Day activities on 1 June for employees' children, for which special gifts are offered to care for employees' children.

4. TALENT DEVELOPMENT RESPONSIBILITIES

Dimension of Care	Measures
	 • We offer gifts or consolation money to employees for their major events such as marriage, newborn children, or death of an immediate family member. • We distribute gifts in the birthday month of employee to express care and celebration.
Daily communication mechanisms	• We organize regular corporate meetings for all the staff to share the R&D projects and operational progress of the Company, and communicate with them about the latest policies and development plans. • We arrange regular dinners between the leaders and key employees to discuss work issues, improvement measures, and others. • We conduct routine communication through instant messaging platforms such as WeChat account of the Company and periodic meetings.

4.2 EMPLOYEE TRAINING AND RETENTION

EMPLOYEE TRAINING AND DEVELOPMENT

The Group is committed to cultivating a group of experienced innovative drug talents for China through the creation of new drugs. Adhering to the talent development values of "dedication, perseverance, innovation, win-win collaboration, and pursuit of excellence", we aim to "build an efficient and optimal organization, and create a favorable and distinctive corporate culture". We provide diversified learning opportunities for our employees, as well as an attractive remuneration and promotion system, which stimulates their innovation ability and execution drive. All these help improve the professional capability of the employees, retain outstanding talents, and continue to enhance the Group's independent innovation and R&D capability.

The Group has set up a comprehensive employee training system and regularly conducts various types of training, such as new employee training, professional training, competency training, and management training. The departments also arrange specialized external training from time to time, including vocational induction certificate training, regulatory training, and professional skills upgrading training.

InnoCare's Employee Training System

Management training: Online management training by China Europe International Business School (CEIBS), offline workshops, and *Manager's Handbook* series training were carried out.

Management training: Online management training by China Europe International Business School (CEIBS), offline workshops, and *Manager's Handbook* series training were carried out.

Competence training: We organize R&D staff to participate in title evaluation, commercialization team to participate in training in pharmacy, occupational safety training, etc.

New employee training: Professional new employee training is carried out on a regular basis according to the number of new employees, which covers the guidebook on new employee's induction, new employee orientation, etc.

During the Reporting Period, the Group organized a total of 6 lectures of InnoCare New Drug Club, which were themed on different stages of new drug development, with a total of more than 700 participants. In addition, the Group conducted professional online training courses on competency skills, focusing on topics such as employee thinking, time management, and communication, to enhance employees' workplace skills, attracting a total of more than 500 participants.

4. TALENT DEVELOPMENT RESPONSIBILITIES

To enhance the management ability of managers, the Group launched the online management training of CEIBS for middle and senior managers, which helped managers to improve the ability of self-growth and development, execution and performance, innovation and change, motivation and leadership, teamwork, and other competencies in the dimensions of self-driver, high-efficiency implementer, and team leader. We also organized offline workshops to help managers strengthen the combination of theory and practice, with a total of more than 80 middle and senior managers participating in this six-month program.

Furthermore, Group has compiled the Manager's Handbook. To ensure that every manager fully understands and applies it, the Group conducted a series of continuous training for middle and senior managers on the relevant contents of the Manager's Handbook. This unified the management concepts of the managers and strengthened teamwork and communication.

EMPLOYEE PROMOTION AND RETENTION

The Group fully guarantee the promotion and career path development of our employees and helps them enhance their self-worth and career growth. Through regular market surveys, the Group provides employees with market-competitive remuneration based on reasonable grades as set out in the *Employee Handbook*. We adopt the "3P1M" method — i.e., designing the remuneration system based on four factors, namely, Position, Person, Performance, and Market. We re-evaluate their salary structure and level every year, and make salary adjustment decisions according to market conditions, individual factors, position factors, and individual performance of the employees as appropriate.

Meanwhile, the Group conducts a regular promotion program every year, in which the department head, human resources leader and the CEO of the Company evaluate employees' performance, professional behavior, and work attitudes, and decide on their career development paths based on the results of the assessment in conjunction with the employees' willingness, so as to promote the common growth of individuals and the Group.

To stimulate employees' motivation and innovation, the Group has established a diversified incentive system. In terms of honor recognition, the Group has set up the InnoCare honor system to select the star teams and employees of the year. We provide appropriate bonuses for encouragement and present honorary awards during the annual general meetings or celebrations. The Group has also established an equity incentive mechanism to grant restricted shares to eligible core and backbone employees in key positions and managers to enhance employees' sense of belonging and loyalty. During the Reporting Period, the Group granted 11,900,000 RSUs to 132 grantees under the 2018 Pre-IPO Incentive Plan, 2023 Equity Incentive Plan and 2023 Sci-Tech Innovation Board Restricted Stock Incentive Plan, including the grant of 11,400,000 RSUs to 131 employee participants.

4.3 EMPLOYEE HEALTH AND SAFETY

PRODUCTION SAFETY MANAGEMENT

Adhering to the EHS policy of "safety first, environmental friendliness, concern for health, prevention prioritized, conjunctive management, and shared responsibility", the Group strictly abides by the laws and regulations such as the *Work Safety Law of the People's Republic of China*, the *Fire Protection Law of the People's Republic of China*, the *Regulations on Safety Management of Hazardous Chemicals*, and the *Regulations on Work Safety in Guangdong Province*. We have established the internal system documents such as the *EHS Organizational Structure and Responsibilities, the Environmental, Health and Safety Management Accountability,* the *EHS Publicity, Education and Training System*, the *EHS Safety Inspection and Regular Meeting System*, the *EHS Inspection and Regular Meeting System, the Risk Grading Control System*, the *Investigation and Management System for Production Safety Accident Hazards*, and other internal system documents, to fully protect the health and safety of employees.

To meet the operational needs of the system, the Group has established a library of EHS laws and regulations. We regularly identify the relevance and validity of various types of laws and regulations and update them. During the Reporting Period, the Group identified a total of 1,117 EHS-related laws and regulations, carried out 3,911 items of compliance evaluations, and analyzed the causes of non-conformities. We then proposed rectification plans and formulated rectification measures to ensure timely and effective elimination of non-compliance. In response to the inadequate procedural documents, as revealed by the identification results, the Group newly formulated 138 new procedural documents and revised 24 procedural documents. These documents ensured that the Group's operation and management complied with the requirements of the relevant laws and regulations, and that the various business and operational processes are always standardized and regulated, thereby preventing and controlling potential risks.

Upholding the concept that "putting safety management at the core of industry, business and production management ", the Group has established a sound responsibility system for work safety by all employees. We set up an EHS management committee chaired by the CEO, with the leaders in charge of each system as the vice-chairmen, and the heads of each department as the members, so that multiple parties cooperate to carry out EHS management During the Reporting Period, the Group adjusted the composition of the EHS Management Committee in accordance with the requirements of the laws and regulations on work safety and in response to the landscape of the organizations and personnel of the functional departments. We convened one meeting of the Committee every quarter to discuss and resolve the Group's major safety issues and to decide on important safety matters, covering the implementation of the system of shared safety responsibility of all employees and line responsibility for territorial management.

Based on internal business conditions, the Group sets annual targets for production safety accountability. By way of the statement of responsibilities for EHS target, such targets are broken down and implemented. To ensure the successful achievement of the goals, senior management regularly analysis performance indicators and data, enhancing the review of operational departments, and conducting internal and external reviews. To enhance the management's attention to safety, the Group also incorporates the implementation of safety measures into management's annual performance evaluation. During the Reporting Period, the Group successfully achieved various annual EHS goals, including "0" lost-time injuries and "0" recordable incidents. We accomplished a full year without workplace accidents, and our cumulative safe working hours reached 3,702,012 hours, a remarkable safety performance.

4. TALENT DEVELOPMENT RESPONSIBILITIES

In accordance with the *Notice of the Ministry of Industry and Information Technology and the Notice issued by the Ministry of Industry and Information Technology and the Ministry of Emergency Management on the Printing and Distribution of the 'Industrial Internet + Work Safety' Action Plan* (2021–2023), the Group actively promotes the process of informatization of safety management and constructs the information system of work safety. The system integrates the control standards and business processes of high-risk operation management, risk classification and control, hidden danger investigation and management, and training and education in a comprehensive manner. This allows us to achieve the standardization of the process of operation permits and further implementation of the key risk control points, and to effectively control and prevent accidents of safety risks. During the Reporting Period, the work safety information system was officially commissioned. This helped further standardize and implement the system of shared safety responsibility of all employees and optimize the investigation and management of hidden dangers and risk classification and control.

2023 EHS Goals
"0" lost-time injuries
"0" recordable incidents
"0" medical emergencies
"0" environmental pollution accidents
"0" occupational disease accidents

The Group is diligently driving the construction of a safety management system. During the Reporting Period, Guangzhou InnoCare successfully underwent the annual surveillance audit of ISO45001 Occupational Health and Safety Management Systems conducted by expert auditors from the British Standards Institution (BSI). This achievement extends the scope of the system to encompass a broader array of workshops and personnel, thereby ensuring a more comprehensive protection of employee health and safety.

For the purpose of ensuring that all kinds of potential safety hazards and risks are detected and prevented in a timely manner, the Group regularly organizes all departments and positions to carry out comprehensive safety risk identification. During the implementation phase of the project, the Group set up a project EHS management team consisting of EHS managers from the implementation division, supervision division, and construction division, with the Group's Deputy Director of EHS serving as the team leader. The team integrates the safety management personnel and various professionals for unified and coordinated risk assessment, safety inspection, and rectification of hidden dangers to improve safety performance. During the Reporting Period, the Group undertook systematic identification of risk scenarios at each facility, all of which generated hidden danger investigation lists and issued risk analysis reports. The Group also adopts a combination of regular and random inspections to screen comprehensive risks in all operating areas to ensure work safety. We actively cooperate with the supervisory organization to organize relevant personnel to inspect safety hazards daily, weekly, and monthly, and promote the implementation of rectification of hidden dangers, to truly solve the safety problems in the implementation of the project. During the Reporting Period, our bases rectified the safety problems identified during the inspection process, with the rectification pass rate up to 99.80%.

The Group promotes the construction of a chemical process management system. During the Reporting Period, to ensure the safe production of raw materials, the EHS team of the Group closely contacted the process research and technology transfer team, participated in 5 process safety analysis projects, and completed 30 process safety assessment reports and risk analysis reports. These provided strong support for R&D personnel and raw material production personnel in the development of process safety cards and safety operating procedures.

Regarding laboratory safety management, the Group scrupulously adheres to the *Laboratory Safety Management Procedures*, the *Laboratory Management Procedures*, and other relevant regulations. We have formulated practical and effective safety operation procedures and relevant safety manuals to standardize the basic requirements of laboratory safety in regard to the five major factors of personnel, machines, materials, methods, and environment. And annual risk assessments are systematically conducted. With regards to hazardous chemicals, the Group has formulated a total of 51 governance documents, including the *Warehouse Management Procedures and Hazardous Material Storage Management Procedures*. Through the control of standard procedure documents, the Group ensures the control and management of the Company's hazardous material warehouses and stored hazardous materials, and eliminates the occurrence of safety accidents. These contribute to the protection of employee well-being and the sustained, orderly functioning of the enterprise.

SAFETY TRAINING AND EMERGENCY DRILLS

The Group strictly adheres to the principle and policy of "safety first, prevention foremost and comprehensive governance" and further implements the work safety accountability system for all employees.

The Group has meticulously crafted the *EHS Publicity, Education and Training System*. This document details the types of training required for employees with respect to job characteristics and provides different courses for employees in different positions. During the Reporting Period, with the development and deployment of the work safety information system, the Group embedded the training management module into the safety information system. This allowed us to break through the limitation of training time and space through the matrix-based and systematic management of training. It enables employees to make use of the fragmented time to learn systematic knowledge and obtain intelligent interactive experience, thus saving training time.

The Group adopts a training mode of combining online and offline training, and conducts occupational health and safety training for new employees, employees in special positions, and contractors' employees. This provides a strong guarantee for the safe production of the enterprise on a continuous basis.

4. TALENT DEVELOPMENT RESPONSIBILITIES

Safety Training System

Three-level education and training for new employees	• Employees must be trained in occupational health and safety, acquire safety skills to deal with risks, and pass the assessment before taking their posts. During the reporting period, the completion rate of the three-level education and training for new employees was up to 100%.
Special operations training	• We carry out training and assessment of employees in accordance with the requirements of the *Regulations for Safety Technical Training and Assessment of Special Operators*. During the reporting period, the completion rate of certification and retraining for special operations training was up to 100%.
Specialized education and training	• We organize targeted special training in mental health, defensive driving, operational safety analysis, and the use of foam fire extinguishers.
Accident education and training	• In response to external major accidents, we organize education and training for employees on relevant accidents to prevent similar accidents from occurring in the Group. During the reporting period, the Group provided a total of two accident education and training sessions.In response to external major accidents, we organize education and training for employees on relevant accidents to prevent similar accidents from occurring in the Group. During the reporting period, the Group provided a total of two accident education and training sessions.
Contractor personnel training	• The EHS Department conducts safety education and training for the construction personnel, and they will be allowed to start construction on site only after passing the assessment. During the reporting period, the pass rate for contractor training before construction was up to 100%.

2023 Safety Training Measures and Progress of InnoCare

Type of Training	Measures
Safety management training	• The Group completed safety management training for relevant safety management positions, including safety officers, safety managers, hazardous chemical managers, occupational health officers, occupational health managers, and fire prevention managers. During the Reporting Period, all employees in relevant management positions have completed training.
Position certificate training	• The Group provided skills training and complete certification for staff who need to be licensed, such as the Pressure Vessel Manager's License, the Pressure Vessel Operator's License, the Electrician's License, and the Registered Safety Engineer's Certificate.
Training for special positions	• The Group required employees in positions exposed to occupational disease hazards to complete occupational health training; • The Group carried out training for personnel in biosafety level 2 (BSL-2) laboratories, who passed the assessment before starting work.

The Group has been actively carrying out a variety of safety activities to raise employees' awareness of the importance of work safety. During the Reporting Period, the Group organized a "Work Safety Month" activity. We held EHS knowledge contests, physical fitness contests, and the "EHS & MARATHON" commendation ceremony for all employees. These strengthened the "red line awareness and bottom line thinking", created a desirable safety atmosphere, and raised the awareness of safety responsibilities among employees. In the safety management of projects, the Group also promotes safe construction through activities such as the "First Lesson of Construction", "Project Contractor Seminar" and "700,000 Safe Working Hours Commendation Ceremony". We thus convey our safety concepts and culture to the parties involved in the construction of the projects.

EHS Knowledge Contest

First Lesson in Starting Project Construction in 2023

The Group formulates and improves its emergency response plan based on the results of risk assessment, and carries out special emergency response drills for laboratories, fire fighting, emergency evacuation, special equipment, poisoning in limited space, and others according to the annual drill plan, to improve the emergency response capability of the staff. During the Reporting Period, the Group's safety training and emergency drills covered all employees, with a passing rate of 100% in the training effect assessment. This effectively improved our employees' ability to deal with emergencies, realized self-rescue and mutual rescue in hazardous conditions, and enhanced their safety awareness.

For accident emergency and response procedures, Guangzhou InnoCare has developed a Business Continuity Plan (BCP) to assess its impact on business continuity. This plan covers multiple important dimensions such as fire and explosion, environmental impact, public works, and critical APIs and excipients, and establishes a comprehensive evaluation mechanism and recovery strategy. According to the internal review, the plan meets the Company's requirements and has also been recognized by relevant government authorities.

4. TALENT DEVELOPMENT RESPONSIBILITIES

Drills for Environmental Emergencies

- We simulate the possible hazardous substance leakage accidents in different departments to carry out drills such as emergency drills for dangerous chemical leakage in warehouses, emergency drills for poisoning and asphyxiation accidents in limited space at sewage stations, laboratory biosafety drills, laboratory exhaust gas treatment equipment failure drills, etc. This enables us to strengthen the emergency response capability of the corresponding personnel, and to master the emergency response measures for different hazardous materials and the requirements of wearing labor protection articles in emergency situations.

Fire Evacuation Drill for Fire Incidents

- We conduct fire and personnel injury drills, such as API workshop fire accident and fire evacuation drills and laboratory chemical experiment fire drills, to test the R&D experimental personnel's emergency response capability. This ensures that the handling steps are carried out correctly and orderly in case of unexpected situations, and verifies the effectiveness of the contingency plan and the practicality of emergency supplies.

Laboratory Biosafety Drills

- By conducting drills on biological leaks and personnel injuries, we test the emergency response capabilities of R&D laboratory personnel to ensure that they handle unexpected circumstances properly and verify the practicality of emergency supplies.

Emergency Drills for Other Security Incidents

- We organize elevator entrapment emergency drills, anti-terrorism drills, etc., to test the emergency response capabilities of security personnel and the effective linkage of handling steps.

Case: Fire Evacuation Drill in Beijing Changping Office

On June 14th, 2023, coinciding with the 22nd iteration of the National Work Safety Month, InnoCare carried out fire evacuation drills with the theme of "Everyone pays attention to safety and knows how to respond to emergencies". Upon hearing the sound of the alarm, the staff quickly evacuated along the fire escape to the safety zone, then the main leaders made the headcount to ensure that all the people escaped. The EHS team arranged on-site demonstrations of fire fighting facilities and experiential activities, which helped employees master the basic knowledge of fire scene evacuation and escape, and improve their fire safety awareness and emergency self-rescue capability.

OCCUPATIONAL HEALTH

The Group is devoted to creating a safe and secure working environment for its employees. We strictly abide by the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* and other relevant regulations. We have formulated 13 systems, including the *Occupational Hazard Warning and Notification System, Chemical Hazardous Factors and Occupational Health Risks Assessment System, Occupational Disease Protective Supplies Management System, Occupational Disease Hazard Emergency Rescue and Management System*, and other systems. We ensure the occupational health of employees by providing safety materials, preventing occupational diseases, regularly inspecting occupational disease hazard factors and evaluating present situations, and regularly organizing employee physical examinations.

The Group firmly regards the "five 100%" of occupational health management as its objectives, safeguarding the occupational health rights and interests of employees, achieving full coverage of occupational hazard management, and ensure that there are no occupational The Group firmly regards the "five 100%" of occupational health management as its objectives, safeguarding the occupational health rights and interests of employees, achieving full coverage of occupational hazard management, and ensure that there are no occupational

The Group carries out regular testing and status evaluation of occupational disease hazards in line with the relevant system. During the Reporting Period, the positions involving risks of occupational diseases identified by the Group included laboratory personnel, hazardous chemical warehouse managers, and sewage treatment personnel. The main occupational disease hazards to which they were exposed were chemicals contacted in the course of their work, such as methanol, acetonitrile, and ethyl acetate. As a result of the transfer of the API production site, the occupational disease hazard of the construction project was aggravated from "general" to "serious". The Group attaches high importance to the safety and security measures for the above positions to ensure the health and safety of staff.

The Group regularly replaces special equipment such as various types of pressure vessels to ensure stable performance and safe operation. For positions identified with occupational disease risks, we set up negative pressure operations, airtight equipment, isolators, fume hoods, and top exhaust hoods to reduce the concentration of chemicals to which employees may be exposed. We regularly invite qualified occupational hygiene organizations to carry out tests to ensure that the working conditions to which employees are subjected are in line with health requirements. The Group provides employees with personal protective articles that meet the standards to minimize the negative impact of the working environment on employees' health and to protect them from occupational disease hazards. During the Reporting Period, Guangzhou InnoCare invited third-party experts to provide occupational health training, explaining to employees the precautions for the use and maintenance of various types of respiratory protective articles and the noise-reducing performance of various types of earplugs and earmuffs. We put forward reasonable suggestions according to the differences in each production position to enrich the employees' practical knowledge of occupational safety in all aspects.

4. TALENT DEVELOPMENT RESPONSIBILITIES

Guangzhou InnoCare strictly implements the *Special Equipment Safety Law of the People's Republic of China* for the management of special equipment, fulfills the requirements of the *Administrative Regulations for the Supervision of The Implementation of the Main Responsibility for Quality and Safety in Special Equipment Production Units* (SAMR No. 74). It establishes a long-term management mechanism to ensure the safety production of the Company. According to the requirements of the local government, Guangzhou InnoCare has established a special equipment safety management organization, which sets up positions such as special equipment safety director, elevator safety director, elevator safety officer, pressure vessel safety director, pressure vessel safety officer, pressure pipeline safety director, on-site motor vehicle safety director, and on-site motor vehicle safety officer. The organization is responsible for the safety management of the Company's special equipment. Based on the structure, characteristics, and working conditions of the Company's various special equipment, we have identified a risk control list for various types of special equipment. Based on the risk control list, we organize daily inspections, weekly inspections, monthly scheduling, and monthly inspections of special equipment, and carry out dynamic risk management for special equipment.

The Group provides comprehensive annual physical examinations for all employees and annual occupational physical examinations for employees engaged in specialized operations, such as laboratory employees in chemistry, biology, pharmacokinetics, drug analysis, and pharmacology. The results of the physical examinations will be handled in accordance with the national regulations on occupational health and filed with the National Health Commission. During the Reporting Period, Guangzhou InnoCare and Beijing InnoCare carried out occupational physical examinations for employees in positions exposed to occupational health hazards, covering a total of 95 new employees, 218 in-post employees, and 37 off-post employees. The admission qualification rate reached100%, and no suspected occupational diseases were found.

During the Reporting Period, the Group did not report any incidents of work-related injuries, fatality incident due to work-related injuries, or occupational disease hazards.

5.1 ENVIRONMENTAL MANAGEMENT SYSTEM

The Group follows the policy of being "environmentally friendly", and embraces the green concept of harmonious coexistence between human beings and nature. We attach great importance to the environmental impact of the operation process. We conduct operations and production activities in strict compliance with *Environmental Protection Law of the People's Republic of China*, the *Air Pollution Prevention and Control Law of the People's Republic of China*, the Water Pollution Prevention and Control Law of the People's Republic of China, the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, and the *Administration of Medical Wastes*. We have always endeavored to minimize the impact of the Group's activities in all segments on the environment to achieve sustainable development.

The Group continues to improve its EHS management system and standardize its environmental management work. We perform ongoing monitoring of our production environment and sewage discharge and control relevant environmental risks to effectively reduce the impact of our operations on the surrounding environment. The Group has established 15 internal regulations and procedures, including the *Air Pollution Control Management Procedures*, the *Water Pollution Control Management Procedures*, the *Noise Pollution Control Management Procedures*, and the *Solid Waste Management Procedures* in accordance with the actual situation. We build up a perfect pollution prevention and control system and follow a standardized management of the whole process of our own production and operation. During the Reporting Period, the Group did not experience any significant environmental penalties or external environmental pollution incidents.

The Group actively fulfills its corporate environmental responsibilities and ensures that all new and expansion projects have passed stringent environmental impact assessments and obtained approvals of environmental impact reports from government authorities. All the projects put into operation have completed the environmental protection acceptance and registration in the Environmental Protection Acceptance Information System of National Construction Projects Completed. During the Reporting Period, the Group successfully completed the *Environmental Impact Assessment Report on the Upgrade Project of Beijing InnoCare Drug R&D Platform* and *the Phase III Environmental Impact Report Form of Guangzhou InnoCare Drug Production Base Construction Project*, and obtained corresponding approvals. We completed the change of the sewage discharge license to ensure that all the environmental protection requirements were met during the construction and operation of the project and to minimize the negative impacts of the construction project on the environment and natural resources.

5. ENVIRONMENTAL PROTECTION RESPONSIBILITY

The Group also strictly complies with the *Measures for Management of Environmental Emergencies*, *Measures for Filing and Management of Response Plans for Environmental Emergencies by Enterprises and Institutions* (for Trial Implementation), and other relevant regulations. We prepare and regularly update emergency response plans for environmental emergencies. During the Reporting Period, the Group carried out a comprehensive revision of the *Contingency Plan for Environmental Emergencies of Guangzhou InnoCare Pharmaceutical Technology Co., Ltd*. We updated the *Contingency Plan for Environmental Emergencies*, the *Risk Assessment Report for Environmental Emergencies*, the *Disposal Cards for Environmental Emergencies*, and other documents. We successfully obtained the filing acknowledgement from the Huangpu Sub-bureau of the Guangzhou Municipal Ecology and Environment Bureau, which fully confirms the Group's standardization and professionalism in the management of environmental emergencies.

To continuously enhance the theoretical knowledge and practical ability of our staff in responding to environmental emergencies and to cultivate risk awareness among them, the Group conducts a number of emergency drills and exercises on environmental emergencies, improving employees' ability to respond to emergencies and thereby ensuring that they can deal with emergencies quickly and effectively.

Case: Emergency Response Drill for Hazardous Waste Spills	
	The Group conducted response drills for environmental emergencies in 2023. The simulated scenario is a small leakage of a barrel of waste methanol from production plant C on its way to the hazardous waste warehouse. In accordance with the established procedures of the emergency response plan, the emergency response team immediately carried out rapid, effective and, professional disposal. They effectively prevented the pollution of the environment caused by leaking hazardous waste. This emergency drill further enhanced the staff's emergency response speed and emergency rescue ability to environmental emergencies, and improved our comprehensive ability to respond to environmental emergencies.

The Group's environmental management system maintains stable and efficient operation. During the Reporting Period, Guangzhou InnoCare's environmental management system construction successfully passed the annual supervisory audit of the ISO14001 Environmental Management System. The audit team experts conducted a comprehensive and detailed audit of the compliance, suitability, and effectiveness of the Guangzhou InnoCare's ISO14001 system operation on company leaders, some departments, and employee representatives by reviewing relevant documents, listening to reports, conducting on-site inspections, and inquiring with related personnel. They also affirmed the operational effectiveness of the ISO14001 system in the past year. Guangzhou InnoCare took various types of measures in line with the system requirements in maintaining and operating the system. It finally passed the audit with 0 serious non-conformities, which was a strong proof of the effectiveness and compliance of our environmental management system work.

During the reporting period, the Group has profoundly recognized the global trend of sustainable development and actively responded to it by establishing a series of specific, measurable, and quantitative environmental management targets. These targets aim to achieve green production and minimize the environmental impact of production operations through actions such as reducing energy consumption, optimizing production processes, and decreasing pollutant emissions.

Environmental Management Targets of InnoCare

Energy use intensity target

- With 2023 as the baseline year, the ennegy use intensity (MWh/ RMB0'000) is aimed to be reduced by 10% by 2028.

Industrial wastewater discharge intensity target

- With 2023 as the baseline year, the industrial wastewater discharge intensity (m^3/ RMB0'000) is aimed to be reduced by 10% by 2028.

Exhaust gas management target

- The compliance rate of exhaust gas emission treatment is aimed to be 100%.

Waste management target

- The compliance rate of waste disposal is aimed to be 100%.

Greenhouse gas emission intensity target

- With 2023 as the baseline year, the greenhouse gas emission intensity (CO_2 equivalent/ RMB0'000) is aimed to be reduced by 10% by 2028.

5.2 RESOURCE CONSERVATION

ENERGY AND WATER MANAGEMENT

The energy used directly or indirectly by the Group in production and operations include electricity, steam, and natural gas; The water used by the Group for production and operations is mainly municipal water. There is no risk in sourcing suitable water sources.

In respect of energy usage, the Group has formulated the Energy Management Policy. We conduct regular energy statistics and analysis, formulate energy-saving plans, and implement specific energy-saving measures by each energy-using department.

Key Performance
Natural gas usage: 9,152 cubic meters
Purchased electricity usage: 14,995.03 MWh
Purchased steam usage: 12,108.71 GJ
Total water consumption: 134,988 cubic meters
Total energy usage: 24,091.28 MWh

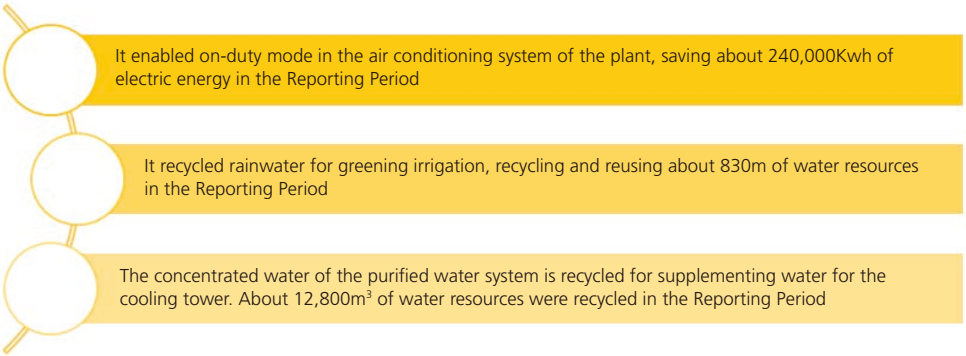
5. ENVIRONMENTAL PROTECTION RESPONSIBILITY

The Group actively promotes energy conservation in the daily office process and has adopted a series of specific measures to reduce resource consumption and waste. In the procurement process, the Group pays attention to purchasing equipment with low energy consumption among similar products and advocates the use of energy-saving equipment. To enhance employees' awareness of energy saving, the Group uses energy-saving posters and adopts other means to promote good energy-saving habits among employees. For example, air-conditioning temperature should not be lower than 26°C in summer and not be higher than 20°C in winter. Employees are required to promptly turn laboratory fume hoods and other high energy-consuming equipment to the lowest level after completing experiments to reduce energy consumption. The Group's EHS Department and Administration Department also assume responsibility for regularly inspecting office and operational areas. They strengthen energy conservation management to ensure that energy conservation measures are effectively implemented.

The Group takes various measures to publicise and implement water conservation. In the office premises, the Group promote awareness of water conservation among employees by posting water-saving signs and adopt water-saving devices such as sensor faucets and frequency-controlled pumps to reduce water wastage such as dripping and leaking. The Group has set up a municipal reclaimed water recycling system and a reservoir to recycle water for toilet flushing, road cleaning, and greening irrigation in the park, enhancing the recycling of water resources. In the production workshop, the Group applies a condensate recovery system and disposable production technology to save a large amount of water in the production process. It helps reduce the demand for freshwater resources and minimize wastewater discharges, thereby contributing to the conservation of resources and environmental protection.

In the operation process of Guangzhou InnoCare, it fully considers the feasibility of saving resources and adopts energy-saving and environmental protection measures, and has achieved remarkable results.

Energy Saving and Environmental Protection Measures and Achievements of Guangzhou InnoCare



MATERIALS AND PACKAGING MANAGEMENT

The raw and auxiliary materials used in the Group's production bases are mainly active pharmaceutical ingredients and various pharmaceutical excipients, and the packaging materials are mainly cartons, plastic bottles or drums, and paper boxes. The Group has formulated management systems such as the *Material Supplier Management System* and the *Production Material Supplier List* for the refined management of the sources and usage of raw materials and packaging materials, and have formulated the *Material Management in the Clinical Trial Phase* to manage the usage of materials for clinical use.

The Group ensures the stability and reliability of the sources of suppliers through the *List of Suppliers of Materials for Production*, which provides a strong guarantee for the efficient operation of production. To reduce material wastage and optimize the use of resources, the Group determines the amount of materials used in each batch based on the list. We have established a material balance system to monitor the consumption of materials in real-time to promptly identify and resolve potential waste problems. It ensures that material wastage is reduced as much as possible.

5.3 REDUCTION OF POLLUTANT EMISSIONS

The Group strictly complies with laws and regulations relating to environmental protection. We are committed to reducing pollutant emissions from our operations. The pollutants generated by the Group in the course of production and operation include solid waste, wastewater, and exhaust gas. The Group strictly abides by *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, the *Comprehensive Emission Standards for Atmospheric Pollutants*, the *Emission Standard of Air Pollutants for Pharmaceutical Industry*, the *Emission Standard for Atmospheric Pollutants from Urban Sewage Treatment Plants*, the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*, the *National Hazardous Wastes List* (Version 2016), the *Technical Specification for Setting Identification Signs of Hazardous Waste*, and other industry standards for the disposal of wastes. We have formulated a sound internal management system to strengthen the management of the pollutant emissions.

The Group regularly monitors all types of emission indicators in accordance with national and regional emission standards to ensure compliant emissions after treatment, and develops pollutant reduction pathways as the case may be. At the same time, the Group takes initiatives for comprehensive utilization of resources to reduce the risk of secondary environmental pollution caused by the transfer of hazardous waste. In response to the newly issued *Technical Specification for Setting Identification Signs of Hazardous Waste* during the Reporting Period, the Group conducted training for departments involved in hazardous waste generation and increased label printing equipment. This ensured that the Group's management of hazardous waste met the requirements of the specification.

During the Reporting Period, the Group paid the sewage tax in full in accordance with the law. Our emission/discharge of wastewater, exhaust gas, and solid waste stayed well within the national standards, with all disposal of wastes in compliance with the law and no incidents of violation of the law such as illegal emissions and substandard discharges.

Wastewater

- **Management system:** *Water Pollution Control and Management Procedure*
- **Category:** Domestic wastewater, production wastewater, laboratory cleaning wastewater, etc.
- **Testing indicators:** Chemical oxygen demand (COD), biochemical oxygen demand (BOD), ammonia nitrogen, total phosphorus, total nitrogen, etc.
- **Treatment:** The wastewater generated during production and operation is collected through the sewage pipe network and sent to the self-built sewage treatment system. After being treated by chemical precipitation, biodegradation, and other sewage treatment processes, it meets the standards and is then discharged into the municipal wastewater network as per the law. We operate and maintain online monitoring equipment for sewage discharge outlets to obtain real-time discharge data.
- **Reduction measures:** Optimising the production cleaning process to minimize the amount of wastewater generated from the source; We classify and collect clean sewage for greening and supplementing water for the cooling tower.

Exhaust gas	• **Management system:** *Air Pollution Control Management Procedures* • **Category:** Exhaust gas from laboratories, production plants, and sewage station treatment processes • **Testing indicators:** NO_x, SO_x, particulate matter, VOC, methanol, HCl, ammonia, etc. • **Treatment:** We use alkaline spraying and activated carbon adsorption to treat the laboratory exhaust gas; condensation recovery and water spraying to treat the methanol exhaust; water spraying and UV photolysis to treat sewage station odor; and alkaline spraying, water spraying, and activated carbon adsorption to treat API exhaust gas. • **Reduction measures:** In the laboratory, we reduce emissions through the reduction of exposed operation and centralized collection and treatment by closed operation facilities. We regularly replace activated carbon and report to the district environmental protection bureau for filing.
Non-hazardous waste	• **Management system:** *Procedures for Solid Waste Management* • **Category:** Domestic waste, general industrial solid waste • **Treatment:** Removal by the municipal sanitation authority. General industrial solid waste is recycled or centrally collected and disposed of by municipal sanitation departments. • **Reduction measures:** Paperless office work, waste paper recycling points, waste separation bins, environmentally sound disposal.
Hazardous waste	• **Management system:** *Procedures for Solid Waste Management* • **Category:** Laboratory waste liquid, laboratory waste, nonconforming products, waste cartridges, recycled methanol, sewage treatment sludge, waste activated carbon, waste packaging materials, waste air filters, API waste liquid, waste batteries, etc. • **Treatment:** Compliant disposal by qualified disposal institutions. • **Reduction measures:** Waste organic solvents with recycling value are handed over to hazardous waste treatment organizations with adequate recycling qualifications.

During the Reporting Period, Guangzhou InnoCare continued to optimize its production processes and environmental protection facilities through continuous technological improvement and management enhancement. This further reduces pollutant emissions and protects the quality of the environment.

Pollutant Discharge Management Measures of Guangzhou InnoCare

New Exhaust Gas Treatment Equipment

- We invested RMB1.1 million to build a new set of waste gas treatment device for Phase II of Guangzhou InnoCare Pharmaceutical Production Base Construction Project. This ensures that the waste gas is discharged according to the standard by adopting "alkali spraying + water spraying + activated carbon adsorption". We thus minimize the adverse impact of production and operation on the atmospheric environment.

New API Wastewater Treatment System

- We invested RMB3.298 million to equip a new API wastewater treatment system for Phase II of Guangzhou InnoCare Pharmaceutical Production Base Construction Project. We adopted the "two-stage anaerobic + Fenton reaction" sewage treatment process and a whole process automation design to ensure that the wastewater is stable and meets the standards.+ activated carbon adsorption". We thus minimize the adverse impact of production and operation on the atmospheric environment.

Installation of Online Wastewater Monitoring Facilities

- In accordance with the requirements of the EIA and sewage discharge permit, we installed wastewater online monitoring facilities to connect municipal, provincial, and national platforms for centralized monitoring and management of wastewater discharge.

In terms of hazardous waste minimization, Guangzhou InnoCare proactively promotes the recycling of waste methanol, thereby reducing the environmental impact of waste methanol disposal. During the Reporting Period, Guangzhou InnoCare reduced the water content of waste methanol by optimizing the cleaning process, and developed hazardous waste treatment suppliers with recycling qualifications. We changed disposal of waste methanol from incineration to recycling, and fully explored the reuse value of waste methanol. We achieved a total of 96.6 tons of comprehensive utilization of waste methanol and a reduction of carbon emissions by a total of 144.9 tons.

5.4 CLIMATE CHANGE MITIGATION AND ADAPTATION

Contributing to the national "carbon-peaking and carbon-neutrality" goals and global sustainability, the Group manages climate change risks and opportunities in four areas, namely, governance, strategy, risk management, and indicators and targets, with reference to the recommendations of the *IFRS S2 Climate-related Disclosures* issued by the International Sustainability Standards Board (ISSB).

Governance
- The Board of Directors undertakes overall responsibility for climate change management
- All relevant Group departments integrate climate change risk management into their daily work processes

Strategy
- Identify and assess climate-related risks and opportunities and determine their priority

Climate Change Management System

Risk management
- Analyze the potential financial impact of climate risks and opportunities on the Group and plan to integrate climate change risk management as part of overall operational risk management in the future

Indicators and targets
- Conduct annual disclosure of energy consumption and GHG emissions and intensity data in the ESG report, assess performance management competency, and develop energy efficiency and carbon reduction programs

5. ENVIRONMENTAL PROTECTION RESPONSIBILITY

Based on its own development and expert input, the Group has identified climate risks and opportunities relevant to its operations, and ranked them by probability of occurrence and degree of impact of risks and opportunities, thus developing a climate risk and opportunity matrix.

Climate Risk and Opportunity Matrix

The Group analyzes the identified types of climate risks and opportunities with high probability of occurrence or high degree of impact on a case-by-case basis. We evaluate their impact on our operations and finances, and take corresponding climate change response measures.

Climate Risks or Opportunities	Specific Description	Potential Financial Impact
Risk: Policy and legal	Domestic and international climate policies, laws, and regulations encourage businesses to actively respond to climate changes and restrict them from engaging in adverse behaviors that lead to climate change. The Group needs to adjust its strategies in energy use, emissions, and climate information disclosure to adapt to the above changes. Otherwise, it may face legal liabilities such as lawsuits because the current state of its environmental management cannot meet the requirements.	Operating cost ▲ Operating revenue ▼
Risk: Reputation	With the release of the national goals of carbon peaking and carbon neutrality and greater domestic and international focus on corporate low carbon transition, the Group's failure to take proactive and effective climate response actions and to timely disclose information in response to the needs of external related parties may result in damages to the Group's reputation.	Operating revenue ▼
Risk: Acute physical	More extreme weather events such as hurricanes or floods in the future could cause harm to the Group including damage to assets, loss of personnel, and interruption of business activities. The Group is required to respond immediately and dedicate significant resources to restore normal operations in R&D and production.	Operating revenue ▼ Operating cost ▲ Value of fixed assets ▼
Risk: Chronic physical	Long-term changes in weather patterns such as persistent high temperatures may affect the Company's normal operations and could trigger sea level rise or persistent heat waves. The Group's operating sites along the coast will likely cause damage to assets, or even be subject to relocation, or need to adjust its operating hours to accommodate the persistent hot weather.	Operating cost ▲ Value of fixed assets ▼
Opportunity: Resource efficiency	The Group saves operating costs by improving the efficiency of resource (especially energy) use in R&D, production, operations, and sales.	Operating cost ▼
Opportunity: Adaptability	The Group develops adaptability to climate change, better manages climate change-related risks, and seizes opportunities by taking measures such as selecting environmentally friendly suppliers.	Operating cost ▼ Climate resilience ▲

6. SOCIAL WELFARE RESPONSIBILITY

6.1 ACADEMIC DEVELOPMENT IN THE INDUSTRY

The Group engages in academic exchanges and cooperation within the industry. It has repeatedly released a series of influential research data and results at important academic conferences at home and abroad, thus promoting the academic development of the industry. We have strengthened its scientific research cooperation with hospitals. For example, we have deepened our strategic cooperation with Henan Cancer Hospital, taking advantage of our respective resources and cooperating in depth in the areas of clinical trials, academic exchanges, and scientific research management. We deepen the mode of "hospital-enterprise cooperation", and endeavor to push forward the integration of " industry-university-research-application ". This allows us to enhance the capability of tumor prevention and treatment and benefit tumor patients.

Domestic and International Academic Conferences in which the Group Participated in 2023

Title of External Conference	Publications
2023 American Society of Clinical Oncology Gastrointestinal Cancers Symposium (ASCO GI)	We published the latest study data on the FGFR inhibitor Gunagratinib (ICP-192) for the treatment of cholangiocarcinoma.
2023 American Association for Cancer Research (AACR) Annual Meeting	We announced the latest preclinical data for several of our oncology pipelines, including: • Oral report, title: ICP-490 is a Potent and Selective IKZF1/3 Degrader with Robust Anti-tumor Activity Against Multiple Myeloma and Non-Hodgkin's Lymphoma; • Poster presentation 1, title: Combination of the BTK Inhibitor Orelabrutinib, Anti-CD19 Antibody Tafasitamab, and the IMiD Lenalidomide for the Treatment of B-cell Malignancies; • Poster presentation 2, title: Preclinical Development of the SHP2 Allosteric Inhibitor ICP-189.
28th Annual Meeting of the European Hematology Association (EHA)	We published data on a number of pipelines, including: • Oral report, title: Orelabrutinib, an Irreversible Inhibitor of Brutons Tyrosine Kinase, for Treatment of Primary Immune Thrombocytopenia: Results of a Randomized, Open-label Phase II Study; • Poster presentation 1, title: ORIENT Study: First-line Treatment of Patients with non-GCB Diffuse Large B-cell Lymphoma (DLBCL) with Orelabrutinib in Combination with R-CHOP; • Poster presentation 2, title: Preliminary Findings of a Phase II Study Of Chemo-free Combination Of Pomalidomide, Orelabrutinib, Rituximab with Sequential High-dose Methotrexate in Newly Diagnosed Primary Central Nervous System Lymphoma (PCNSL).

Title of External Conference	Publications
17th International Conference on Malignant Lymphoma (ICML)	We published the latest clinical data on Orelabrutinib, a Bruton's tyrosine kinase (BTK) inhibitor, including: • Poster presentation, title: Orelabrutinib, a New-generation Bruton Tyrosine Kinase Inhibitor, Demonstrates Safety and Efficacy in Relapsed/Refractory Marginal Zone Lymphoma • Online publication, title: Orelabrutinib Combined with Lenalidomide and Rituximab (OLR) for the First-line Treatment of Patients with Mantle Cell Lymphoma (MCL): a Prospective, Multicenter, Single-arm, Phase 2 POLARIS Study in China.
65th Annual Meeting of the American Society of Hematology (ASH)	We announced the latest data of several hematology oncology pipelines, with a study of the combination regimen of Orelabrutinib for the treatment of patients with untreated mantle cell lymphoma (MCL) selected for oral presentation, including: • A Prospective Multicenter Phase II Study of Orelabrutinib-Lenalidomide-Rituximab (OLR) in Patients with Untreated Mantle Cell Lymphoma (MCL) in China (POLARIS Study): Preliminary Analysis on Efficacy, Safety, Mutation Spectrum and Impact of Mutation Profiling on Treatment Responses; • Preliminary Safety, Pharmacological and Efficacy Data from Patients with Relapsed or Refractory B-Cell Malignancies Treated with the ICP-248, a Next Generation BCL2 Inhibitor; • Effectiveness and Safety of Orelabrutinib Combined with Rituximab As First-Line Treatment in Marginal Zone Lymphoma.

6.2 DRUG ACCESSIBILITY

As a biopharmaceutical high-tech company, the Board of the Group attaches great importance to the management of healthcare accessibility. We deem it as the core of corporate social responsibility. To pursue wider access to medical and healthcare services, the Group has been actively collaborating with major corporations and organizations to bring better solutions to patients' illnesses and to enhance the convenience of patients' access to medicines.

INCREASED INDICATIONS

During the Reporting Period, the Group's self-developed novel BTK (Bruton's tyrosine kinase) inhibitor, Orelabrutinib (product name: YINUOKAI), was approved by the National Medical Products Administration (NMPA) of the PRC for the treatment of patients with relapsed/refractory marginal zone lymphoma (MZL). Orelabrutinib is the first and only BTK inhibitor approved in China for the MZL indication, which is also the third indication approved in China for Orelabrutinib.

6. SOCIAL WELFARE RESPONSIBILITY

MEDICAL INSURANCE COVERAGE

During the Reporting Period, additional indications for YINUOKAI (Orelabrutinib) were included in the new version of the *National Drug Catalogue for Basic Medical Insurance*, *Work-Related Injury Insurance and Maternity Insurance* (2023) (the National Reimbursement Drug List) for the purpose of treating marginal zone lymphoma (MZL) that has received at least one treatment. Two indications for Orelabrutinib for the treatment of chronic lymphocytic leukemia (CLL)/ small lymphocytic lymphoma (SLL) and mantle cell lymphoma (MCL) were successfully renewed, thus benefiting more lymphoma patients.

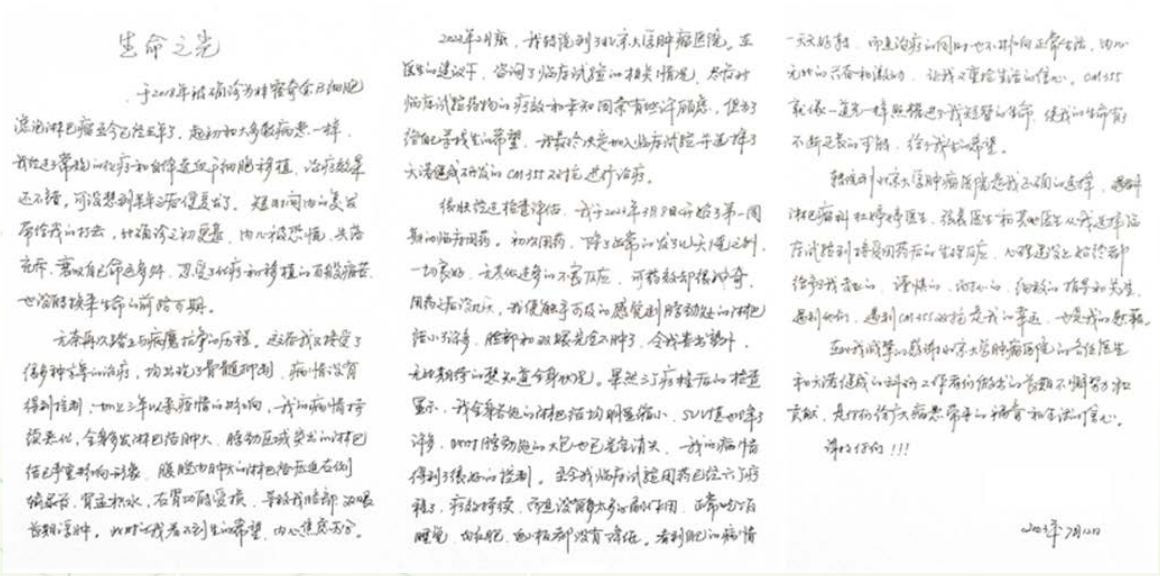
The Group's product, Tafasitamab, is once again included in the scope of coverage of the "Beijing Universal Health Insurance" Overseas Specialty Drug List for the year 2024. The product coverage scheme is closely linked to the basic medical insurance, and patients can enjoy the corresponding insurance reimbursement. This will further enhance the ability of patients with diffuse large B-cell lymphoma to cope with the burden of high medical expenses, thereby enhancing patients' accessibility to medicines.

EXPANSION OF THE GEOGRAPHICAL SCOPE OF HEALTH INSURANCE

The Group's partner Incyte, in conjunction with MorphoSys, has announced the five-year results from the L-MIND Phase II study, which shows that Tafasitamab provides long-term durable remission in adult patients with relapsed/refractory diffuse large B-cell lymphoma (DLBCL). As of the end of the Reporting Period, Tafasitamab had been included in the overseas specialty drug medical insurance catalogs of more than 30 provinces and cities in China, including Beijing, Shanghai, Guangdong, Shanxi, and Hebei. This improves the accessibility of diffuse large B-cell lymphoma patients in these regions to Tafasitamab, an innovative drug, in Boao Hope City, Hainan.

Case — Thank-You Letter *The Light of Life*

A patient with B-cell non-Hodgkin's lymphoma (B-NHL) patient who participated in the clinical trial of CD3 × CD20 dual antibody ICP-B02 of the Group expressed sincere gratitude to Beijing Cancer Hospital through a thank-you letter. In the letter, the patient conveyed sincere gratitude to the doctors, and also highly praised the innovative drugs developed by our scientists, saying that these drugs have brought hope for life and the possibility of rebirth to them. The patient's sincere appreciation and respect for the medical staff and research team's strength are clearly expressed in this letter.



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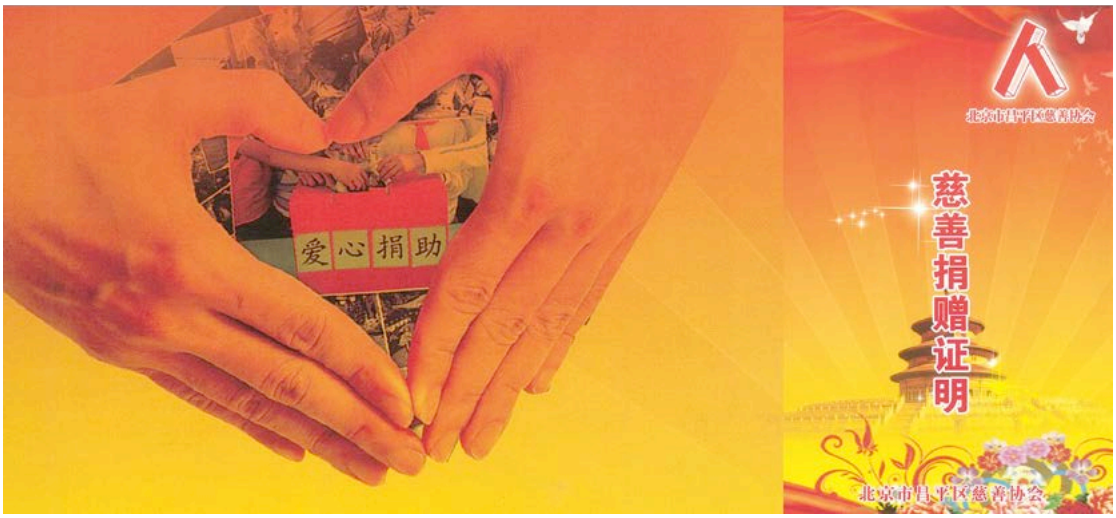
6.3 PUBLIC WELFARE SUPPORT

The Group always pay attention to and provides support for public welfare undertakings, and actively fulfills social responsibilities. We participate in various charitable donation activities to contribute to social development.. During the Reporting Period, the Group participated in the "Excellent Books for Growing Up" Mandarin Books in Schools Campaign 2023 jointly organized by the Beijing Municipal Committee of the Communist Youth League, Beijing Youth Federation, and Beijing Federation of University Societies. We donated a total of 432 books to the institutions and schools to assist in the preparatory work for the establishment of the first undergraduate institution in Hotan, Xinjiang. to contribute to the continuous promotion of fairness in education and the development of remote areas. We also made charitable donations to the Beijing Changping Charity Association during the heavy rainfall disaster in Changping.

The Group encourages employees to participate in volunteer service activities to fulfill their corporate citizenship responsibilities. We spread love and contribute to building a harmonious society with concrete actions. During the Reporting Period, the Group had over 50 registered volunteers who offered assistance to build the community and facilitated a better society, demonstrating InnoCares efforts.



During the Reporting Period, members of the Group's management were awarded with the following awards for social contribution:

Demonstration of the "She-power": Professional women are recognized and appreciated for their impact on society

- Dr. Cui Jisong, Chairman and CEO of InnoCare, was named Fortune China's Most Powerful Woman (MPW) for the Third Time
- Dr. Cui Jisong won the "30 Most Influential Women of the Future in Pharmaceutical Industry in 2023" award from Healthcare Executive

Recognition of innovation: Social rewards for the contribution of our core products and leading creative capabilities

- InnoCare was awarded the titles of High and New Technology Enterprise and Guangdong National Specialized, Refined, Differential and Innovative (SRDI) Enterprise
- Guangzhou InnoCare was recognized as a "Technologically Advanced Service Enterprise of Guangdong Province in 2022" and an "Innovative Small- and Medium-sized Enterprise of Guangdong Province in 2022"
- InnoCare's Novel TYK2 Inhibitor ICP-332 was selected as one of the Top 10 Influential New Technologies and Products
- InnoCare was certified as a national specialized, refined, differential and innovative (SRDI) little giant enterprise
- InnoCare was listed in China's Top 100 Innovative Pharmaceuticals 2023

7. ESG DATA PERFORMANCE TABLE

ENVIRONMENTAL PERFORMANCE

Performance Indicators	Unit	2021	2022	2023
Energy Consumption				
Total steam consumption	ton	8,667.30	10,820.95	12,108.71
Natural gas usage	m^3	—	—	9,152.00
Total amount of purchased electricity[1]	MWh	9,894.90	9,380.31	14,995.03
Total energy usage	MWh	16,335.07	17,420.73	24,091.28
Energy use intensity	MWh/RMB0'000	0.16	0.28	0.33
Water consumption				
Total water consumption[2]	m^3	145,093.00	124,940.00	134,988.00
Water consumption intensity	m^3/RMB0'000	1.39	2.00	1.83
Management of packaging				
Total usage of packaging materials for finished products[3]	ton	0.75	1.80	6.50
Management of waste water[4]				
Industrial wastewater emissions	m^3	82,843.00	99,527.00	84,395.00
Industrial wastewater discharge intensity	m^3/RMB0'000	0.79	1.59	1.14
Chemical Oxygen Demand (COD) emissions	ton	2.47	1.40	2.67
Biochemical Oxygen Demand (BOD) emissions	Ton	0.42	0.38	0.74
Ammonia Nitrogen NH3-N emissions	ton	0.082	0.029	0.078
Management of waste gas				
Total amount of exhaust gas emissions[5]	m^3	—	37,180,000	280,835,184
Exhaust gas emission intensity	m^3/RMB0'000	—	594.50	3,802.57
Compliance rate of exhaust gas treatment	%	—	100.00	100.00
Volatile Organic Compounds (VOC) emissions	Kg	—	23.62	73.30
Methyl alcohol emissions	Kg	—	270.86	234.26
Hydrogen chloride emissions	Kg	—	49.06	74.48
Ammonia emissions	kg	—	14.30	64.34

Performance Indicators	Unit	2021	2022	2023
Waste management				
Total amount of non-hazardous wastes	ton	2,874.54	1,074.10	1,189.94
Total amount of hazardous wastes[6]	ton	106.79	115.05	228.79
Intensity of non-hazardous waste generation	ton/RMB0'000	0.03	0.02	0.02
Intensity of hazardous waste generation	ton/RMB0'000	0.001	0.002	0.003
Waste disposal compliance rate	%	100.00	100.00	100.00
Mitigation and adaptation of climate change				
Total amount of greenhouse gas emissions[7]	tons of CO_2 equivalent	9,236.40	9,835.80	12,134.54
Scope 1 Greenhouse gas emissions[8]	tons of CO_2 equivalent	0	0	19.95
Scope 2 Greenhouse gas emissions[9]	tons of CO_2 equivalent	9,236.40	9,835.80	12,114.59
Greenhouse gas emission intensity	tons of CO_2 equivalent/ RMB0'000	0.09	0.16	0.16
Environmental Compliance				
Number of incidents in which penalties were imposed for exceeding permitted pollutant standards or violating emissions regulations	Case	0	0	0

Note 1: In 2023, due to the commissioning of new equipment and facilities in the second phase of the Group's project, total amount of purchased electricity increased.

Note 2: The Groups total water consumption comes from municipal water supply.

Note 3: As the Groups production volume increased significantly in 2023 compared to the previous year, the total usage of packaging materials for finished products increased.

Note 4: In 2023, the commissioning of the company's API project began, resulting in an increase in the concentration of COD, BOD and NH3-N in wastewater, and the corresponding increase in emissions.

Note 5: In 2023, the Group added API exhaust gas outlets, and due to the official commissioning of the Beijing and Nanjing bases, the total amount of exhaust gas emissions data increased in 2023.

Note 6: Compared with 2022, the production of the Group's products increased in 2023, resulting in an increase in total amount of hazardous wastes.

Note 7: Total GHG emissions include Scope 1 and Scope 2 emissions; greenhouse gas emissions are calculated with reference to Appendix 2 Reporting Guidance on Environmental KPIs of the latest version of the HKEX Environmental, Social and Governance Reporting Guide (May 2021).

Note 8: Scope 1 greenhouse gas emissions have increased due to increased energy use of natural gas this year. According to the China Energy Statistical Yearbook (2022) and the Guidelines for the Compilation of Provincial Greenhouse Gas Inventories (2011), the natural gas emission factor is 0.002176 tons of carbon dioxide equivalent per cubic meter.

Note 9: According to the Notice on the Management of Greenhouse Gas Emission Reports of Power Generation Enterprises for 2023–2025 of the Ministry of Ecology and Environment of the Peoples Republic of China, the grid emission factor is 0.5703 tons of carbon dioxide equivalent per MWh; the steam emission factor is 0.11 tCO_2e/GJ, the low-pressure steam equivalent to kg of standard coal is 0.1286 kg of standard coal/kg, according to the Ministry of Ecology and Environment of the PRC (2019) and the General Rules for Calculating Integrated Energy Consumption (2008,2020) recommended by HKEX., and the low-pressure calorific value of steam is 29,307.6 kJ/kg standard coal.

7. ESG DATA PERFORMANCE TABLE

SOCIAL PERFORMANCE

EMPLOYMENT AND LABOR ROUTINE PERFORMANCE

Performance Indicators	Unit	2021	2022	2023
Employee Employment[6]				
Total number of employees	Person	725	981	1,113
Number of male employees	Person	354	457	531
Number of female employees	Person	371	524	582
Number of full-time labor contract employees	Person	702	939	1,089
Number of full-time dispatched employees	Person	13	21	19
Number of part-time employees[1]	Person	10	21	5
Number of employees aged below 30	Person	223	332	372
Number of employees aged 30–50	Person	480	628	721
Number of employees aged above 50	Person	22	21	20
Number of employees in Mainland China	Person	711	967	1,093
Number of employees in Hong Kong, Macau, Taiwan and overseas	Person	14	14	20
Number of general employees	Person	586	806	923
Number of middle management	Person	133	169	185
Number of senior management	Person	6	6	5
Employee Turnover[6]				
Employee Turnover[1, 3]	%	15.26	13.76	12.31
Turnover of male employees	%	14.57	15.32	13.56
Turnover of female employees	%	15.90	12.40	11.17
Turnover of employees aged below 30	%	16.52	18.98	13.98
Turnover of employees aged 30–50	%	14.41	11.31	11.10
Turnover of employees aged above 50[2]	%	21.05	4.76	25.00
Turnover of employees in Mainland China	%	15.28	13.75	12.35
Turnover of employees in Hong Kong, Macau, Taiwan and overseas[3]	%	14.29	14.29	10.00
Employee Health and Safety				
Number of employees who died as a result of their work	Person	0	0	0
Percentage of employees who died as a result of their work	%	0	0	0
Number of working days lost due to work-related injuries	Day	0	0	0

Performance Indicators	Unit	2021	2022	2023
Employee Training				
Coverage of employees receiving training[4]	%	100.00	100.00	100.00
Coverage of male employees receiving training	%	100.00	100.00	100.00
Coverage of female employees receiving training	%	100.00	100.00	100.00
Coverage of general employees receiving training	%	100.00	100.00	100.00
Coverage of middle management receiving training	%	100.00	100.00	100.00
Coverage of senior management receiving training	%	100.00	100.00	100.00
Training hours per employee[5]	Hour	25.00	28.20	29.27
Training hours per male employee	Hour	30.00	28.43	29.35
Training hours per female employee	Hour	21.00	28.01	29.20
Training hours per general employee	Hour	19.00	22.30	24.70
Training hours per middle management	Hour	53.00	56.26	66.31
Training hours per senior management	Hour	30.00	30.83	45.00
Employment Compliance				
Total number of penalties imposed on the Company for violation of employment-related laws and regulations	Times	0	0	0
Times of penalties for violation of laws and regulations related to employment and dismissal	Times	0	0	0
Times of penalties for violation of laws and regulations related to employees working hours and holidays	Times	0	0	0
Times of penalties for violation of laws and regulations related to employees promotion and equal opportunity	Times	0	0	0
Times of penalties for violation of laws and regulations related to anti-discrimination and diversity	Times	0	0	0

Note 1: Turnover of employees=Number of employees lost in this category during the Reporting Period/Number of the employees in this category at the end of the Reporting Period*100%.

Note 2: In 2023, some employees over the age of 50 leave the company for physical reasons, resulting in a significant increase in the turnover of employees aged above 50.

Note 3: In 2023, the company continued to strengthen employee welfare and care, which contributed to the reduction of employee turnover.

Note 4: Coverage of employees training=Number of employees trained in this category during the Reporting Period/Number of employees in this category at the end of the Reporting Period*100%.

Note 5: Training hours per employee=Total training hours of the employees trained in this category during the Reporting Period/Number of employees in this category at the end of the Reporting Period.

Note 6: After tracing the historical data, the indicators of employee employment and employee training in 2021–2022 have been adjusted.

7. ESG DATA PERFORMANCE TABLE

SUPPLY CHAIN PERFORMANCE

Performance Indicators	Unit	2021	2022	2023
Total number of suppliers				
Total number of suppliers[1]	Supplier	587	722	1,031
Suppliers from Mainland China	Supplier	575	687	976
Suppliers from Hong Kong, Macau, Taiwan and overseas	Supplier	12	35	55
Supplier Evaluation and Monitoring				
Number of suppliers evaluated for environmental and social impacts	Supplier	0	0	0
Number of suppliers identified as having actual and potential significant negative environmental and social impacts	Supplier	0	0	0
Number of suppliers evaluated for environmental impacts assessments	Supplier	—	—	0
Number of suppliers evaluated for social impacts assessments	Supplier	0	0	0
Number of suppliers identified as having actual and potential significant negative social impacts	Supplier	0	0	0

Note 1: In 2023, due to the expansion of the company's business volume, resulting in a significant increase in the total number of suppliers.

PRODUCT AND CUSTOMER SERVICE PERFORMANCE

Performance Indicators	Unit	2021	2022	2023
Product Liability Compliance				
Total number of penalties imposed on the Company for violation of laws and regulations related to product liability	Case	0	0	0
Total number of cases for violation of laws and regulations related to marketing (including advertisements, sales and sponsoring)	Case	0	0	0
Total number of cases for violation of laws and regulations related to health and safety of products and services	Case	0	0	0
Total number of cases for violation of regulations and voluntary guidelines related to information and labelling of products and services	Case	0	0	0
Total number of cases for violation of regulations related to customer privacy	Case	0	0	0
Product Complaints and Recalls				
Total number of complaints received by the Company about products and services	Case	0	8	11
Handling rate of complaints received about products and services	%	—	—	100.00
Percentage of products sold that had to be recalled due to safety and health issues	%	0.00	0.00	0.00

SOCIAL WELFARE PERFORMANCE

Performance Indicators	Unit	2021	2022	2023
Community Welfare				
Amount committed to community welfare	RMB0'000	100.00	76.80	20.00
Amount committed to community welfare (Labor demands)	RMB0'000	—	18.40	0.00
Amount committed to community welfare (Medical health)	RMB0'000	—	50.00	0.00
Amount committed to community welfare (Culture and sports)	RMB0'000	—	8.40	0.00
Amount committed to community welfare (Other areas)	RMB0'000	—	—	20.00

7. ESG DATA PERFORMANCE TABLE

CORPORATE GOVERNANCE PERFORMANCE

ECONOMIC PERFORMANCE

Performance Indicators	Unit	2022	2023
Operating revenue	RMB0'000	62,540.42	73,853.70
Basic benefits per share	RMB/share	(0.63)	(0.38)
Added-value per share[1]	RMB	0.25	0.36

Note 1: Added-value per share=(tax generated for the state during the year + compensation paid for employees + interests on loans paid to creditors such as banks + value amount generated for other stakeholders such as external donations other social costs caused by the environmental pollution)/ total number of company shares.

ANTI-CORRUPTION PERFORMANCE

Performance Indicators	Unit	2021	2022	2023
Corruption Report and Litigation Cases				
Number of corruption lawsuits that have been filed by regulators against the Company and its employees and have been concluded	pcs	0	0	0
Anti-Corruption Training				
Number of employees receiving anti-corruption related training	Person-time	648	920	1,113
Percentage of employees covered by anti-corruption training	%	—	—	100.00
Training hours per employee for anti-corruption related training1	Hour	0.45	0.61	0.58
Percentage of Board of Directors members covered by anticorruption training	%	22.22	33.33	37.50
Training hours per Board of Directors member for anticorruption related training[1]	Hour	0.22	0.67	0.67

Note 1: Training hours per Board of Directors member for anticorruption related training= the total number of hours of anti-corruption training received by directors during the reporting period/number of directors participating in anti-corruption training.

R&D INNOVATION PERFORMANCE

Performance Indicators	Unit	2021	2022	2023
R&D investments[1]				
R&D expenses	RMB0000	72,158	63,914	75,118
Percentage of R&D expenses in operating revenue	%	69.18	102.20	101.71
Number of R&D employees	Person	346	418	474
Percentage of R&D employees[2]	%	47.72	44.52	43.53
Percentage of R&D employees with bachelor degree	%	46.24	49.28	47.47
Percentage of R&D employees with master degree	%	30.64	38.52	37.97
Percentage of R&D employees with doctoral degree or above	%	11.85	12.20	12.03
Intellectual Property Protection				
Number of patents filed during the Reporting Period	Patent	—	48	59
Number of patents granted during the Reporting Period	Patent	—	18	19
Number of trademarks applied for during the Reporting Period[3]	Trademark	—	42	0
Number of trademarks approved during the Reporting Period[4]	Trademark	—	63	18

Note 1: The R&D expenses data in this report is consistent with the annual report of Hong Kong stocks.

Note 2: Percentage of R&D employees= number of R&D employees/number of full-time labor contract employees.

Note 3: According to the development of the company, the company had no trademark application requirements during the reporting period.

Note 4: Due to the different trademark examination periods in different countries, only part of the trademarks applied in the previous year were approved during the reporting period.

8. BENCHMARKING GUIDE INDEX

HONG KONG STOCK EXCHANGE ESG REPORTING GUIDE INDEX (EFFECTIVE DECEMBER 31, 2023)

Part B: Mandatory Disclosure Requirements	
Mandatory Disclosures	**Report Chapters**
Governance structure	1.2 ESG Management
Reporting principles	Notes on Report Preparation
Reporting scope	Notes on Report Preparation

Part C: "Comply or Explain" provision	
Aspects, General Disclosures and KPIs	**Report Chapters**
A. Environmental	
A1. Emissions	5.3 Reduction of Pollutant Emissions
A1.1	5.3 Reduction of Pollutant Emissions, ESG Data Performance Table
A1.2	ESG Data Performance Table
A1.3	ESG Data Performance Table
A1.4	ESG Data Performance Table
A1.5	5.1 Environmental Management System, 5.3 Reduction of Pollutant Emissions
A1.6	5.1 Environmental Management System, 5.3 Reduction of Pollutant Emissions
A2. Use of Resources	5.2 Resource Conservation
A2.1	ESG Data Performance Table
A2.2	ESG Data Performance Table
A2.3	5.2 Resource Conservation
A2.4	5.2 Resource Conservation
A2.5	ESG Data Performance Table
A3. The Environment and Natural Resources	5.1 Environmental Management System
A3.1	5.1 Environmental Management System, 5.2 Resource Conservation, 5.3 Reduction of Pollutant Emissions
A4. Climate Change	5.4 Climate Change Mitigation and Adaptation
A4.1	5.4 Climate Change Mitigation and Adaptation
B. Social	
Employment and Labour Practices	
B1. Employment	4.1 Employee Rights and Benefits
B1.1	ESG Data Performance Table
B1.2	ESG Data Performance Table
B2. Health and Safety	4.3 Employee Health and Safety
B2.1	ESG Data Performance Table
B2.2	ESG Data Performance Table
B2.3	4.3 Employee Health and Safety

Part C: "Comply or Explain" provision	
Aspects, General Disclosures and KPIs	**Report Chapters**
B3. Development and Training	4.2 Employee Training and Retention
B3.1	ESG Data Performance Table
B3.2	ESG Data Performance Table
B4. Labour Standards	4.1 Employee Rights and Benefits
B4.1	4.1 Employee Rights and Benefits
B4.2	4.1 Employee Rights and Benefits
Operating Practices	
B5. Supply Chain Management	3.4 Supply Chain Management
B5.1	ESG Data Performance Table
B5.2	3.4 Supply Chain Management
B5.3	3.4 Supply Chain Management
B5.4	3.4 Supply Chain Management
B6. Product Responsibility	3.2 Entire Process Quality Management
B6.1	ESG Data Performance Table
B6.2	3.3 Protection of Customers' Rights and Interests
B6.3	3.1 R&D and Innovation
B6.4	3.2 Entire Process Quality Management
B6.5	3.3 Protection of Customers' Rights and Interests
Aspects, General Disclosures and KPIs	**Report Chapters**
B7. Anti-corruption	2.4 Compliance and Business Ethics
B7.1	2.4 Compliance and Business Ethics, ESG Data Performance Table
B7.2	2.4 Compliance and Business Ethics
B7.3	2.4 Compliance and Business Ethics, ESG Data Performance Table
Community	
B8. Community Investment	6.2 Drug Accessibility, 6.3 Welfare Support
B8.1	6.2 Drug Accessibility, 6.3 Welfare Support, ESG Data Performance Table
B8.2	ESG Data Performance Table

8. BENCHMARKING GUIDE INDEX

GUIDELINES NO.2 FOR APPLICATION OF SELF-REGULATION RULES FOR COMPANIES LISTED ON THE SCIENCE AND TECHNOLOGY INNOVATION BOARD OF THE SHANGHAI STOCK EXCHANGE-VOLUNTARY INFORMATION DISCLOSURE

Provisions and disclosed contents		Report sections
(6)-1	Basis situation of R&D	3.1 Research and Development (R&D) and Innovation
(6)-2	R&D Feasibility	3.1 Research and Development (R&D) and Innovation
(6)-3	Necessary Risk Warning	3.1 Research and Development (R&D) and Innovation
(6)-4	Impact of R&D on the Company	3.1 Research and Development (R&D) and Innovation
(14)-1	Environmental Responsibility	5.1 Environmental Management System, 5.2 Resource conservation, 5.3 Reduction of pollutant emissions, ESG Data Performance Table
(14)-2	Employee Protection and Development	4.1 Employee Rights and Benefits, 4.2 Employee Training and Retention, 4.3 Employee Health and Safety, ESG Data Performance Table
(14)-3	Product Safety, Compliance Operation, Public Welfare Activities	2.4 Compliance and Business Ethics, 3.2 Entire Process Quality Management, 3.3 Protection of Customers Rights and Interests, 6.2 Drug Accessibility, 6.3 Welfare Support
(14)-4	Corporate Governance and Investor Protection	2.1 Corporate Governance, 2.2 Protection of Investors Rights and Interests, 2.3 Risk Management and Internal Control

INDEX TABLE OF THE SHANGHAI STOCK EXCHANGE SCI-TECH BOARD STOCK LISTING RULES (REVISED IN AUGUST 2023)

Disclosure Requirements	Report sections
4.4.1 Review	1.2 ESG management, 3.2 Entire Process Quality Management, 3.3 Protection of Customers' Rights and Interests, 3.4 Supply Chain Management, 4.1 Employee Rights and Benefits, 4.2 Employee Training and Retention, 4.3 Employee Health and Safety, 5.1 Environmental Management System, 5.2 Resource Conservation, 5.3 Reduction of Pollutant Emissions, 5.4 Climate Change Mitigation and Adaptation
4.4.2 Environmental Protection Responsibility	5.1 Environmental Management System, 5.2 Resource Conservation, 5.3 Reduction of Pollutant Emissions, 5.4 Climate Change Mitigation and Adaptation
4.4.2 (1) Comply with Environmental Protection Laws, Regulations and Industry Standards	5.1 Environmental Management System
4.4.2 (2) Formulate and Implement the Company's Environmental Protection Plan	5.1 Environmental Management System, 5.3 Reduction of Pollutant Emissions
4.4.2 (3) Efficient Use of Natural Resources Such as Energy, Water Resources, Raw Materials, etc	5.2 Resource Conservation
4.4.2 (4) Compliant Disposal of Contaminants	5.3 Reduction of Pollutant Emissions
4.4.2(5) Establish and Operate Effective Pollution Prevention and Control Facilities	5.1 Environmental Management System, 5.3 Reduction of Pollutant Emissions
4.4.2 (6) Pay Environmental Protection Taxes in Full	5.1 Environmental Management System
4.4.2 (7) Ensure the Safety of the Supply Chain Environment	3.4 Supply Chain Management
4.4.2 (8) Other Environmental Protection Responsibilities That Should Be Performed	5.1 Environmental Management System, 5.2 Resource Conservation, 5.3 Reduction of Pollutant Emissions, 5.4 Climate Change Mitigation and Adaptation
4.4.3 Responsibility for Production and Product Safety	3.2 Entire Process Quality Management
4.4.3 (1) Comply with Product Safety Laws, Regulations and Industry Standards	3.2 Entire Process Quality Management
4.4.3 (2) Establish A Safe and Reliable Production Environment and Production Process	3.2 Entire Process Quality Management

8. BENCHMARKING GUIDE INDEX

Disclosure Requirements	Report sections
4.4.3 (3) Establish A Product Quality and Safety Assurance Mechanism and An Emergency Plan for Product Safety Accidents	3.2 Entire Process Quality Management, 3.3 Protection of Customers' Rights and Interests
4.4.3 (4) Other Production and Product Safety Responsibilities That Should Be Performed	3.2 Entire Process Quality Management, 3.3 Protection of Customers' Rights and Interests, 3.4 Supply Chain Management
4.4.4 Responsibility for the Protection of Employees' Rights and Interests	4.1 Employee Rights and Benefits, 4.2 Employee Training and Retention, 4.3 Employee Health and Safety
4.4.4 (1) Establish Management Systems for Employee Employment and Dismissal, Salary and Benefits, Social Insurance, Working Hours, etc., As Well As Measures to Deal with Violations	4.1 Employee Rights and Benefits
4.4.4 (2) Establish Working Environment and Supporting Safety Measures to Prevent Occupational Hazards	4.3 Employee Health and Safety
4.4.4 (3) Carry Out Necessary Staff Knowledge and Vocational Skills Training	4.2 Employee Training and Retention
4.4.4 (4) Other Responsibilities for the Protection of Employees' Rights and Interests That Should Be Fulfilled	4.1 Employee Rights and Benefits, 4.2 Employee Training and Retention, 4.3 Employee Health and Safety
4.4.5 Ethics of Science	3.1 Research and Development (R&D) and Innovation

Science Drives
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