Luye Pharma
绿叶制药

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

2023
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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1. DEFINITIONS

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

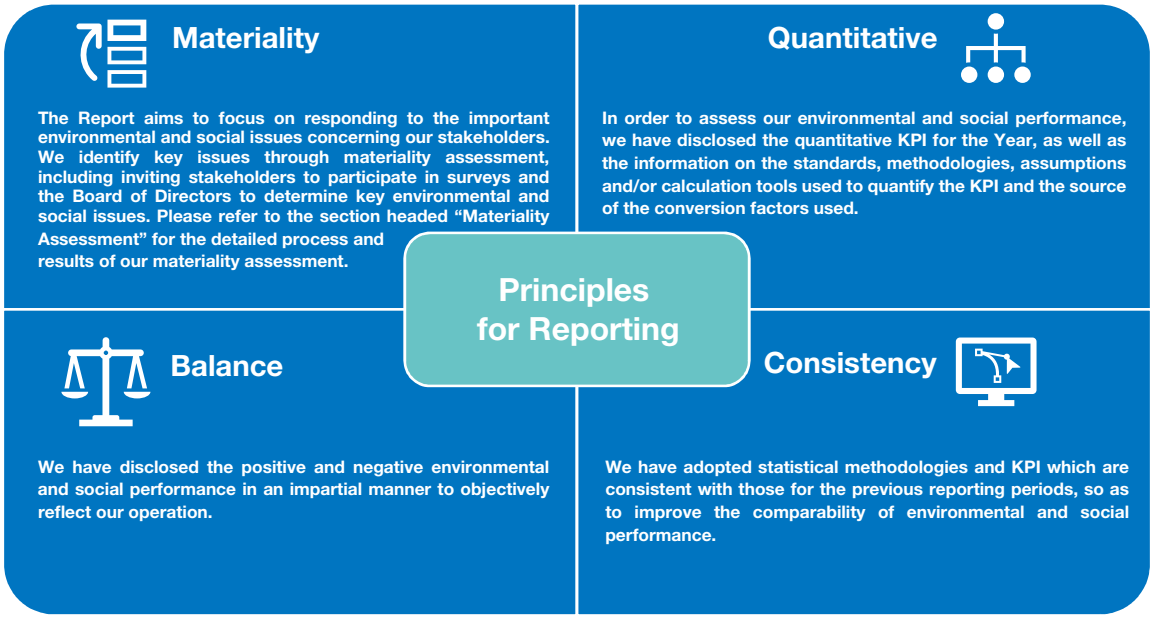
"Beijing WPU"	Beijing Peking University WBL Biotech Co., Ltd. (北京北大維信生物科技有限公司), jointly funded and operated by Shandong Luye Pharmaceutical Co., Ltd. and Beijing Peking University Asset Management Co., Ltd. (北大資產經營有限公司)
"Boan Biotech"	Shandong Boan Biotechnology Co., Ltd. (山東博安生物技術股份有限公司), a joint stock company incorporated in the PRC with limited liability and a subsidiary of Luye Pharma
"Board of Directors"	the board of directors of the Company
"CMO"	the contract manufacturing organizations commissioned by Luye Pharma
the "Company"	Luye Pharma Group Ltd.
"EHS"	Environment, health and safety
"ESG"	Environmental, social and governance
the "ESG Report" or "Report"	the Environmental, Social and Governance Report
"ESG Guide"	the Environmental, Social and Governance Reporting Guide as contained in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"GMP"	Good Manufacturing Practices for Pharmaceutical Products
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"KPI"	Key Performance Index
"Luye Pharma" or the "Group" or "we" or "us"	Luye Pharma Group Ltd. and its subsidiaries
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"QA"	Quality Assurance Department
"QC"	Quality Control Department
"RMB"	RMB, the lawful currency of the PRC
"PRC"	the People's Republic of China
"Year" or "Reporting Period"	the period from 1 January 2023 to 31 December 2023

2. ABOUT THIS REPORT

The Report is our eighth ESG Report addressed to the public and aims to present the ESG performance of Luye Pharma during the Year of 2023. We disclose our management approaches, strategies, goal and performance at the environmental and social levels in the respective sections of the Report.

2.1 Basis for Preparation

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



2.2 Scope of the Report

The content of the Report primarily focuses the core businesses of Luye Pharma in Mainland China, with an aim to report on Luye Pharma's policies of and performance in environmental and social aspects. The scope of the Report for the Year is consistent with those of the ESG Report for the year 2022. Unless otherwise stated, the Report covers the period from 1 January 2023 to 31 December 2023.

2. ABOUT THIS REPORT (CONTINUED)

2.3 Review and Approval of the Report

The Report was reviewed and confirmed by the Board of Directors and approved on 27 March 2024.

2.4 Reader's Feedback

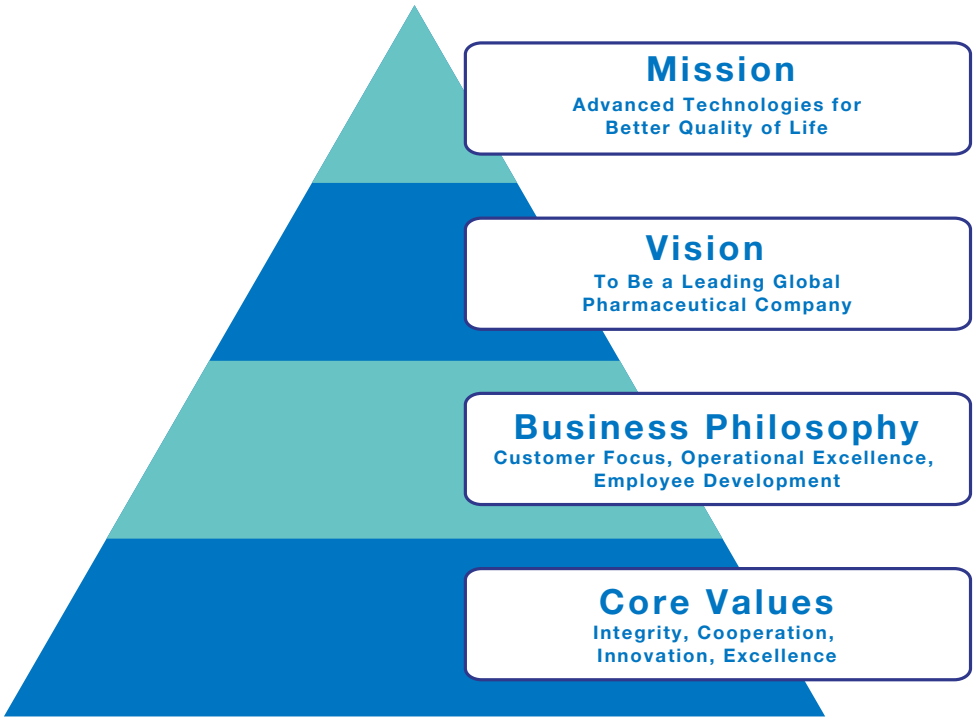
You are welcome to express your suggestions or opinions on our ESG Report or relevant work by contacting Luye Pharma through:

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

3. ABOUT LUYE PHARMA

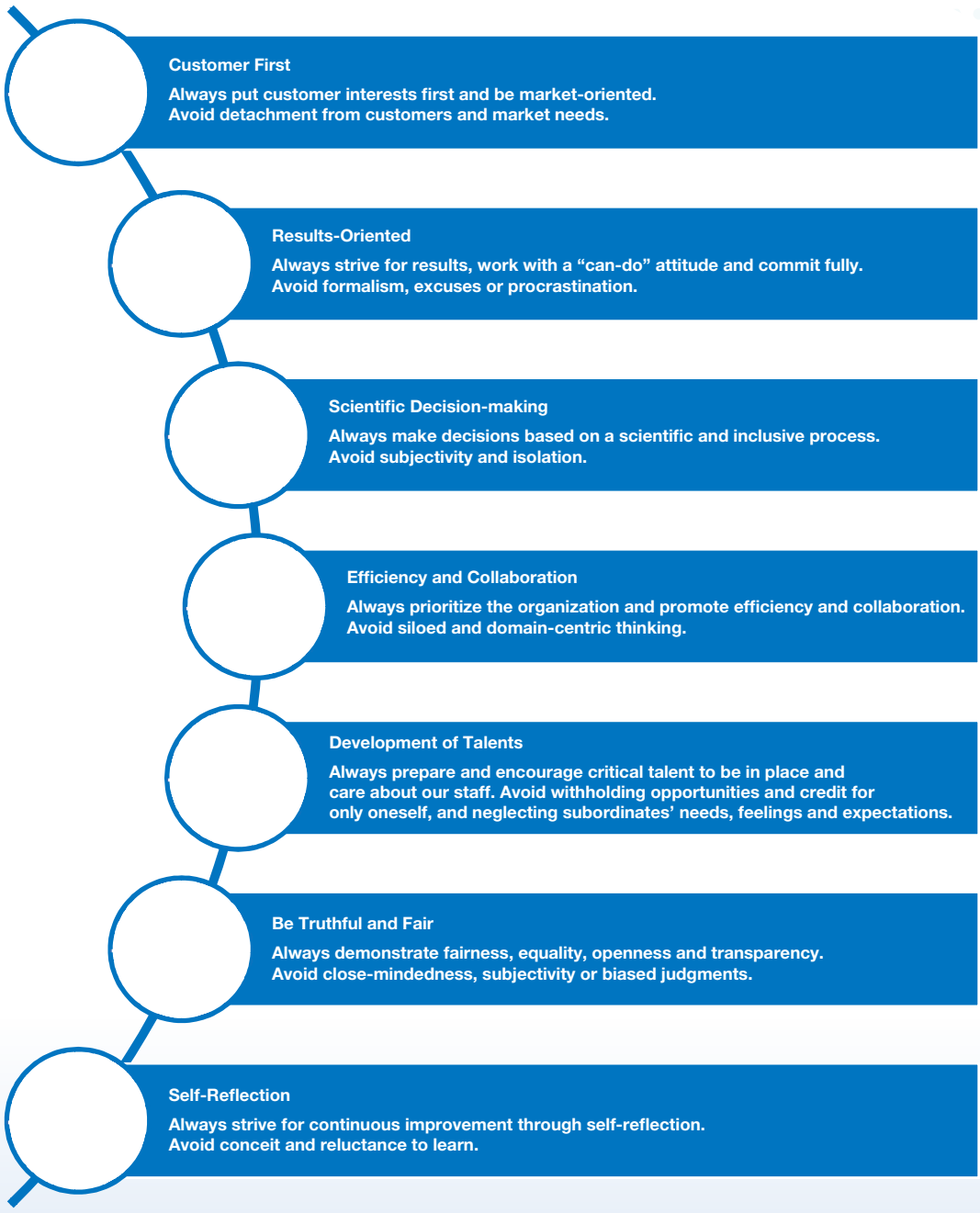
Luye Pharma, a member of Luye Life Sciences Group, was established in 1994 and listed on the Main Board of the Stock Exchange in 2014. It is an international pharmaceutical company dedicated to the research and development ("R&D"), manufacturing and sales of innovative medications with a focus on central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

3.1 Corporate Culture



3. ABOUT LUYE PHARMA (CONTINUED)

Management Principles of the Group



3. ABOUT LUYE PHARMA (CONTINUED)

3.2 Message from our Employees

Andy Farrant
Luye Pharma (UK)

At Luye Pharma, I can directly engage with users to collect their feedback. I make contact with colleagues from various departments across different countries, gaining a comprehensive understanding of the business. Our team members are specialists in their respective fields. We trust each other and utilize our special skills to achieve our goals together. I always keep an open mind, and I am committed to continuous learning to improve myself. I can keep learning through projects and enrich my professional knowledge - that's the reason why I like Luye Pharma, where every day is different.

Li Chenglin
The Group's R&D Center

In 2024, Luye Pharma will celebrate its 30th anniversary, marking a good moment for growth. Each of us in Luye Pharma is like a completely unknown bamboo, having spent years ingrowing and growing upwards. At last, we form a dense, thriving bamboo forest. Looking forward, we must remain steadfast in our beliefs, unite in spirit, and work together to achieve more goals and dreams.

Xu Shengrui
Luye Pharma (China) CNS Division

Having specialized in psychiatry for a decade, I had never had the chance to promote such a competitive product as Ruoxinlin® until its launch. The debut of Ruoxinlin filled me with excitement and happiness. I had admiration for the management's wisdom in deploying the CNS pipeline. Meanwhile, the research and development of Ruoxinlin® was challenging, which witnessed my ten years of professional growth. I believe that Luye Pharma will emerge as a leader in the CNS sector in China. When that day arrives, I hope my team and I can proudly say, "We have given our all and made great contributions to achieving this goal!"

3. ABOUT LUYE PHARMA (CONTINUED)

3.3 Awards and Recognition

Pharmaceutical Innovation Achievement Award in the 3rd Drug Innovation Awards Annual Selection in 2023 | Top 10 Pharmaceutical Innovation Companies for the Year

The Drug Innovation Awards Annual Selection held by the Securities Times under People's Daily, aims to commend the outstanding performance of excellent enterprises and R&D teams in new drug development, technological innovation, and contributions to global healthcare. During the Year, Luye Pharma's self-developed Ruoxinlin® (Toludesvenlafaxine Hydrochloride Sustained-Release Tablets) and its R&D team were honored with three awards: "Pharmaceutical Innovation Achievement Award for the Year", "Top 10 Pharmaceutical Innovation Companies for the Year", and "Top 10 Pharmaceutical Innovation Research Teams for the Year". These awards indicate we are highly recognized by industry experts, scholars and the media.

2023 Outstanding Listed Companies | 2023 Most Valuable Investment Award

The 12th China Finance Summit (CFS) held in July 2023 drew widespread attention. At the Summit, Luye Pharma was honored with two prestigious awards: "2023 Outstanding Listed Companies Award" and "2023 Most Valuable Investment Award", which clearly indicate the industry's recognition of the Company's continuously optimized product lines and its growth potential.

2023 TOP 20 ESG Competitiveness of Chinese Pharmaceutical Listed Companies | 2023 Top 100 Chinese Pharmaceutical Innovative Enterprises

In November 2023, the 15th Conference of Pharmaceutical Entrepreneurs, Scientists and Investors (Enlightening Conference) was held successfully in Hangzhou. At this conference, Luye Pharma was granted with two significant awards: "2023 TOP 20 ESG Competitiveness of Chinese Pharmaceutical Listed Companies" and "2023 Top 100 Chinese Pharmaceutical Innovative Enterprises". Meanwhile, our subsidiary, Beijing WPU, was selected as one of the "2023 Best Practice Cases (50) of Traditional Chinese Medicine Inheritance and Innovation."


2023中国医药上市公司
ESG竞争力TOP20

绿叶制药：

基于贵司在ESG透明度与ESG绩效评价方面的卓越表现，特授予"2023中国医药上市公司ESG竞争力TOP20"称号。

Given your excellent performance in ESG reporting transparency and ESG indicators, the company is hereby awarded the title of "Top 20 Chinese Pharmaceutical Listed Companies in ESG Competitiveness in 2023".

E药经纬人

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION

Material issue(s) in this section

- Risk Management
- Anti-corruption policies, measures and training

With the vision of "becoming the most respected and leading pharmaceutical enterprise in the world", the Group is dedicated to assuming its corporate social responsibility and maintaining high standards of compliance operation. We have incorporated ESG into our corporate development strategy to continuously promote excellence and innovation. For ESG governance and risk management, we have established a comprehensive framework to regularly assess and monitor our ESG performance and risk management measures, thereby ensuring that we can effectively identify, evaluate, and manage ESG matters and potential ESG risks. To better identify and prioritize stakeholders' concerns, we conducted a stakeholder questionnaire survey to evaluate the issues most critical to the Company's development. We gave comprehensive response to key stakeholders' concerns in this survey report, so as to satisfy their expectations.

4.1 ESG Governance and Risk Management

4.1.1 ESG Governance Framework

The Company's ESG governance structure is designed to achieve effective management and supervision of ESG related risks and opportunities by utilizing a well-defined organization structure, so as to support the Company's sustainable development goals. On 29 March 2023, the Group passed a resolution through the Board of Directors to update the terms of reference of the Company's Environmental, Social, and Governance Committee ("ESG Committee") under the Board of Directors, with an aim to ensure that the Committee's functions and activities are fully aligned with current best practices and regulatory requirements. The ESG governance framework of the Group is as follows:

The Board of Directors authorizes the ESG Committee to use its power and resources to perform its duties. According to the work needs, the ESG Committee may require employees at all levels of the Company and external professional advisors to provide relevant information and assistance, including but not limited to preparing special reports, attending Committee meetings and answering questions raised by the Committee. In addition, the ESG Committee collects opinions and suggestions from external stakeholders such as investors, customers, suppliers and communities through questionnaires, interviews and other forms in accordance with the ESG Guide of the Stock Exchange, so as to prepare a comprehensive, accurate and objective ESG report.

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

The ESG Committee conducts annual assessments of its own work performance and terms of reference, and makes recommendations for improvement to the Board of Directors. The Committee also conducts an annual review of the Company's ESG performance, focusing on the following three aspects: (i) whether the resources, employee qualifications and experience, training programs, and budget related to the Company's ESG performance and reporting are sufficient; (ii) changes in the nature and degree of significant ESG risks of the Group since the last annual review; and (iii) the scope and quality of management's ongoing monitoring of ESG risks. All meeting minutes of the Committee, all resolutions and content for discussions are made available for review by the Board in time.

In order to ensure the continuous progress of ESG work, the ESG Committee shall hold at least one meeting annually, which shall be convened by the company secretary of the Company at the request of the chairman, to guide and evaluate the Company's ESG management, to discuss specific implementation plans, and to report on ESG-related matters to the Board of Directors and put forward constructive suggestions.

The main functions of the **ESG Committee** established by the Company are detailed as follows:

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

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

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

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

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

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

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

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

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

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

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

4.1.2 ESG Risk Management

As the highest decision-making body of Luye Pharma, the Board of Directors shoulders the overall supervision responsibility for the Company's risk management and internal control system, and regularly evaluates the effectiveness of its going concern. The Board of Directors is fully aware of the risk impact of ESG factors on the Company's business, and has included these risks in its integrated risk management framework. Under the strategic guidance of the Board of Directors, the management of each department follows the established policies and processes, conducts comprehensive risk identification and assessment on a regular basis, focuses on ESG risks that may have a material impact on the Company's business, and formulates corresponding response strategies and countermeasures. Meanwhile, the Company has established a sound risk reporting mechanism, and all departments regularly report the risk assessment results to the Board of Directors according to the organizational structure, so as to ensure that the Board of Directors can keep abreast of all types of material risk information, including ESG risks, and make wise decisions.

For details of the corporate governance structure of the Company, the operation mechanism of the Board of Directors and the functions and work of all special committees, please refer to the "Corporate Governance Report" in the 2023 annual report of Luye Pharma.

Operational Risks

- Description of risks: Operational risks refer to the risk of loss resulting from the inadequacy or lack of internal procedures, personnel and system, or from external events. The responsibility of managing operational risks basically vests with every function at divisional and departmental levels.
- Response measures: Key functions in Luye Pharma are guided by their standard operating procedures, authority and reporting framework. The management will identify and assess the key operational exposures regularly, so that appropriate risk management measures can be taken.

Risks of Supply and Retention of Personnel

- Description of risks: Luye Pharma may be exposed to the risk of not being able to attract and retain key personnel and talents who possess appropriate and requisite skills, experience and competence. Such personnel and talents are necessary to meet the business objectives of our Group.
- Response measures: We shall offer attractive remuneration packages to suitable candidates and personnel.

Environmental, Health and Safety Risks

- Description of risks: Environmental, health and safety risks refer to the potential loss resulting from inadequacy in environmental management and occupational health and safety management, or from accidents.
- Response measures: Luye Pharma has developed an environmental, health and safety management system in these aspects. The management regularly identifies and assesses relevant risks, and implements measures in response to these risks in the product life cycle.

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

4.2 Stakeholders' Engagement

The Group pays high attention to cooperation and communication with all stakeholders. We firmly believe that open dialogues with stakeholders can help us obtain comprehensive insights and constructive suggestions, thereby promoting our sustainable development. This report serves as a vital tool for our open communication with our stakeholders, providing them with accurate and comprehensive information which covers our goals and progress, so that stakeholders can understand our business practices and accomplishments accurately.

4.2.1 Communication with Stakeholders

We have adopted various methods to interact and cooperate with our stakeholders. To identify the Group's material ESG issues, we regularly invite stakeholders to participate in questionnaires, aiming to understand their concerns and expectations on our business and sustainable development issues. In addition, we have established various channels to continuously and effectively communicate with our stakeholders through a systematic communication mechanism to understand their concerns and expectations. The following table sets out the communication channels between the Group and stakeholders, their major expectations and opinions on the Group, and the corresponding disclosure sections for the main concerns of the stakeholders.

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

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

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

Case: 29th Anniversary Celebration Employee Meeting

In June of the Year, the Group held an employee meeting, which provided an opportunity for the Company's senior management to directly communicate with employees. At the meeting, the management introduced the Company's strategic direction, business objectives, key plans, and the Company's performance and achievements, to enable employees to know about the Company's development.

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

Case: Annual Result Announcement Presentation

In March 2023, the Group held an annual result presentation to communicate the Company's achievements and future development plans to its stakeholders

4.2.2 Materiality Assessment Procedures

In order to collect stakeholders' opinions and viewpoints about the Group's sustainable development path, we regularly implement a materiality assessment process to optimize the assessment mechanism and methods, and we invite stakeholders to participate in the materiality assessment of sustainable development issues. This assessment considers all internal and external stakeholders of the Group and consists of five major steps, which are detailed below:

1. Identifying Major Stakeholders

   In implementing the materiality assessment, Luye Pharma comprehensively considers the "influence of stakeholders on Luye Pharma" and the "influence of Luye Pharma on stakeholders". The following types of participants are selected from various stakeholders and invited to participate in the materiality assessment survey:

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

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

2. Identifying Relevant ESG Issues

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

3. Conducting Questionnaire Survey

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

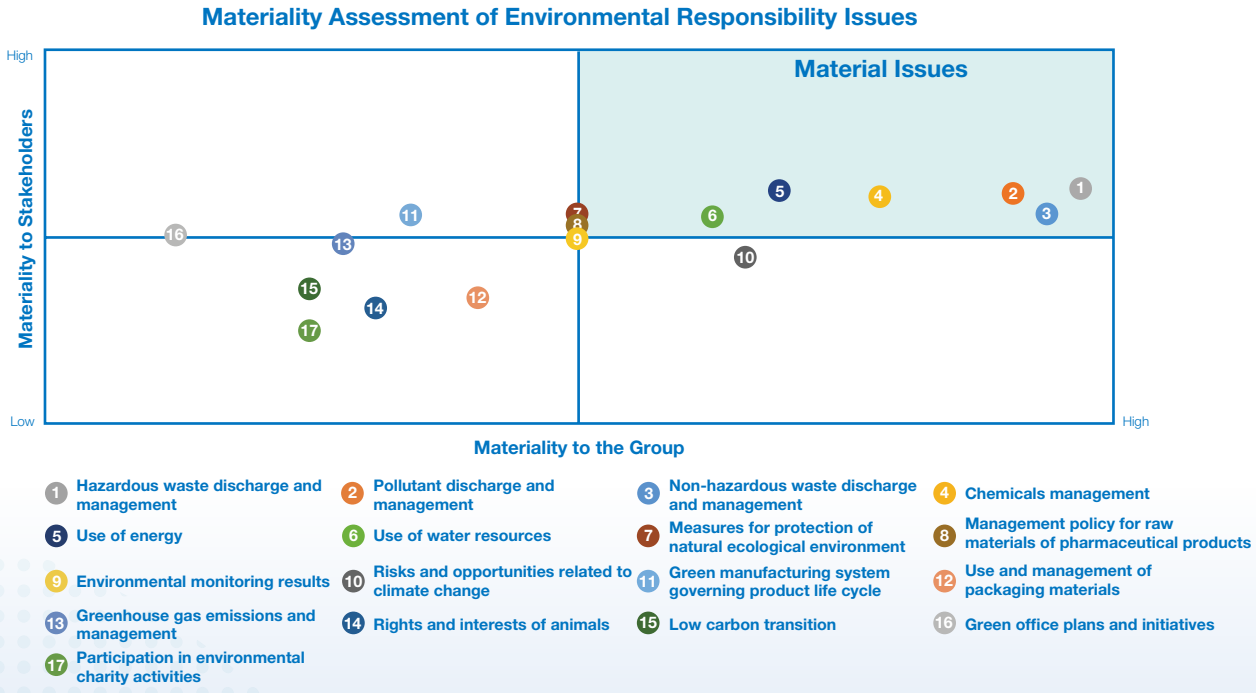
4. Analyzing Survey Results

Based on the questionnaire survey results, the Group carries out an analysis to identify issues scored high on both the "materiality to stakeholders" and "materiality to the Group" dimensions. Such issues are identified as "material issues" and constitute a materiality matrix.

5. Verifying Material Issues

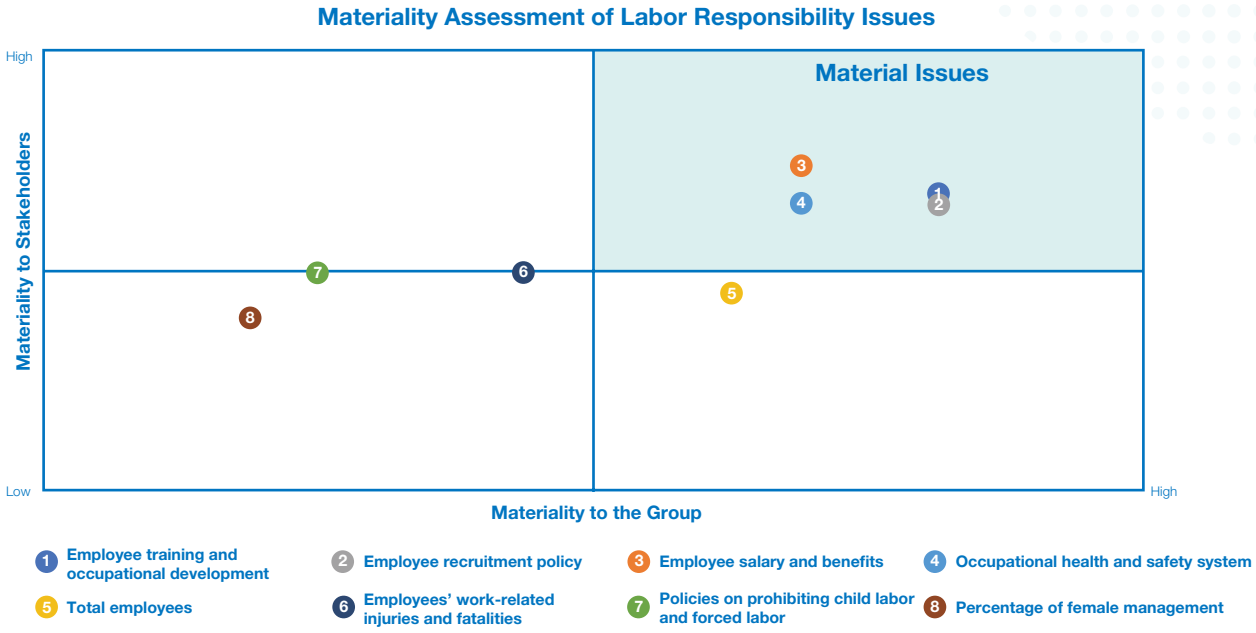
The Board of Directors reviews the survey results and verifies the material issues.

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

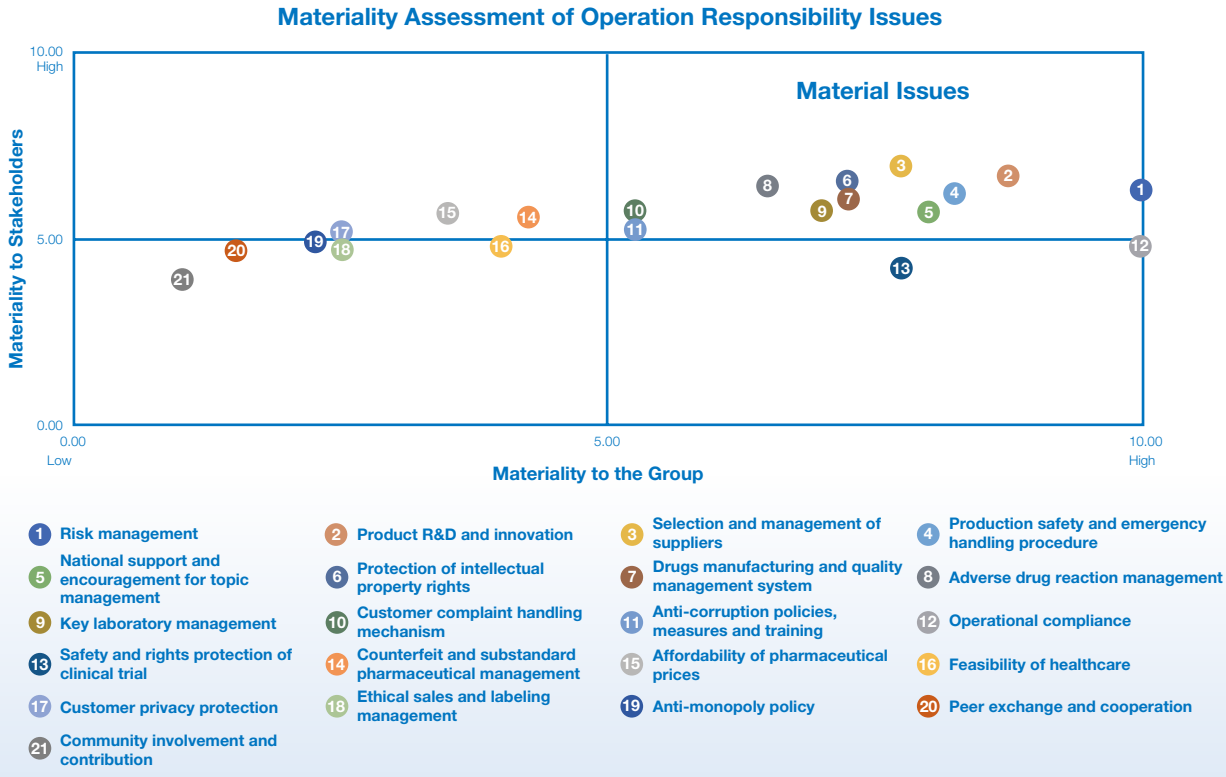


Material Issue Matrix of Environmental Responsibility of 2023

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)



Material Issue Matrix of Labor Responsibility of 2023



Material Issue Matrix of Operation Responsibility of 2023

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

We have identified 9 environmental responsibilities, 4 labor responsibilities and 11 operational responsibilities as 2023 materiality issues:

List of Materiality Issues

Environmental Responsibility	Labor Responsibility	Operational Responsibility
Hazardous waste discharge and management	Employee training and occupational development	Risk management
Pollutants discharge and management	Occupational health and safety system	Product R&D and innovation
Non-hazardous waste discharge and management	Employee salary and benefits	Selection and management of suppliers
Chemicals management	Policies on prohibiting child labor and forced labor	Production safety and emergency handling procedure
Use of energy		National support and encouragement for topic management
Use of water resources		Protection of intellectual property rights
Measures for protection of natural ecological environment		Quality management system for pharmaceutical
Management policy for raw materials of pharmaceutical products		Adverse drug reaction management
Environmental monitoring results		Key laboratory management
		Customer complaint handling mechanism
		Anti-corruption policies, measures and training

4.3 Management of ESG Goals and Performance

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

Goal Indicators	Action Plan	Actions during 2023	Progress
1. Hazardous waste discharge target			
Legal disposal of hazardous waste with disposal rate of 100%	1. Hazardous waste shall be collected according to regulations, stored in compliant locations, and registered in records; 2. A management plan should be formulated at the beginning of the Year; 3. Hazardous waste should be entrusted to qualified third parties for disposal.	• We strengthened management and controlled the use of hazardous chemicals from the source while standardized hazardous chemical management to reduce reagent usage in chemical analysis processes; • We complied with laws, regulations and internal rules to prevent, control, and treat hazardous wastes according to law. There were no environmental pollution incidents.	Completed

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

Goal Indicators	Action Plan	Actions during 2023	Progress
2. Non-hazardous waste discharge target			
Reduction of general solid waste (recyclable, household garbage, food waste)	1. General solid waste generated by each department is collected and classified by employees. Recyclable items such as paper and metal are uniformly sent to the warehouse for sales; 2. Kitchen waste generated by the restaurant should be collected in dedicated bins and disposed of by qualified units; 3. Non-recyclable waste generated by production and daily life is collected and transferred to the domestic waste area for disposal by the sanitation department.	• During the Year, we continued to publicize the reduction of wastes at source and the 4R principles, and educated our employees and raised their awareness by putting up slogans, posters and using other materials; • We set annual waste reduction objectives and implemented management plans.	In progress
3. Greenhouse gas emissions target			
Reduction of greenhouse gas emissions	1. Use energy-saving and environmentally friendly refrigerants, such as R404A, R407C, and phase out outdated refrigerants such as Freon; 2. Adjust office and production site temperature and humidity in a timely manner according to demand; 3. Encourage the use of video conferencing for meeting to reduce carbon emissions from business trips and achieve a reduction in greenhouse gas emissions.	• Beijing WPU and Nanjing Base switched to energy-saving and environmentally friendly refrigerants such as R-404A, R-410A and R-407C.	In progress
4. Atmospheric pollutant target			
100% compliance with emission standards for production and domestic waste gas	1. Commission a qualified third-party monitoring agency to regularly monitor the emissions of pollutants from waste gas; 2. Regularly maintain waste gas treatment facilities and adjust their operation mode and parameters to improve energy efficiency indicators.	• All production units engaged a third party to conduct regular environmental monitoring and assessment; • Annual waste discharge targets and management plans were formulated.	Completed

Goal Indicators	Action Plan	Actions during 2023	Progress
5. Water usage target			
Water conservation	1. Use engineering and technical measures to reduce water consumption; 2. Increase the use of recycled water.	• Beijing WPU and Shandong Production Base started to use recycled water and waste water reuse systems.	In progress
6. Energy efficiency related target			
Reduction of energy use	By utilizing solar energy and improving the air conditioning system, engineering and technical measures can be taken to reduce energy consumption.	• We installed solar power generation equipment for heating bathing water for employees, so as to reduce natural gas, electricity and other energy consumption, and carbon emissions.	In progress

4.4 Integrity and Compliance

The Group firmly fulfills its obligations, complies with laws and regulations and creates an integrity corporate culture with high standards. We strictly abide by the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Law Against Improper Competition of the People's Republic of China (《中華人民共和國反不正當競爭法》) and other laws and regulations. Internally, we have formulated internal control rules to bind our employees, including the Code of Conduct for Employees (《員工行為準則》), the Anti-Corruption Compliance Policy (《反腐敗合規政策》) and the (International) Third Party Due Diligence Process (《(國際)第三方盡職調查流程》) according to our operation features. These rules are designed to clarify the bottom line of employees' and partners' behaviors subject to morals, laws and regulations, and prohibit any form of corruption, bribery, extortion, money laundering and fraud. During the Year, Luye Pharma complied with the applicable laws and regulations relating to bribery, extortion, fraud and money laundering which have a material impact on the Group, and was not involved in any corruption cases.

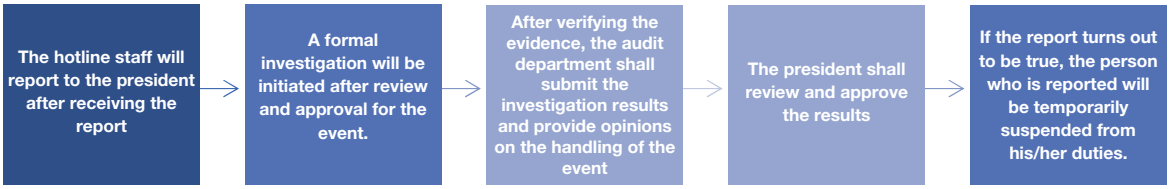
Integrity and Compliance Policies

Giving the characteristics of the pharmaceutical industry full consideration, the Group has formulated its internal rules and regulations on integrity behaviors, professional ethics and compliance requirements. For example, our employees are strictly forbidden from providing any valuable item directly or indirectly to any health care professional, government official or any business partner for the purpose of obtaining or retaining a business advantage. Furthermore, our employees shall not ask for or receive any improper payment. Our employees are also required to keep reasonable vigilant in their cooperations with third-party business partners to ensure that such third parties conduct their business in a manner that complies with the code of ethics and applicable terms under Luye Pharma's anti-corruption compliance policy.

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

Internal Whistle-blowing Channels and Whistleblower Protection Mechanism

In order to strengthen internal integrity and compliance supervision, we encourage our employees to report any misconduct or potential breaches of the Company's rules and laws, so as to assist the supervisory department in identifying and rectifying those illegal behaviors. Pursuant to the Policy on Handling Hotline, E-mail Box and Staff Whistleblowing of Luye (《绿叶熱線、電子郵箱及員工舉報處理政策》), our employees can report via Luye's hotline or e-mail. The Group has also built a sound system to handle reports. The process for handling reports is as follows:



In addition, we have taken different measures to prevent retaliation against whistleblowers in different ways. We strictly adhere to the confidentiality agreement in relation to whistleblower information according to the Policy against Retaliation (《反報復政策》), so as to ensure that the whistleblowers are protected. Once we find retaliation against any whistleblower, we will handle it seriously according to the Company's disciplinary procedures, and impose disciplinary sanctions and take legal action if necessary to safeguard the safety and legitimate rights and interests of the whistleblower.

Anti-corruption Training

The Legal Department of the Group is responsible for creating internal integrity and honest culture. During the Reporting Period, the Legal Department provided Directors and employees with several online and offline compliance training courses, including anti-corruption training. These training courses further enhanced the compliance awareness of Directors and employees. Thus they would better carry out and implement the Group's relevant compliance policies.

4. RESPONSIBLE MANAGEMENT AND COMPLIANT OPERATION (CONTINUED)

In July 2023, the Legal Department provided legal compliance training to new employees of the Group.

In September 2023, the Legal Department provided new law and new regulatory rules training to the management of the Group.

In November 2023, the Legal Department provided legal, compliance and data privacy training to MEA (Middle East and Africa) employees.

5. PROFESSIONAL-LED INNOVATION AND SAFEGUARD OF HUMAN HEALTH

Material issue(s) in this section

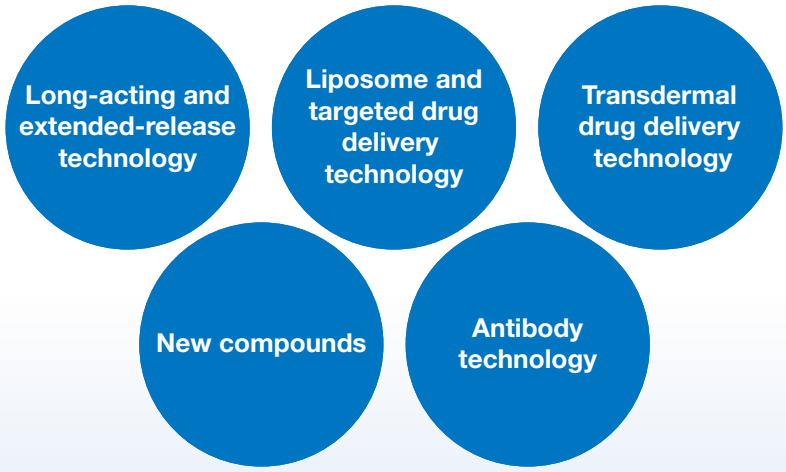
- Product R&D and innovation
- National support and encouragement for topic management
- Protection of intellectual property rights
- Adverse drug reaction management
- Key laboratory management
- Drugs manufacturing and quality management system
- Customer complaint handling mechanism

5.1 Promoting Innovation in R&D

As an enterprise engaged in the development and manufacturing of biologics, the Group deeply understands that independent innovation is an indispensable factor for our sustainable development. By continuously carrying out innovative professional technology and drug research and development, safeguarding our intellectual property rights and improving our R&D system, we are committed to meeting the various needs of patients and sustaining a competitive edge in the industry. Meanwhile, we pay attention to R&D ethics and comply with relevant laws and regulations to safeguard the safety, rights and interests of clinical trial participants as well as the welfare of laboratory animals.

5.1.1 R&D System

Luye Pharma has reached the international advanced level in the field of advanced drug delivery technologies, including microspheres, liposomes and transdermal drugs, and has actively deployed and developed in the fields of new molecular entities, biological antibodies, cells and gene therapy. The Group's R&D system mainly covers five directions:



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

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

Global R&D Centers

R&D Center in the PRC	R&D Center in the United States	R&D Center in Europe
		
Mains Direction in R&D: Long-acting and extended release technology Liposome and targeted drug delivery technology Biological antibody technology NME technology Platform Innovative medical technology	**Main Directions in R&D:** International R & D collaboration Technological exploration in advanced innovative pharmaceutical area Innovative medical technology	**Main Directions in R&D:** Transdermal drug delivery technology

Our R&D strategy is focused on the efficient allocation of resources for the development of new formulations and drugs, biosimilars, new antibody products and other projects. We have built and continue to build various technological platforms, including new formulation and new molecular entity (NME) technology platforms, biological antibodies, and innovative therapies, so as to deeply explore the innovative potentials in these biologic fields. To date, the Group boasts over 30 marketed products, with business covering over 80 countries and regions in the world and it focuses on such disease areas as central nervous system, oncology and cardiovascular system.

Overseas market	Chinese market
Our sales network covers over 80 countries and regions worldwide, including major pharmaceutical markets and rapidly growing international emerging markets. We have built in-house sales teams in Germany, the UK, Southeast Asia, the Middle East, North Africa and other countries and regions.	Collectivized operation and management are implemented, with products covering over 20,000 hospitals with different grades and levels in 30 provinces, cities, and autonomous regions in China. Among these products, oncology products cover about 2,800 hospitals and central nervous system products cover about 3,000 hospitals.

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

During the Year, Luye Pharma had a pipeline of 24 candidate products in the PRC under various stages of development. Furthermore, we have a total of 10 international development projects, 2 clinical trials jointly conducted in China, the United States and Europe. As of the end of the Year, Luye Pharma's R&D team had 931 employees, including 86 holding a Ph.D. degree and 467 holding a Master's degree in medical, pharmaceutical and other related disciplines. The total investment in R&D projects amounted to RMB586.16 million.

Case: LY03004 (Risperidone Extended-release Microspheres for Injection)

In January 2023, Luye Pharma Group announced that its new drug Rykindo® (Risperidone Extended-release Microspheres for Injection, LY03004) had been approved by the United States Food and Drug Administration ("FDA"), representing a breakthrough for Chinese new drugs expanding into the international market. Rykindo® is the first Chinese-developed drug for the central nervous system to be marketed in the United States. The drug is administered bi-weekly by intramuscular injection and delivers the active ingredient, risperidone, via long-acting and extended-release microsphere technology, improving efficacy and reducing side effects. The drug is indicated for the treatment of adult patients with schizophrenia and bipolar I disorder, and it can improve medication adherence and reduce medication usage risks. The launch of Rykindo® not only demonstrates the achievements of Luye Pharma's globalization strategy, but also marks an important milestone in the internationalization of the Chinese pharmaceutical industry.

Case: LY01005 (Goserelin Acetate Extended-release Microspheres for Injection):

Luye Pharma Group and BeiGene jointly announced that Goserelin Acetate Extended-release Microspheres for Injection (trademark: Baituowei®) had received approval from the National Medical Products Administration of China on 30 June and 7 September 2023, which is indicated for patients with prostate cancer requiring androgen deprivation therapy and pre-menopausal and perimenopausal women with breast cancer who can accept hormonotherapy. This approval marks the launch of the world's first long-acting Goserelin microsphere formulation. This innovative microsphere formulation provides a new and more convenient option for prostate cancer and breast cancer treatment through an improved injection method that enhances efficacy, safety and patient experience. Professor Dingwei Ye, the vice president of Fudan University Shanghai Cancer Center and Professor Xiaojia Wang, a chief physician of the Breast Medicine Department of Zhejiang Cancer Hospital, highlighted the important value of Baituowei® in improving treatment adherence, reducing psychological stress and facilitating patients' early return to normal life. In addition, Baituowei®'s microsphere technology achieves stable drug release and reduces adverse reactions at the injection site, showing its advantages in clinical efficacy and safety.

Case: Lurbinectedin for Injection

In December 2023, Lurbinectedin for injection (ZEPZELCA®) developed by the Group, obtained marketing approval in Macau Special Administrative Region and Hong Kong Special Administrative Region of China for the treatment of adult patients with metastatic small cell lung cancer ("SCLC") who have disease progression after receiving platinum drug chemotherapy. Lurbinectedin is the first new chemical entity approved by the FDA for the treatment of relapsed SCLC since 1997, representing a significant advancement in the treatment of this refractory disease. The approvals obtained in Hong Kong and Macau are based on an international phase II clinical trial in which Lurbinectedin showed promising efficacy. Lurbinectedin is also undergoing a marketing review and has been granted priority review in Mainland China. Its marketing will provide a new treatment option for patients with SCLC. The approval of Lurbinectedin not only represents a breakthrough in the therapeutic field, but also provides patients with a new therapy that may improve their life benefits.

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

5.1.2 R&D Ethics

Protection of the Rights and Interests of Clinical Trial Participants

Luye Pharma attaches great importance to the rights, interests and safety of trial participants during the process of clinical trials. In order to protect the rights and interests of the participants, Luye Pharma has adopted a series of specific measures. All clinical trials must be approved by the ethics committee on such key documents as clinical R&D protocols before their respective commencement, so as to ensure the ethicality and scientificity of the trials. Before participating in a trial, participants shall sign an informed consent form to ensure that they make full sense of the information related to the trial, including potential risks and benefits, and that their participation is on a fully understanding and voluntary basis. The Company maintains clinical trial liability insurance for participants and promises to provide corresponding medical compensation for participants upon completion of the trial. Meanwhile, we adopt measures to protect the privacy of our participants and prevent personal information leakage. We are committed to ensuring the due rights of the participants when they are participating in clinical trials through the following measures:

Right to know

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

Right to free choice

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

Right to privacy

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

Other rights

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

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

Animal Experiment Management

The Group firmly adheres to a sense of responsibility in respecting animal life in drug development and research. To ensure that animal experiments meet the highest standards of bioethics and humanity, we have formulated the Animal Laboratory Management and Animal Ethics Welfare System (《動物實驗室管理以及動物倫理福利制度》) to regulate all segments related to animal experiments, such as personnel management, laboratory animal use management, breeding environment maintenance. In addition, guided by the "Three R Principles" (Replacement, Reduction and Refinement) and the "Five Freedoms" (freedom from hunger and thirst, freedom from discomfort, freedom from pain, injury and disease, freedom to express normal behavior, and freedom from fear and distress) under the Laboratory Animal – Guideline for Ethical Review of Animal Welfare (《實驗動物福利倫理審查指南》) (GB/T 35892-2018), we are committed to protecting laboratory animals with the highest standards.

Relevant measures for laboratory animal management

Animal laboratory use management	Laboratory animal use management	Laboratory animal feeding management
• All laboratories of Luye Pharma that are involved in animal experiments have obtained the Laboratory Animal Use License (實驗動物使用許可證) • The personnel engaged in animal experiments are required to hold a certificate for animal testing practitioners • Animal experimental activities can only be carried out after the application for laboratory use is submitted and approved.	• We shall submit the IACUC application in advance and comply with the ethical review system. • In the process of experiments, we follow the principle of "gentle and stable, kindness and comfort, and reduce the animals' pain and stress response", and without prejudice to the experimental operation, we endeavor to minimize behavioral restriction imposed on experimental animals. Meanwhile, we adopt measures to avoid or relieve the pain or injury caused to animals, which are not directly related to the purpose of the experiment. • At the end of the experiment, euthanasia shall be used to reduce the pain of animals.	• We shall purchase laboratory animals from the entities in possession of the Laboratory Animal Production License (實驗動物生產許可證) to ensure that each batch of animals is accompanied by a quality certificate. Laboratory animals can be used in experiments after being received and having passed quarantine observation. • Animals' feed shall be purchased from the suppliers who have obtained the "Laboratory Animals' Feed Production License" and shall be stored in the feed warehouse by categories, so as to ensure that the feed meets the specifications and nutritional standards. • Every year, experts are entrusted with testing the key indicators (such as temperature and humidity) of the animal feeding environment to ensure compliance with the requirements of the laboratory animal environment and facilities.

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

5.1.3 Protection of Scientific Research Results

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

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

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

Patent Registration

	Valid authorized patents	Valid patents under application
PRC	271	61
Overseas	382	102

Trademark Registration

	Valid authorized trademarks	Valid trademarks under application
PRC	575	35
Overseas	709	69

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

5.1.4 Management of National-Supported Projects

Adhering to its core development concept of technological innovation, the Group closely follows the national strategy of innovation-driven development and continuously makes contributions to national key scientific research projects and subject study. In terms of project management, a professional subject management team has been formed to be responsible for overall planning, coordinating the implementation, and quality supervision. The team strictly implements monitoring and risk management strategies to ensure that projects meet high-quality standards. At the same time, we actively seek cooperation opportunities with famous universities, scientific research institutions, and top experts at home and abroad. We have established a network of R&D collaboration and a resource sharing system to gain access to a broader range of research resources and frontier technologies, thus accelerating the incubation of innovative achievements.

Furthermore, we are committed to exploring deep integration with the industry and promoting the extensive application of our research achievements in related fields. We attach importance to intellectual property rights and patent registration, convert R&D achievements into tangible products and foster scientific and technological innovation, so as to enhance the Company's sustainable growth and market competitiveness.

The Group will persist in technological innovation, pay close attention to national development strategies, and continue to increase investment in scientific research projects and subject study, so as to enhance the Company's innovation capabilities and development level, make greater contributions to the development of the industry and the society.

Case: Beijing WPU Company – the 100 Special Projects on Intelligent Manufacturing of Beijing Municipal Bureau of Economy and Information Technology

Since 2019, Beijing WPU Company has been engaged in the 100 Special Projects on Intelligent Manufacturing of Beijing Municipal Bureau of Economy and Information Technology, with an aim to build a smart factory encompassing the whole industry chain of traditional Chinese medicine. With the imported advanced information automation equipment and systems, the process analysis technology and the new-generation information technology, the Company persistently optimizes the traditional Chinese medicine production models. Currently, the Company initially attains the goal of the integration, digitalization, precision, and greenness of Chinese medicine intelligent manufacturing, which lays a foundation for enterprise transformation and upgrading, and high-quality development.

In the future, Beijing WPU will make the best of Beijing's policy opportunities and resource superiority during the 14th Five-Year Plan period, adhere to the principles of intelligence, greenness and innovation, and continue to promote intelligent sustainable development based on an international vision, thus building a high-quality brand of traditional Chinese medicine modernization, and making contributions to the high-quality development and internationalization of the traditional Chinese medicine and health industry.

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

5.1.5 Key Laboratory Management

The construction and management of key laboratories are crucial to the Group's research and development system. The Group's key laboratories include a drug development laboratory, formulation development laboratory, production process laboratory, and testing and analysis laboratory. We are committed to strengthening the infrastructure and management system of these laboratories to enhance our research and development capabilities and scientific and technological innovation. Firstly, we have established a laboratory management team that shall be responsible for laboratory design, construction, decoration, equipment procurement, and daily operation management. Secondly, we actively invest resources in introducing advanced research equipment and technology to realize standardization, digitalization, and informatization and continuously enhance the research and development quality and work efficiency.

Case: Beijing WPU Company passed the laboratory accreditation re-review by the China National Accreditation Service for Conformity Assessment (CNAS)

In March 2023, the laboratory of the Quality Control Department of Beijing WBL Peking University Biotech Co., Ltd., a subsidiary of the Group, received and passed the on-site review by the China National Accreditation Service for Conformity Assessment ("CNAS").

After laboratory accreditation was re-reviewed by CNAS, the laboratory improved the staff quality, the standard of the software system, internal management, etc. It has completely eliminated the management blind spots and managed the daily work of each department and position in an orderly manner. Therefore, the laboratory's physical conditions and overall technical standards have been improved, indicating that the laboratory can conduct testing services according to relevant international accreditation standards.


中国合格评定国家认可委员会
实验室认可证书
（注册号：CNAS L9805）
兹证明：
北京北大维信生物科技有限公司质量管理部实验室
北京市海淀区中关村永丰基地永盛北路2号，100094
符合 ISO/IEC 17025：2017《检测和校准实验室能力的通用要求》
（CNAS-CL01《检测和校准实验室能力认可准则》）的要求，具备承担本证书附件所列服务能力，予以认可。
获认可的能力范围见标有相同认可注册号的证书附件，证书附件是本证书组成部分。
生效日期：2023-03-20
截止日期：2029-03-19
中国合格评定国家认可委员会授权人

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

5.2 Superior Quality Assurance

The Group focuses on innovative medical solutions and is committed to offering excellent drugs and customer services. To ensure that our products meet the highest standards in terms of safety and performance, we have implemented a stringent quality supervision system and precise production process management. We strictly comply with industry standards and national regulations at every step, from raw material procurement, product design to finished product ex-warehouse, ensuring that all of our medical devices have passed comprehensive quality inspections before being delivered to consumers. Our quality control system is continuously optimized to meet international and domestic regulatory requirements, so as to ensure the reliability of our products in global markets. In addition, we offer high-quality services to our customers wholeheartedly. Our efforts are always centered on customer needs and satisfaction, and we strive to improve customer experience and increase customer value in the whole process of product development, manufacturing, and after-sales support.

5.2.1 Drug Quality Management

In strict compliance with the laws and regulations, including the Law of the People's Republic of China on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》), the Implementation Regulations on the Law of the People's Republic of China on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法實施條例》), and the Good Manufacturing Practices for Pharmaceutical Products (《藥品生產質量管理規範》) (GMP), Luye Pharma has developed a pharmaceutical quality management system which meets industry standards. The system is tailor-made for the Group's pharmaceutical product manufacturing activities to ensure every step (from raw material procurement to finished product ex-warehouse) consistently reaches high-quality standards, so as to meet patients' health needs. We have set clear quality objectives, policies and targets, and have strictly implemented the requirements in relation to the safety, efficacy and quality control of pharmaceutical products in the whole production and quality control process, including but not limited to production, quality control, product audit, storage and delivery. We promise to meet and even surpass GMP standards by continuously optimizing our quality control system, to ensure that our pharmaceutical products reach the highest standards in terms of safety and efficacy.

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

Each production base of Luye Pharma has been actively establishing and implementing efficient quality control systems. Based on the Company's overall quality strategy, each production base has set up specific annual quality objectives and assessment criteria, regularly reviews progress towards these objectives and proposes corresponding improvement measures as necessary based on the assessment results, including the optimization of various aspects such as technological processes, equipment replacement, personnel training and technological innovation, to assure improvements in the quality standards of our products from the source. Additionally, each production base of Luye Pharma continuously seeks new scientific research technologies and management methods to address new challenges and opportunities in the industry, further strengthening the quality control system. All of the production bases met their respective quality objectives during the Year, which demonstrates the effectiveness of our production processes.

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

Luye Pharma's GMP Pharmaceutical Quality Management System

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

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

Drug production Process management

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

Quality control procedures for drug products

- Establishing quality control system related management documents and standard operation procedures (SOP), including corporate internal control quality standards for materials, intermediate products, and finished goods, various inspection operation procedures, and management procedures for various inspection instruments, equipment and reagents, etc., to realize quality control of the whole process of receiving materials, producing products and inspecting finished products.

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

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

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

During the Year, a number of products and production lines of Luye Pharma passed the GMP compliance test in China. All of the production bases in Boan Biotech, Beijing WPU, Shandong and Nanjing have obtained ISO9001 quality management system certification.

China Production Base

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

European Production Base

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

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

ISO 9001 quality system certification

Nanjing production base ISO9001:2015

Shandong production base ISO9001:2015

Boan Biotech ISO9001:2015

5.2.2 Quality Customer Services

Customer satisfaction surveys

On the basis of ensuring the quality of our products and services, we persistently strive for excellence to meet our customers' needs. We fully understand that customers' suggestions and needs are valuable resources for our continuous improvement. To this end, we regularly conduct customer satisfaction surveys. Upon thoroughly understanding customers' feedback on product performance, operating experiences and customer services, we make targeted adjustments and optimizations to our service processes, aiming to constantly strengthen our market competitiveness while enhancing customer satisfaction. Simultaneously, we delve into customers' authentic assessment of our pharmaceutical products and service quality through satisfaction surveys, allowing us to accurately understand customers' needs and ensure that our products and services always meet market demands.

Each of our subsidiaries and production bases has set up comprehensive customer satisfaction monitoring processes and feedback mechanisms according to their operating practices, to enhance customer satisfaction. Boan Biotech has formulated Customers-Related Requirements Review and Control Procedures (《與顧客有關要求評審控制程序》), with an aim to fully understand customers' demands and make timely adjustments and improvements based on customers' feedback. Shandong Base and Beijing Base have established the Customer Satisfaction Measurement and Control Management Protocol (《顧客滿意度測評控制管理規程》) to systematically collect various customers' opinions and ensure that they are conscientiously analyzed and addressed.

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

Customer satisfaction monitoring procedures

Make an annual plan
The marketing department draws up a plan to determine the satisfaction survey objectives, and survey frequency and methods.

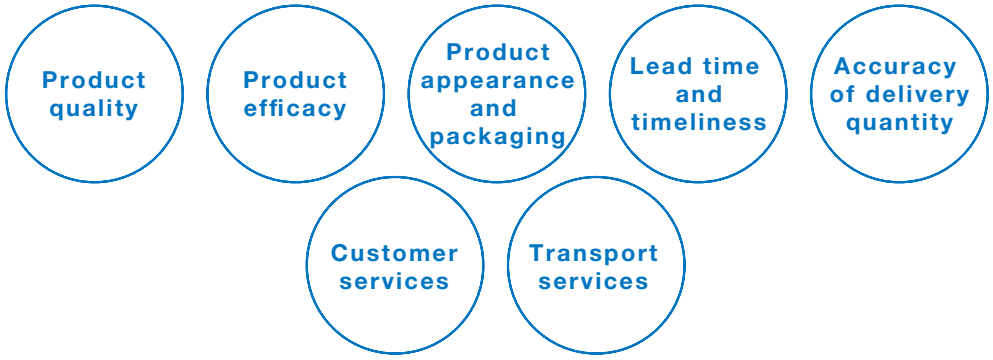
Send out questionnaires
Send out the Customer Satisfaction Questionnaires to customers at least once a year

Collect feedback
The marketing department shall be responsible for collecting feedback; the quality control department shall assist the marketing department in carrying out a summary analysis

Analyze results
Prepare a written report based on customer satisfaction analysis results

Formulate rectification measures
Formulate corrective measures on the basis of the improvement suggestions from the management review

Customer satisfaction evaluation indicators



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

Customer complaint handling

In order to ensure that we can effectively hear and respond to customers' opinions, we have formulated regulations such as the Complaint Management Regulations (《投訴管理規程》) and Complaint Handling Operation Procedures (《投訴處理操作規程》) to standardize the management process of customer complaint handling, and pay close attention to every step of the operation during the implementation to ensure that all customer problems are handled in compliance with high standards.

Division of labour amongst its functional groups in handling complaint management

Quality Control Department	Production, supply chain and engineering departments	Quality manager/person in charge of quality	Business personnel in the medical department
To be in full charge of quality complaint handling	To cooperate with the investigation of complaints and carry out corrective and preventive measures	To be in full charge of emergency handling of quality complaints and approval for preventive measures	To communicate with customers directly and know about the concrete content of complaints

A systematic process is adopted for our complaint handling. Firstly, we sort and record the feedback we received. For complaints related to product quality, we promptly investigate according to the Guidelines on Handling Product Problems (《產品問題處理指南》), identify the root causes within the specified time, and conduct a thorough risk analysis. Based on this analysis, we formulate targeted corrective measures and follow the Implementation Specification on Corrective Measures (《改正措施實施規範》) to conduct continuous monitoring, so as to ensure that the problem will not recur while improving product safety and reliability.

Furthermore, we attach great importance to customers' suggestions and opinions. We have formulated a series of targeted optimization measures after comprehensively analyzing the feedback, which cover not only the continuous improvement in product and service quality but also process optimization and more effective communication. We aim to continuously enhance our service quality and management level through this systematic complaint management and feedback handling process, thereby improving customer satisfaction and trust.

During the Year, Luye Pharma had received a total of 34 complaints in relation to drugs quality and safety, customer consultation, customer service and others, none of which involved product recall. We promptly handled all complaints in accordance with the aforementioned complaint handling process, actively responding to customers' requests.

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

Luye Pharma has formulated a product recall process to ensure that effective actions can be taken in time when quality or safety problems are identified, so as to protect the interests of consumers and our brand reputation.

Drugs Manufacturing Management

QC personnel are mainly responsible for the inspection and approval of all incoming materials, intermediate products, products pending for packaging, and finished products;

QA personnel are responsible for monitoring the environment surrounding the plants, supervision of water quality, sample observation and management, review and analysis of product quality, and supervision of the Company's production activities in accordance with GMP and relevant laws.

Drugs Acceptance

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

Drugs Recall Management

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

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

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

5.3 Ethical Marketing

The Group is committed to upholding compliance and ethical standards in terms of pharmaceutical product promotion. Therefore, we strictly comply with the laws and regulations, such as the Law of the People's Republic of China on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》), and on this basis, we have formulated the Code of Conduct for Pharmaceuticals Promotion of Luye Pharma Group (《绿叶製藥集團藥品推廣行為準則》). We explicitly communicate to our employees the behavioral and ethical standards which should be complied with in our promotion activities to avoid any misconduct. To ensure the effective implementation of these standards, we also provide comprehensive employee training covering regulations and ethical standards to ensure that every employee understands and implements these key regulations.

To ensure compliance with our marketing activities, we have established a strict internal regulatory system to track the marketing behaviors of our employees. According to our evaluation procedures, we regularly carry out internal audits to verify whether their behaviors are in line with the Company's rules and legal provisions. If any non-compliance is found, we will take the necessary corrective actions, ranging from warnings, cancellation of qualifications to dismissal.

Furthermore, we attach importance to providing high-quality products and customer services. In addition to ensuring high standards of product quality, we are committed to building an efficient, professional and friendly customer support team to provide customers with timely and considerate assistance and solutions and gain their trust and satisfaction.

Code of pharmaceuticals promotion

The general principles of our marketing activities are the Code of Conduct for Pharmaceuticals Promotion of Luye Pharma Group (《绿叶製藥集團藥品推廣行為準則》), which aims to provide every employee with conduct standards and ethical guidelines for pharmaceuticals promotion, and to consolidate Luye Pharma's good market reputation. The Code contains various aspects, such as the management of promotion funds, relevant rules on academic exchange activities, standards on pharmaceuticals promotion materials and promotion information, and relevant penalty provisions, to ensure the professionalism of the marketing activities. All employees of the Group shall know about and strictly comply with the provisions of the Code. We also require our employees to sign to confirm that they have correctly understood the detailed rules and regulations of the Code and promise to comply with the provisions of the Code in the Group's pharmaceuticals promotion activities, large-scale activities, distribution of promotion materials or other activities.

Drug promotion information	The promotion of drug information shall be conducted according to the basic principles of consistency, accuracy and scientificity, and avoid any misleading content.
Management of Promotion Funds	When using promotion funds, employees must comply with the Group's financial management system and relevant laws and regulations, and shall not engage in any irregular behavior.
Academic exchanges of healthcare professionals	In the academic exchange activities, our employees shall focus on providing scientific or educational information and disseminating relevant drug information. When participating the activities with different natures, our employees shall follow relevant points for attention, including not to take the opportunity to promote drugs to health-care professionals, and not to influence the prescribing rights of health-care professionals by any means.

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

Product label management

The design of all products' labels and directions meets the product manuals approved by the National Medical Products Administration of China and the relevant provisions on the administration of pharmaceutical directions and labels. Product advertisements are released in the designated platforms after obtaining the pharmaceuticals advertisement approvals from the medical products administration department in accordance with the requirements of the Law of the People's Republic of China on the Administration of Pharmaceuticals (《中華人民共和國藥品管理法》) and the Measures for the Examination of Drug Advertisements (《藥品廣告審查辦法》), to ensure their content is true and accurate and avoid any misleading or deceptive behavior.

Information security and privacy protection

We attach great importance to the protection of customers' privacy and information security. According to and following the relevant national laws, regulations and standards, we have formulated the internal system of the Personal Data Protection Policy (《個人數據保護政策》) to standardize the management of customers' information and privacy. In addition, we continuously optimize information protection technologies and measures. For example, firstly, we use encryption technology for personal information stored electronically to prevent the information from being illegally accessed or tampered with during transmission and storage; secondly, for sensitive discarded documents containing personal information, relevant personnel destroy them in time according to the correct process to avoid the leakage of personal information. All employees of the Group shall receive comprehensive privacy protection training to ensure that they can properly manage and protect sensitive information and avoid information leakage and damage risk.

Medicines affordability and accessibility

The Group adheres to the patient-oriented principle and expects to provide high-quality medicines to society. To this end, we have formulated the affordability and pricing strategy of medicines to improve drugs' price rationality and pricing transparency and ensure that the majority of patients can afford our drugs. Most of our products have been included in the "National Basic Medical Insurance, Work Injury Insurance and Maternity Insurance Drug Catalog (2023)" (《國家基本醫療保險、工傷保險和生育保險藥品目錄》(2023年版)), in which the average reimbursement rate of Category A drugs is 90-100% and that of category B drugs is 70-80%, significantly reducing the individual burden of patients. Since the listing, we have also actively expanded our sales channels, such as offline hospitals, pharmacies beside hospitals, Internet hospitals, e-tailers and offline retailers, to further spread the coverage of drugs. In 2023, some highlights of our efforts in promoting medicine accessibility and affordability are as follows:

Oukai's sales strategy of one body with two wings

We implement a "one body with two wings" development strategy for Oukai, forming a retail sales team centered on hospital sales, so as to develop Oukai's retail business. At the same time, we increase our presence in grass-roots community hospitals to make it easier for patients with hemorrhoids, varicose veins of lower limbs, and lumbar disc herniation to access to our drugs, thus benefiting more patients.

Boyounuo® assistance project for patients

In order to ease the financial burden on patients with malignant tumors and assist more patients in receiving standardized and continuous treatment, Shandong Boan provided Life Oasis Public Service Center of Qujiang District of Quzhou City with Boyouno® (bevacizumab injection) for free. Patients who met the assistance conditions could obtain assistance drugs after submitting the application materials and gaining approval. This project provided 4,482 Boyounuo® and helped 772 patients.

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

Management of counterfeit and substandard drugs

The Group has been committed to protecting the rights and safety of consumers. Through strictly complying with the laws and regulations, including the Drug Administration Law of the People's Republic of China (《中華人民共和國藥品管理法》), the Group strengthens the management of the supply chain and strictly follows the quality inspection and monitoring system to prevent the inflow of counterfeit and substandard drugs. Additionally, we have also taken effective measures, including the Adverse Reaction and Technical Complaint Monitoring Management Process of Luye Pharma (《绿叶製藥藥品不良反應和技術性投訴監測管理流程》), to standardize the monitoring process of adverse drug reactions to ensure the medication safety of the public.

6. SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Material issue(s) in this section

- Selection of suppliers and management

Sustainable supply chain management is a key part of Luye Pharma's ESG strategy. In order to ensure that each link in the supply chain meets the standards of environmental protection, social justice and good governance, we have formulated a series of internal supplier management policies, including the Management Regulations on Suppliers (《供應商管理規程》), the Procurement Management Rules (《採購管理細則》), the Procurement Manual (《採購手冊》), R&D Pharmaceutical Commissioning Production Management Procedures《(研發藥品委託生產管理規程》) and other management measures. These policies clearly define Luye Pharma's requirements for supply chain management process and standards, and contain the performance monitoring and evaluation of suppliers, contractors, and other partners in aspects such as environmental management, occupational health and safety, and product quality.

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

Our major suppliers include CMO/CDMO companies commissioned by us for production, as well as equipment and raw material suppliers. In order to ensure that the production process and product quality in the supply chain are adequately safeguarded, we have established a supplier assessment and selection process. Based on the assessment system, we consider production requirements, suppliers' qualifications and past performance, and collect fundamental data for analyzing suppliers' performance, such as communications with suppliers in daily work, invoices, delivery records, intellectual property ownership certificates and other documents. A comprehensive assessment is then conducted using multi-dimensional assessment methods to ensure the objectivity and reliability of the assessment process and analysis results.

The CMO Management Department shall be responsible for supervising, communicating, and coordinating the investigation and screening of suppliers, and giving priority to suppliers that meet business requirements and performance standards, including:

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

6. SUSTAINABLE SUPPLY CHAIN MANAGEMENT (CONTINUED)

The selection of suppliers shall follow the principle of open and fair competition, and try to select suppliers with good reputations to reduce the procurement costs and risks. Some of the supplier selection practices include but not limited to:

Operating management levels	We mainly consider suppliers' market position, professional skills, technical and service support capabilities, compliance management, confidence, and intellectual property concepts, among other comprehensive operation and management levels
Cost and product quality factors	Price, quality standards, supply position, company scale, credit risk, sales and after-sales services, etc.
EHS management performance	When assessing a supplier's qualification, we usually review its EHS performance, including whether its environmental and occupational health and safety management system has passed ISO14001 environmental management system certification, OHSAS18001 occupational health and safety certification, and whether its holds pollutant discharge permits.
Laws and regulations, industry and international standards	Suppliers shall have the licenses required by laws and regulations and meet international production standards.

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

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

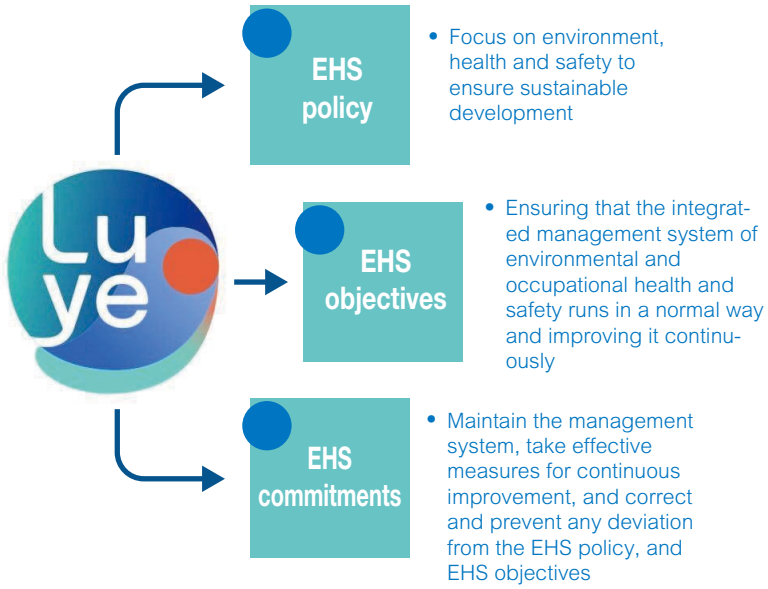
During the Year, Luye Pharma had 11,040 domestic suppliers and 309 overseas suppliers, and the above supplier engagement practices apply to all suppliers to ensure the sustainability of our supply chain.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION

Material issue(s) in this section

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

Environmental protection and production safety are the cornerstones of the Group's responsible operations and sustainable development. We actively take actions to promote sustainable development in environment and reduce the negative impacts of our production and operations on the environment, undertaking our responsibilities and obligations as an enterprise citizen. Insisting on our production and business philosophy of "environmental protection, production safety and professional services for human health", we have formulated the Group's general EHS policy, objectives and commitments, which are as follows:



7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

7.1 Environmental Protection System

Luye Pharma attaches great importance to the role of environmental protection system construction in sustainable development. As a responsible enterprise, Luye Pharma implements environmental management seriously and aims to minimize the negative impact of its operations on the environment and natural resources. Our business covers research and development centers, manufacturing plants and office facilities, with major environmental impact factors involving waste management, energy consumption, greenhouse gas emissions, air pollutant emissions and the safe disposal of chemicals. For more specific information on our environmental performance, please refer to the Environmental Performance Form in the appendices.

In order to provide us with unified guidance on all of our activities in environmental, occupational health and safety management, we have in place the Environmental and Occupational Health and Safety Manual (《環境與職業健康安全手冊》) ("EHS Manual") according to the general EHS policy, objectives and commitments. This guidance is the core document of our EHS integrated management system, which aims to ensure that all our employees can implement EHS policies and achieve EHS objectives. In addition, we require all employees to follow the procedures stipulated in the EHS manual in their daily work and implement corresponding environmental protection measures to reduce, prevent or eliminate the environmental pollution that may be caused by our operational activities.

Luye Pharma is committed to maintaining and improving its environmental management system (EMS), which is established based on the ISO 14001:2015 standard. In order to continuously improve the management capacity of the EMS, we carry out periodic internal and external audits on EMS in accordance with the "Plan-Do-Check-Act" (PDCA) management cycle theory to review and evaluate the whole management system, so as to ensure that amendments and improvement measures are proposed and implemented in time. A number of Luye Pharma's production bases have passed the ISO 14001:2015 environmental management system certification, which demonstrates that its environmental management system has complied with the requirements of international standards.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

ISO14001 environmental management system certification

Beijing WPU
ISO14001:2015

Luye Pharma (Shandong Base)
ISO14001:2015

Luye Pharma (Nanjing Base)
ISO14001:2015

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

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

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

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

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

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

7.2 Waste Management

The Group is fully aware of the importance of waste disposal to the environment and undertakes to minimize the impact of waste on nature through strict management policies. In the operations, the hazardous waste generated by the Group includes medical and pharmaceutical waste, organic waste liquid, waste activated carbon, discarded reagent bottles and containers, laboratory waste and ink cartridges used in offices. Non-hazardous waste can be further categorized as recyclable and non-recyclable waste, including medicine dregs, discarded packaging materials, paper and sludge. According to the requirements of Chinese relevant environmental protection laws and regulations, we have formulated and implemented comprehensive waste disposal regulations, clarified relevant personnel's responsibilities, standardized waste disposal processes, and the corresponding system of rewards and penalties. These regulations also explain the requirements for the entrustment of qualified waste disposal suppliers.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

Luye Pharma (Nanjing Base) – The Management Procedures for Hazardous Waste

- Collection of hazardous waste
  - Hazardous waste shall be collected by category based on their characteristics, placed at specific hazardous waste collection points and marked.
  - Collection containers must be intact and well-sealed to prevent the risk of waste leakage.

- Storage of hazardous waste
  - The storage areas of hazardous waste shall meet the Pollution Control Standards for Hazardous Waste Storage (《危險廢物貯存污染控制標準》), so as to prevent scattering, loss and leakage, and the warning signs of storage areas, the Hazardous Waste Management System, the Preventive Measures and Contingency Plans for Hazardous Chemicals and Hazardous Waste Accidents shall be posted.

- Transfer of hazardous waste
  - It is prohibited to provide hazardous waste for units without business licenses for collection, storage, transportation and disposal or entrust the collection, storage, transportation and disposal of hazardous waste to any such unit.
  - Hazardous waste transfer forms shall be filled in according to national regulations and the hazardous waste shall not be transferred without the approval from safety and environmental protection authorities.

- Entrust qualified waste disposal suppliers
  - The safety and environmental protection authorities track and assess suppliers on a regular basis. The assessment involves the effectiveness of qualifications, whether the disposal process meets the requirements of laws and regulations, etc.
  - Irregular behaviors shall be rectified in time according to the Management Procedure for the Rectification, Prevention and Control of Irregular Behaviors.

Luye Pharma (Sichuan Base) — the Management Regulations on Solid Waste Pollution Prevention and Control

- Disposal of general solid waste
  - Recyclable waste shall be stored in a waste recycling room in a centralized and unified way, and the Administration Department shall be responsible for selling and disposing of such waste to minimize resource waste.
  - Coal cinders in general industrial waste shall be recycled and disposed of by an agreement entered into between the Administration Department and external organizations.
  - Recyclable waste shall be stored in a waste recycling room in a centralized and unified way, and the Administration Department shall be responsible for selling and disposing of such waste to minimize resource waste.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

In addition, we are committed to improving the overall efficacy of waste disposal through the prevention and reduction of waste generation. Each manufacturing unit actively adopts the principle of "Prevention, Reduction, Recycling and Reusing" to implement waste reduction plans. Internal publicity campaigns have also been launched to improve employees' awareness of waste reduction, for example, educational posters are put up in rest areas and canteens, and employees are encouraged to reduce food waste. Furthermore, we monitor the waste amount by gathering key data, and assess the effects of our waste reduction actions, so as to ensure our continuous improvement in strategies as compared with past results.

Case: Publicity and Education about 4R Principles

Luye Pharma (Shandong Base) – food-saving signs in the canteen

Beijing WPU – garbage sorting publicity

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

7.3 Full Life Cycle Green Manufacturing System

Apart from managing hazardous and non-hazardous wastes generated during the operation process, we are also committed to building an all-around green manufacturing system. Adhering to the core concept of "green design and green manufacturing", we integrate environmental awareness into the entire lifecycle of drug research and development, manufacturing, sales and disposal. While ensuring the efficacy, quality and costs of drugs, we take the environmental effect and resource utilization into full consideration, and strive to minimize pollution. The following are the key management policies and measures for medical waste and waste pharmaceuticals:

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

Luye Pharma (Shandong Base) – Measures Adopted for Medical Waste

- The disposal ways of waste drug residues in the workshops were changed from incineration in a power plant to transporting them to farms as feed, saving disposal fees of RMB153,600.
- Low-concentration alcohol generated from the workshops was disposed of in an alcohol distillation tower and recycled. About a hundred tons of alcohol is recovered every year, saving approximately RMB1 million.

Through implementing the above-mentioned measures, Luye Pharma is committed to manufacturing high-quality pharmaceutical products while minimizing the negative impact on the environment and making contributions to sustainable development.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

7.4 Air Emissions Management

The Group's operations mainly involve R&D on drugs and drug production. The air pollutants from our business activities mainly come from the exhaust gas emitted by combustion in boilers and exhaust gas from workshops and laboratories. We are committed to complying with relevant laws and regulations, including the Comprehensive Emission Standards for Air Pollutants (GB16297-96,《大氣污染物綜合排放標準》), based on which, we have formulated the Measures for the Prevention and Control of Air Pollution and the System for the Monitoring and Management of Emission Sources. We strictly control and manage exhaust gas emissions through these policies. In addition, we have set clear quantitative emission reduction targets and persistently track and monitor emission information. We have entrusted a third-party professional agency to conduct an emission assessment and an environmental impact analysis every quarter to ensure that all emission levels are within the statutory limits.

In accordance with relevant national laws and regulations and international environmental protection standards, each of our subsidiaries has established emission management and control procedures to reduce exhaust gas emissions and ensure compliance with environmental protection requirements. The following table shows the details of some of the management procedures:

Luye Pharma (Shandong Base) – the Management Procedures on Prevention and Control of Air Pollution and Hazards

- In terms of process, we promote four new technologies (new products, new processes, new materials and new technologies) and give priority to non-toxic, low-toxic and low-waste clean production processes.
- Exhaust-related operators shall be provided training so that they understand the hazards that may be caused to the atmosphere and the operating environment by an illegal operation.
- Personnel exposed to hazardous emissions shall wear articles for labour protection to operate in strict accordance with the requirements of the operating procedures, so as to protect themselves from harm and minimize damage to the environment caused by abnormal emissions due to improper operation.

Luye Pharma (Sichuan Base) – the Management Regulations on Prevention and Control of Air Pollution and Hazards

- The exhaust gas generated from the combustion of boiler fuel shall be emitted from the chimney after dust and sulfur removal and other disposals. The final exhaust gas emissions shall be monitored once a year by the environmental monitor station in Luzhou City, and the monitoring results shall meet the requirements of the "Boiler Air Pollutant Emission Standard" (GB13271-2014,《鍋爐大氣污染物排放標準》).
- If incidents or other emergencies, emissions and leakages that cause or may cause air pollution incidents and do harm to human health occur, we must take emergency measures immediately to prevent and control the hazards of air pollution, stop pollutant emissions, notify the units and residents who may be affected by the air pollution, and report to the local environmental protection authority for investigation and treatment.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

In order to further reduce the impact on the environment, we have also adopted various measures to reduce the emissions of various air pollutants during the Reporting Period:

Beijing WPU

- The organic exhaust gas that came out of the extraction process is purified by spray washing, condensation and cooling, and activated carbon adsorption.
- The slag discharged and exhaust gas condensed is purified by water washing and microorganism filtration and adsorption.
- Dust-laden exhaust gas that came out of the grinding process is disposed of by filter bag capturing and filtration.
- Boilers adopt imported ultra-low nitrogen gas burners, and the emission concentration of nitrogen oxides is less than 30mg/m^3.

Luye Pharma (Shandong Base)

- The exhaust gas that came out of the sewage treatment station is sealed, transported to exhaust gas treatment facilities through negative pressure, and then emitted to the atmosphere to reduce the emissions of waste gas pollutants such as hydrogen sulfide, ammonia gas, odor concentration and VOCs.
- We have specially designed and configured the secondary spray absorption tower and activated carbon adsorption exhaust treatment system to handle the emissions from the raw material workshop, which complies with the requirements of labor, hygiene and environmental protection emissions and avoid the negative impact of the emissions on the health of the operators as well as the emissions to the surrounding atmosphere.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

7.5 Energy and Climate Change

Currently, climate change is a challenge global challenge. As an international medicine and health group, we pay high attention to the impacts and opportunities brought by climate change, and adopt corresponding measures in time to integrate relevant considerations into enterprise strategic plans. Climate change may bring different risks to the Group. For example, in terms of physical risks, climatic disasters may lead to a shortage of Chinese medicinal materials and agricultural and sideline products needed by drug production, thus influencing the stability of drug production and supply chain. In addition, climate change may result in the epidemic of infectious diseases and non-infectious diseases and change the seasonal epidemic of some diseases, thereby influencing our operations.

To respond to these risks and opportunities, we have prepared documents such as Analysis Sheet on the Company's External Environment (《公司環境外部環境分析表》) to identify risks and opportunities in different production sections. We also actively adjust our business strategies and strive to improve the resilience and sustainability of the overall supply chain. The following table sets out the tackling methods adopted by some production bases of the Group to tackle climate change:

	The potential impact of climate change	Tackling methods
Luye Pharma (Shandong Base)	Climate change may lead to an increase in the frequency of extreme weather, causing damage to Chinese medicinal materials, the planting of agricultural and sideline products and the guarding of cities.	It has increased the inventories of Chinese medicinal materials and the supply channels of down-stream products to reduce supply risks.
	Under the general trend of climate change, China may tighten its control over the extraction or synthesis of raw materials, which emit many pollutants.	These materials have been replaced by materials that emit fewer pollutants, so as to reduce environmental impact and climate risks.
Luye Pharma (Sichuan Base)	Climate change may increase haze pollution and influence the operation of the production chain.	A contingency plan for heavily polluted weather has been formulated, and the relevant measures, steps, an emergency supervision mechanism and the responsibilities of related personnel have been clearly defined.

The greenhouse gases emitted by Luye Pharma during its operation are mainly those from boilers, refrigeration equipment, production facilities, automobiles and power consumption in offices. Luye Pharma actively supports the appeal of environmental protection. It has been committed to reducing corporate energy consumption, improving energy efficiency and reducing the corresponding greenhouse gas emissions through various actions. In addition to meeting the requirements of relevant laws and regulations, we have formulated policies such as energy management regulations and energy resource management procedures to define the organization structure of energy management, departmental responsibilities and management standards on energy use.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

Promoting energy conservation and consumption reduction practices

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

Furthermore, we have actively utilized high-efficiency devices to improve the efficiency of energy use. During the Year, each of our production bases adopted various concrete measures to improve devices' energy efficiency, thus reducing air pollutant and greenhouse gas emissions. For example, Shandong Base carried out pressure-reduction operations for boilers during the non-heating season to reduce the frequency of boiler start-ups, thereby reducing energy consumption and lowering operating costs. Beijing WPU implemented an energy management plan for the recovery transformation in exhaust gas residual heat in the boilers and the transformation in magnetic levitation variable frequency centrifugal chillers, with the economic benefit of 244.4 tons of standard coal, representing a significant increase in energy utilization rate.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

Confronted with increasingly serious global climate change, we constantly seek innovative methods to improve the efficiency of environmental protection in our manufacturing process while setting specific greenhouse gas reduction targets. These measures not only demonstrate our undertakings to environmental protection, but also enhance the Company's image and sense of responsibility in society, thus making contributions to the realization of sustainable development.

Case: Luye Pharma (Shandong Base) Education Activities on Canteen Energy Conservation and Emission Reduction for Employees

In May 2023, the canteen of the Administration Department in Luye Pharma (Shandong Base) organized a series of education activities on environmental protection for employees to enhance their awareness of environmental protection and promote the concept of energy conservation, emission reduction and low-carbon life. These activities included training on energy conservation and emission reduction of the electricity and gas utilization in the kitchen, watching a publicity and education film and organizational learning of the Environmental Protection Law, thus further increasing employees' awareness of ecological civilization.

Case: Luye Pharma (Shandong Base) Regulations on the Heating System

Shandong production base has formulated relevant regulations for the management of the Company's heating system, Which stipulates that the devices shall be monitored and maintained on a regular basis to avoid leakage and venting. The windows shall not be opened for a long time to ventilate when there's no one in the room and etc., so as to maximize the avoidance of energy waste.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

7.6 Water Resources Management

Luye Pharma's water resources are divided into two major categories: industrial water for pharmaceutical production and facilities, and domestic water for daily sanitation and employees' food and drink. All water we utilized came from the local municipal water supply system, and we did not encounter any material problems when obtaining water sources.

Water Saving Measures

The Group has fully implemented systems such as the Energy and Resource Efficiency Management Policy, which contains a series of water resource management measures to regulate and monitor water resource utilization. All production bases and workshops have set annual water conservation targets, specific quantitative indicators, water use plans and budgets to effectively plan and manage water resource consumption. On this basis, we have established an appraisal, reward and punishment mechanism to ensure that each department has effectively implemented the water utilization policy. In addition, we have increased our employees' awareness by strengthening skill training for staff in relevant positions and putting up water conservation notices to ensure that the water conservation policy is deeply rooted among the employees and that more employees are encouraged to acquire good water consumption habits.

Water Conservation Publicity Posters

On the other hand, the Group has actively optimized its devices to develop recycling of water and save water resources, In which, Shandong production base and Beijing WPU have adopted reclaimed water and waste water reuse systems, regenerating a total of 411 cubic meters of recycled water. We have also upgraded our internal facilities in an environmentally friendly manner, such as installing water-saving toilets and auto-induction hand washing devices in the Company's bathrooms to optimize and reduce daily water consumption.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

Sewage Management

Industrial waste water generated in our pharmaceutical production process may harm the environment. In terms of the management and control of the waste water generated from our manufacturing activities, products or services, we strictly abide by the relevant laws and regulations and have formulated a series of rigorous management measures, including the Strategies for Prevention and Control of Water Pollution (《水體污染防治策略》) and the Sewage Discharge Management System (《廢水排放管理制度》), with an aim to reduce the potential impact of sewage on the environment and public health. During the Year, our sewage discharges met all the standard requirements.

Sewage Treatment Process

The system clearly provides that all sewage shall be treated in the Company's sewage treatment facilities. Only after the treatment effects meet national and local discharge standards can the sewage be discharged, and the sewage must be discharged according to regulations. Sewage discharge standards shall be implemented in accordance with the Water Quality Standard of Sewage Discharged into Town Sewers (《污水排入城鎮下水道水質標準》) (GB/T 31962-2015) and the Comprehensive Sewage Discharge Standard (《污水綜合排放標準》) (GB 8978-1996). We also engage a professional environmental monitoring agency to conduct sampling and water quality analysis of the sewage at the outfall on a regular basis to ensure that the sewage discharge meets the regulatory requirements.

To ensure the safety and effectiveness of the sewage treatment process, in addition to strictly observing the standard sewage treatment procedures, the Company has formulated the Sewage Treatment Accident Emergency Plan to deal with potential emergencies. The plan describes specific measures to cope with sewage treatment system failures or pollution incidents (if any) in detail, including but not limited to immediate pollution control, notification process, repair and follow-up monitoring. We have also formed an accident emergency response team for the sewage treatment system. It shall be responsible for organizing emergency drills on a regular basis to ensure that the plan can be skillfully implemented in case of actual accidents and minimize the potential environmental and health risks caused by accidents.

7. ENVIRONMENTALLY FRIENDLY AND GREEN PRODUCTION (CONTINUED)

7.7 Engagement in Environmental Activities

The Group is committed to becoming an industry leader of environmental protection, and actively integrates environmental protection concepts into our corporate culture and business operation. We are fully aware that the effectiveness of environmental protection technologies and policies relies heavily on employees' participation and implementation. Therefore, we continue to promote the importance of environmental protection and provide employees with comprehensive training and educational resources to ensure that every employee knows the Company's environmental protection objectives and grasps the concrete actions to achieve these objectives in their daily work. During the Reporting Period, we organized various environmental protection education activities and publicity campaigns, which not only improved employees' environmental protection practices and awareness but also sparked their enthusiasm for developing environmental protection habits at work and in their personal lives.

Case: Luye Pharma (Shandong Base) Tree-Planting Day in 2023

To actively respond to the call for environmental protection, the Company organized a tree planting activity for employees and their family members to improve the local ecological environment, which also provided employees with an opportunity for exercise and relaxation.

8. REINFORCEMENT OF SAFETY AND IMPROVEMENT OF EMERGENCY PLANS

Material issue(s) in this section

- Production safety and emergency handling procedure
- Chemicals management
- Management policy for raw materials of pharmaceutical products
- Occupational health and safety system training

Luye Pharma always gives priority to maintaining workplace health and safety. We ensure the safety of every employee by setting up a rigorous safety management system and operation procedures. Through regular environmental and health risk assessments, we proactively identify potential risks and implement effective measures to eliminate or control these risks. Additionally, we actively provide employees with safety training to develop employees' safety awareness and emergency response abilities, fostering an internal culture of health and safety.

8.1 Occupational Health and Safety

Luye Pharma endeavors to safeguard its employees' well-being, constantly oversees and upgrades its EHS system, and proactively takes measures to improve employees' health security and safety production conditions. We have established an occupational health and safety system that meets international standards. A number of our production bases have acquired ISO45001:2018 certifications, demonstrating our deep commitment to occupational health and safety management.

ISO45001 occupational health and safety management system certifications


CERTIFICATE OF REGISTRATION

认证证书

证书编号： J23S28005846R2M

山东绿叶制药有限公司

职业健康安全管理体系已完成评审并符合

GB/T45001-2020/ISO45001：2018

认证范围：

冻干粉针剂、小容量注射剂、片剂、颗粒剂、散剂、凝胶剂、原料药（七叶皂苷钠、蒙脱石、水杨酸二乙胺、甘氨双唑钠）、辅料：丙交酯乙交酯共聚物（5050）（供注射用）；丙交酯乙交酯共聚物（7525）（供注射用）的生产及所涉及场所的相关职业健康安全管理活动

2023 年 07 月 12 日　2026 年 07 月 02 日　2017 年 07 月 06 日

证书签发：

Guardian Independent Certification Ltd.

IAF　JAS-ANZ

Luye Pharma (Shandong Base) ISO45001:2018


Suxing Testing & Certification

Certificate of Occupational Health and Safety Management Systems

Certificate No.: 7822IS1003890M

This is to certify that Occupational Health and Safety Management System

Nanjing Luye Pharmaceutical Co., Ltd.

(Unified Code Social Credit：91320100745351778)

The Scope： Production and R&D (within the scope of the license) and Related Occupational Health and Safety Management Activities of Lyophilized Powder for Injection (including intracoplastic drugs), Powder for Injection, Sterile API (Amifostine), API(Lentinan, Selegiline Hydrochloride), Pharmaceutical Adjuvant (Egg Yolk Lecithin (for injection),Cholesterol).

Sign-up Addr.: No.28 Gaoxin RD., High-tech Development Area, Nanjing.

Occupational Health and Safety management system in line with：

GB/T45001-2020/ISO45001:2018

Issue date:10-23-2023　Expiration date：10-22-2026

Note: The certification registration scopes do not include those product /service scopes which fail to be covered by the relevant effective administration permission and qualification permission regulated by the state;

Organization must accepted surveillance audit at intervals of no more than 12 months since the date of initial by-certification audit certification decision and certificate is regarded as effective only after the audit is qualified;

The certificate information can be obtained in the website of Certification and Accreditation Administration of the People's Republic of China(www.cnca.gov.cn).

Signer: Bendong Hao

Suxing Testing & Certification (Jiangsu) Co.,Ltd.

Room G804-G805,Building G3,Jinzhao Road,Yuhuatai District,Nanjing,Jiangsu Province,210012 P.R.China

Luye Pharma (Nanjing Base) ISO45001:2018

During the Reporting Period, we strictly implement the national and local laws and regulations as well as the comprehensive internal management strategies relating to occupational health and safety, which have a significant impact on Luye Pharma, so as to guarantee the implementation of safety production standards. During the Year, we have not recorded any material safety accident or fatal work injury, and the total number of lost days due to work injury of employees was nil. In addition, Luye Pharma was not aware of any violations of laws or regulations relating to occupational health and safety or lawsuits.

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

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

Luye Pharma attaches great importance to production safety, and each of its production bases has developed a sound safety hazards screening and governance system. We have clearly defined the safety responsibilities and permissions for each position and effectively fulfilled the primary responsibility for production safety. When developing the systems, we strictly refer to relevant national laws and regulations and the safety management rules and regulations of our headquarters to ensure the compliance, reasonableness and effectiveness of the systems. Meanwhile, a systematic safety hazards screening and governance mechanism was established to clarify the screening cycle, content and person in charge.

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

Taking Luye Pharma (Shandong Base) as an example, the Company made clear the following functions in respect of safety hazard screening and governance:

General Manager

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

Department Manager

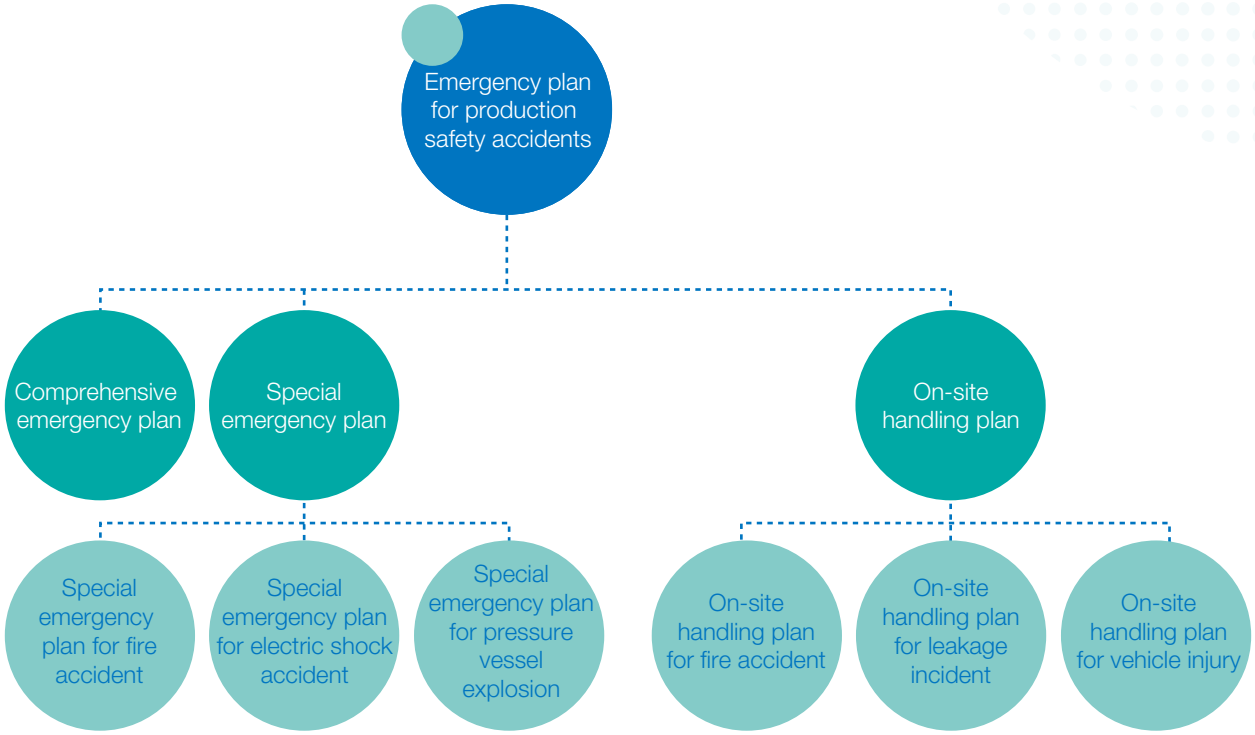
- Formulate a hazard screening list according to the departments' actual situation;
- Organize safety inspection at least once a month based on hazard screening list, fill in the inspection records faithfully, and formulate rectification measures in a targeted manner after the classification of the hazards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

Team Leader

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

Apart from steadily carrying out safety hazard screening and governance work, we have also created a safe and healthy work environment for our employees through our comprehensive emergency management system and occupational health and safety system. We strictly abide by the Law of the People's Republic of China on Emergency Response (《中華人民共和國突發事件應對法》), Regulations on Emergency Response to Production Safety Accidents (《生產安全事故應急條例》), Measures for the Administration of Emergency Plan for Production Safety Accidents on Manufacturing and Operating Unit (《生產經營單位安全生產事故應急預案管理辦法》) and other laws and regulations, and we have formulated a comprehensive Emergency Plan for Production Safety Accidents (《生產安全事故應急預案》). Through regular emergency drills and training, we continuously improve our employees' ability to deal with emergencies and enhance the focus and feasibility of our emergency plan.

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



Emergency plan system for safety accidents

In order to ensure the effectiveness and standardization of our response to emergencies, we have developed a three-level emergency plan system comprising the comprehensive emergency plan, special emergency plan and on-site handling plan. Among which, the comprehensive emergency plan serves as a general guiding document, which provides overall guidance for dealing with emergencies; the special emergency plan is used for dealing with specific types of emergencies, which expressly describes the emergency handling process and measures; and the on-site handling plan is formulated by each department in accordance with its own work characteristics to ensure rapid and orderly emergency response at the scene of an accident.

We have formulated the Occupational Disease Hazard Emergency Rescue and Management System (《職業病危害應急救援與管理制度》) and the Occupational Disease Hazard Incident Handling and Reporting System (《職業病危害事故處置與報告制度》), which clearly define the emergency handling process and reporting mechanism for occupational disease hazard incidents. If any employee suffers injuries, we will implement the emergency plan immediately to provide instant and effective treatment to the injured employee, minimize the impact resulting from the accident, and provide employees with the necessary care and assistance.

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

Case: Luye Pharma (Shandong Base) Emergency Drill for Accidents in Confined Space

In July 2023, Luye Pharma (Shandong Base) conducted an emergency drill for accidents in confined space, with the local government and over ten other enterprises in the jurisdiction viewing and emulating the drill. In the drill, the division of work for the Company's rescue teams was clear-cut, they acted swiftly, and the drill process was orderly, safe and in compliance with requirements. This drill further verified the feasibility and operability of the Company's emergency plan, and developed the emergency rescue team's ability to respond quickly and collaborate effectively, thus laying a solid foundation for improving the Company's emergency rescue capabilities.

Case: Offline Occupational Health and Safety Training

From 8 August 2023 to 11 August 2023, Beijing WPU provided offline occupational health and safety training. All employees gained an understanding of the significance of safety training and developed a safety concept. Employees' safety awareness was increased to eliminate unsafe behaviors, and they further understood the knowledge of occupational health protection.

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

8.2 Chemicals Management

Luye Pharma attaches great importance to the application and management of chemicals. In our production activities, chemicals play a core role. They are not only used in drug production and processing, but also widely used in experiments, R&D of drugs, and product quality assurance. In order to ensure that our product quality meets the highest industry standards, we use high-quality chemicals and operate in strict compliance with quality standards and legal requirements. The chemicals we use must meet stringent purity and safety standards, including but not limited to toxicity, stability and environmental impact, to ensure the quality and safety of our products.

In view of the potential hazards and environmental impact of chemicals, Luye Pharma has formulated a series of internal management measures and emergency response strategies, such as the Safety Management Procedures for Chemicals (《化學品安全管理程序》) and the Environmental Emergency Response Plan (《環境應急回應計劃》) in accordance with relevant laws and regulations such as the Provisions on Safety Management of Dangerous Chemicals (《危險化學品安全管理條例》) and the Environmental Protection Law (《環境保護法》). These strategies aim to minimize the potential risks to employees' health and safety in the process of using chemicals, and ensure that in the event of an accident, measures can be taken quickly and effectively to reduce potential damage. Through these comprehensive management measures, we not only enhance production efficiency and product quality, but also strengthen our commitment to environmental protection and employee safety.

Preventive Measures

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

- When loading and unloading dangerous chemicals, it is necessary to check whether all of the safety devices are attached to the transport vehicles and the goods, and the transport unit must comply with the national standards and relevant regulations such as the General Packaging Technical Conditions for the Transport of Dangerous Goods (《危險貨物運輸包裝通用技術條件》) and Dangerous Goods Packaging Signs (《危險貨物包裝標誌》);
- In the process of loading and unloading, it is necessary for the workers to handle the process with great care. Vibration, impact, friction, heavy pressure and dumping should be strictly avoided. Mixing and loading the articles with conflicting chemical properties which are prone to have chemical reactions such as combustion and explosion are also strictly prohibited;
- Safety education shall be conducted for the staff members involved in loading and unloading of dangerous chemicals and such duties shall be performed by fixed personnel;
- The safety labels on the packages or containers must be checked before such dangerous chemicals are put into storage, and the "Safety Technical Instructions" must be provided;
- Units using highly toxic substances shall strictly follow the safe operation procedures. Waste containing highly toxic substances must not be dumped arbitrarily and shall be collected and stored in a centralized manner in the hazardous waste storage room.

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

Emergency measures

While strictly implementing chemical management measures, we respond to potential environmental emergencies according to the guiding principles of our Environmental Emergency Response Plan (《環境應急響應計劃》), so as to minimize the harm and environmental damage caused by these events. Our environmental emergency response system comprises a comprehensive emergency response plan and special emergency response plan for specific types of incidents, such as chemicals leakage or fire explosion incidents. For these various incidents, we have formulated detailed rescue procedures and emergency measures.

We have set up a specialized emergency command center that shall take charge of the coordination and management of all emergency resources, including the maintenance of emergency equipment and the storage of necessary emergency supplies, so as to ensure rapid response when needed. In addition, we provide employees with emergency response training on a regular basis, including drills, to ensure that they master the necessary knowledge and skills to take action rapidly and effectively when an emergency occurs. Such measures not only enhanced the Company's ability to respond to environmental emergencies, but also significantly increased the whole team's safety awareness and disaster prevention and damage reduction capabilities, ensuring personnel security and environmental protection.

Case: Beijing WPU – Emergency Drill for Hazardous Chemicals Leakage

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

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

8.3 Management Policy for Raw Materials of Pharmaceutical Products

The quality of raw materials used in drug production is directly related to the safety and effectiveness of the finished products. In order to ensure that every raw material meets our quality assurance standards, we have established a sound management system for pharmaceutical products' raw materials, covering the selection, procurement, inspection, storage and distribution of raw materials. By strictly controlling the quality of raw materials, we have effectively avoided drug defects and production stagnation caused by the problems of raw materials, and improved production efficiency and product quality.

Luye Pharma (Shandong Base) — Corporate Quality Management System (《企業質量管理體系》)

- Raw and auxiliary materials, packaging materials, intermediate products, products pending for packaging, and finished products meet registered and approved requirements and quality standards
- Completes the review of batch records before product release, and approves quality standards, sampling methods, inspection methods and other quality management operating procedures to manage drug raw materials

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT

Material issue(s) in this section

- Employee training and occupational development
- Employee salary and benefits
- Policies on prohibiting child labor and forced labor

We firmly believe that talents are the key force to promoting our development. With the business philosophy of "employee development", we are committed to creating an environment that enables employees to achieve continuous progress and development in their careers. To achieve this vision, we spare no effort to optimize our human resource strategy and set an all-round career development and training framework to improve employees' vocational skills and overall quality.

On this basis, we also attach great importance to employees' welfare and remuneration packages, and carry out a competitive salary structure and a comprehensive benefit plan, including medical insurance, housing fund and paid vacation, with an aim to enhance employees' standard of living and arouse their enthusiasm for work. Finally, we take the engagement of employees in the Company's decision-making seriously, and regularly hold employee meetings and various interactive activities to improve employees' sense of identity and pride to the Company and promote the establishment of a positive corporate culture and team cooperation spirit.

9.1 Employment Management

Luye Pharma has a mature employee management system. While strictly complying with the labor laws and regulations closely related to its development, Luye Pharma adopts a proactive human resource strategy to attract and retain top talents from home and abroad and build a high-quality professional team. We aim to create an active and inclusive work culture, and encourage every employee to show his or her strong points, contribute to the Company and grow with it. Our employee management system mainly focuses on the following key elements:

Recruitment, dismissal and promotion

Recruitment

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

Equal opportunity, diversity and anti-discrimination

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

Dismissal

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

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

Labour standard

Requirement on prohibition of employing child labor and forced labor

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

Remuneration and promotion management

Remuneration management

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

Promotion management

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

Working hours and holiday

Working hours

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

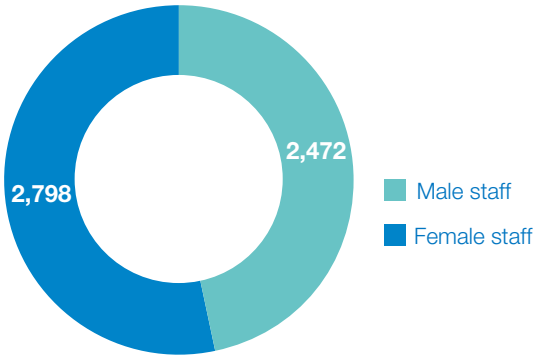
Holidays

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

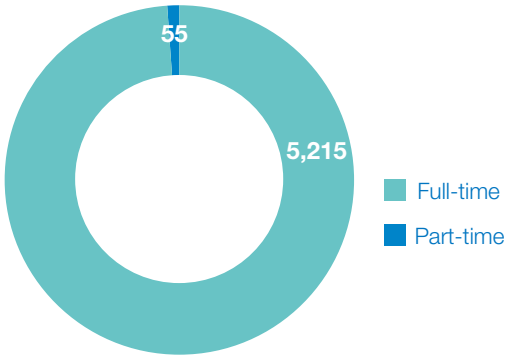
9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

During the Year, Luye Pharma has complied with the applicable laws and regulations that are significant to the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. During the Year, Luye Pharma has a total of 5,270 employees. The number of employees by gender, employment type, age group and geographic region is indicated below:

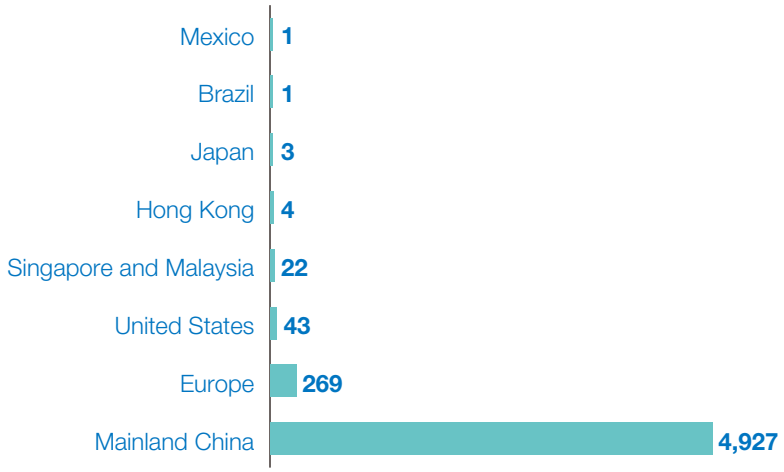
Number of employees by gender



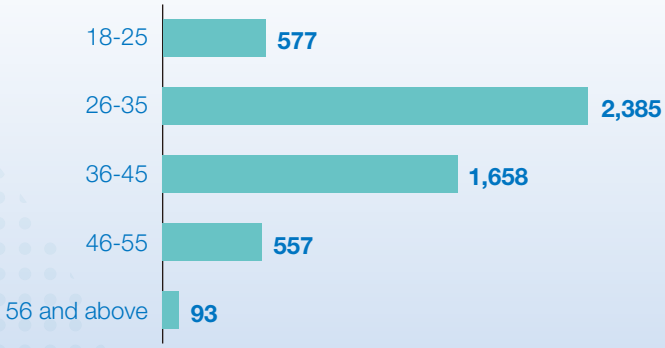
Number of employees by employment type



Number of employees by geographic region



Number of employees by age group

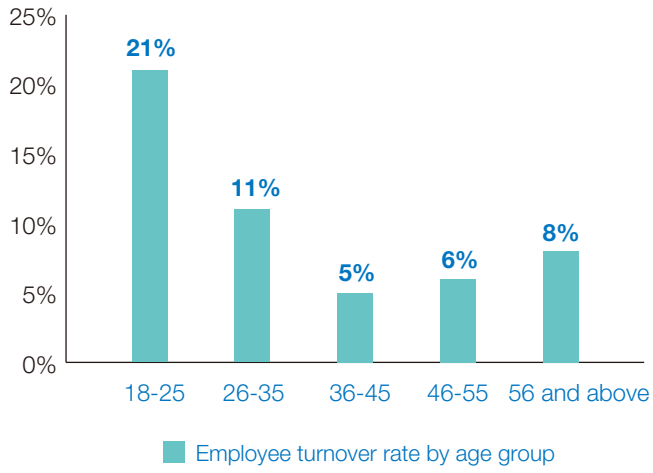


9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

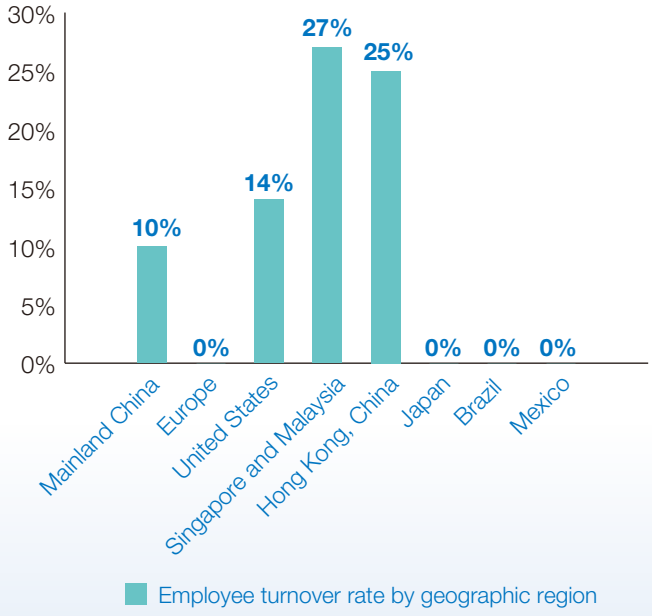
During the Year, the employee turnover rate[1] of Luye Pharma by gender, age group and geographic region is set out below:

Employee turnover rate by gender

Employee turnover rate by age group



Employee turnover rate by geographic region



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

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

9.2 Talent Training

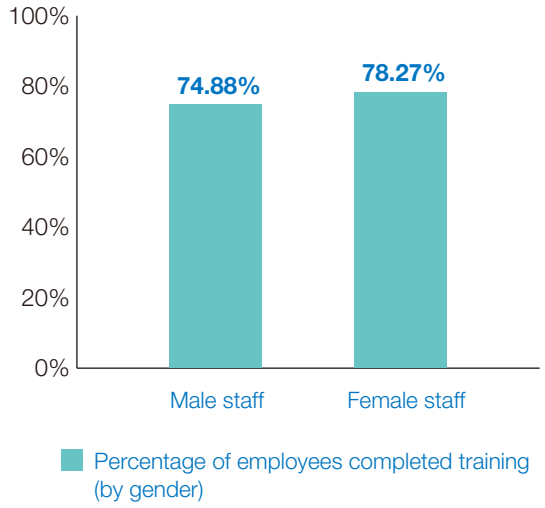
Luye Pharma regards staff development as the cornerstone of enterprise development and is committed to creating opportunities and space for employees' growth, thereby achieving a win-win result for both the Company and its employees. We constantly optimize our talent development system and have established a diversified training platform, so as to provide our employees with targeted training courses by integrating various resources. These courses are designed to enhance the professional skills and overall quality of our employees, enabling them to realize their personal value and fostering shared growth with the Company. At the Group level, we utilize the Evergreen Academy platform to coordinate training projects tailored to our employees' different needs. The human resources department and QA regularly conduct a semi-annual training conclusion for the managers responsible for training in each department to ensure that managers comply with the rules and requirements of the annual training plan. The training topics include comprehensive management capabilities, team communication, project management, and other areas, so as to support employees in achieving success in their respective work and careers.

Furthermore, we encourage our employees to participate in external training courses related to their professional development and business requirements. We have formulated management measures for the External Training and Learning Support Policy of Luye Pharma Group (《绿叶制药集團外部培訓與學習支持政策》), which aims to offer clear guidance to managing external learning activities participated in by employees and related educational funds. This policy specifies the selection criteria and funding support scope for external training, and encourages employees to develop their careers through external learning opportunities, thus strengthening the Company's competitiveness and market adaptability while promoting employees' personal growth.

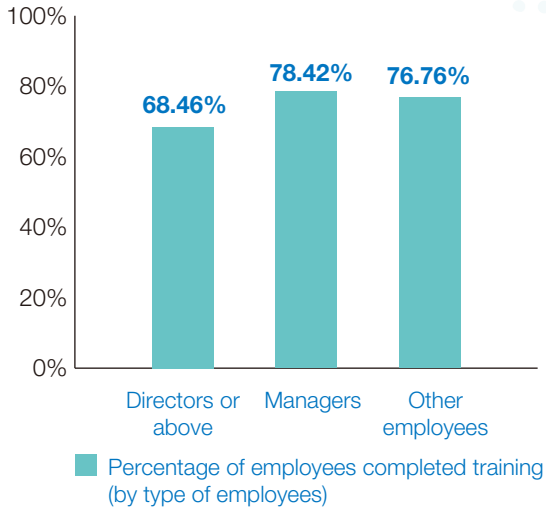
9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

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

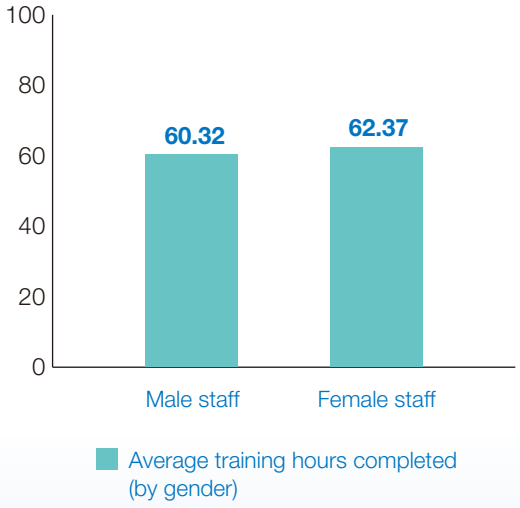
Percentage of employees completed training (by gender)



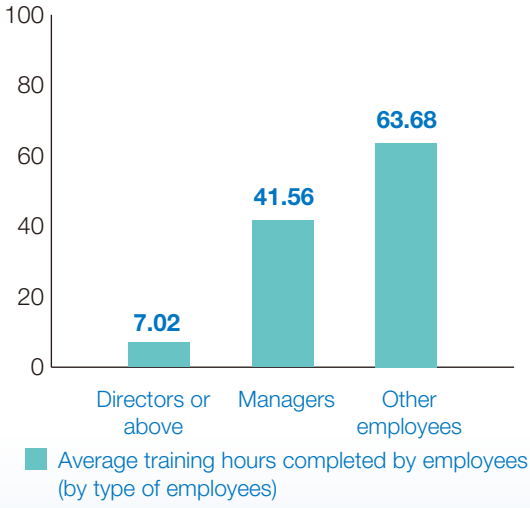
Percentage of employees completed training (by type of employees)



Average training hours completed by employees (by gender)



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



[2] *The calculation method of percentage of trained employees by respective category: the number of employees trained under this category divided by the total number of employees in this category x 100%; The calculation method of average training hours of employees by respective category: the total number of training hours received by employees under this category divided by the total number of employees trained under this category.*

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

At the subsidiary level, different production units have also formulated systems such as the "Mentor Management System of Luye Life Sciences" (《绿叶生命科學集團導師管理制度》) and "Training Plan at Company Level" (《公司級培訓計劃》) in accordance with the Group's talent development strategy and the needs of specific business areas, to clarify the work related to the guidance on employee training:

The Mentor Management System of Luye Life Sciences

- The management and senior employees shall be assigned to provide new employees with guidance, including career planning and working skill training.
- It aims to help new employees develop correct work values and attitudes, solve the challenges they encounter at work and choose a definite career development path through mentors' experience sharing.

Training Plan at Company Level

- The human resources department shall conduct investigations based on the needs of each department and formulate the Company's annual training plan, including: training time (by month), training content, items used in training, lecturers and class hours.
- The human resources department shall be responsible for keeping enterprise training records and employees' personal training records, as well as summarizing and managing all training records.
- It sets out the form of training and assessment, scoring criteria and detailed schedule. The assessment of trainees based on training courses shall be carried out as necessary, so as to improve the trainees' understanding of the training content and to verify whether the training courses are effective in achieving the training objectives.

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

During the Year, we organized diversified employee activities, including:

Internal Open Courses

- We provided new employees with orientation training (including corporate culture presentation and performance management), with a total of 200 attendances.
- We provided centralized orientation training for fresh graduates (2022), with a total of 200 attendances.
- We provided newly promoted executives and managers at all levels with high-efficiency management training, DDI online courses, open courses and other training activities, with a total of 290 attendances.

Business Customization Training Projects

- Internal and external lecturers were invited to provide business customization training, covering topics such as cross-departmental communication, project management, and grass-roots organizing ability development to meet the career development needs of personnel in different business departments.

GMP Quality Control System Training

- According to the Regulations on Skills, Training and Awareness Enhancement, provided all employees with professional knowledge training and training on the basic principles of GMP and medicine regulations.
- A series of quality control training activities were independently planned and implemented by each production base, aiming to comprehensively improve the quality standards of drugs.

EHS Training

- New employees shall receive three-level EHS training to learn about national and local government laws and regulations related to production safety, the Company's internal rules and regulations, the risk factors of the work environment, and the production safety overview and responsibilities of different positions.
- For the adoption of new processes, technologies, materials and equipment, employees shall receive training on the related EHS risks.
- Emergency drills were conducted according to the Emergency Preparedness and Response procedures.

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

Case: Fifth phase of concentrated training under the third session of the Pilot Talent development project in March 2023

Case: High performance management training camp

Case: University student personal quality enhancement training and classroom centralized training in 2023

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

9.3 Caring about the Employees

Luye Pharma is fully aware that the well-being of its employees is critical to the Company's growth. We not only ensure that our employees will enjoy the welfare prescribed by the PRC, but also provide them with a series of superior benefits to create a caring and supportive working environment. Through these practices and culture construction, we enable our employees to develop in a dynamic and supportive environment, creating a positive working environment that promotes the growth and success of both the Company and its employees. Meanwhile, we attach great importance to the physical and psychological health of our employees. To this end, we actively plan and carry out various employee benefit activities, such as organizing team-building sports meetings, health knowledge sharing and family days. Our aim is to improve employees' physical fitness, enhance their quality of life, and deepen mutual understanding and cooperation among colleagues through common experiences. We have built a united and positive team to support our sustainable development.

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

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

9. PEOPLE-ORIENTED EMPLOYEE DEVELOPMENT (CONTINUED)

Case: "Run! Luye people" 2023 race event

In May 2023, we organized "Run! Luye people" 2023 race event (Shandong), which involved a number of interesting challenges, with the enthusiastic participation of a total of 96 employees from various departments of the Company. This event not only lifted our team cooperation spirit, but also developed mutual understanding and friendship among employees, thus laying a solid foundation for creating a positive and healthy corporate culture.

Case: International Women's Day (8 March) Activities

On International Women's Day (8 March), Luye Pharma organized a series of activities to honor and recognize all female employees in the Company, praising their significant roles in and contributions to both the Company and the society.

Case: Boan Biotech Autumn Garden Party

In November 2023, Boan Biotech organized a treasure hunt activity at a botanical garden in Autumn for employees. Taking full advantage of the various and abundant natural resources in the botanical garden, Boan Biotech designed a series of treasure hunt tasks and engaging challenge, so as to strengthen employees' interaction and cooperation and enable employees to enjoy the natural beauty in autumn.

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

While committed to internal management optimization and business development, Luye Pharma is fully aware of the importance of assuming social responsibility. It actively participates in various public welfare activities, and supports and meets the needs of all sectors of society with practical actions, thereby promoting win-win results and sustainable development of the Company and society. In the past year, Luye Pharma proactively carried out a series of influential charitable activities around the five themes of "supporting scientific research innovation, helping small and micro enterprises, revitalizing rural economies, paying attention to the health of people at the grass-roots level and caring for disadvantaged groups":

- Support the establishment of an "Evidence-based Scientific Research Fund for Natural Lipid-regulating Drugs"
- A Mental Health Activity with the Theme of No Negative Emotions, Evoking Good Mood on 25 May
- Tree Planting Day on 12 March
- A Public Welfare Forest Environmental Protection Activity in Liujiagou, Penglai
- 2023 Rational Drug Use Public Welfare Art Gallery

Case: Luye Pharma Supported the establishment of the "Evidence-based Scientific Research Fund for Natural Lipid-regulating Drugs"

On 24 November 2023, the "Evidence-based Scientific Research Fund Project for Natural Lipid-regulating Drugs" sponsored by China Heart House (東方華夏心血管健康研究院) in Suzhou Industrial Park and supported by Luye Pharma Group was officially launched at the 2023 Cardiovascular Health Conference. The fund will be used to support research projects on natural lipid-regulating drugs, so as to promote the popularization of serum lipid management and provide more scientific basis for formulating serum lipid management plans which are more suitable for Chinese.

Case: Participating in 2023 Rational Drug Use Public Welfare Art Gallery

Luye Pharma actively participated in 2023 Rational Drug Use Public Welfare Art Gallery, which aims to increase public awareness and understanding of rational drug use and emphasize the importance of safe drug use. In this activity, Luye Pharma was awarded the title of "Revitalization Star", recognizing our work on promoting correct drug use.

11. APPENDICES

11.1 Environmental Performance Table[3]

	Data for 2023	Data for 2022	Measurement unit
Resource consumption[4,5]			
Direct energy consumption in total	42,118.90	42310.80	'000 kWh
Direct energy consumption intensity	0.069	0.07	'000 kWh/income of RMB10,000
Indirect energy consumption in total	129,279.88	132,584.70	'000 kWh
Indirect energy consumption intensity	0.21	0.22	'000 kWh/income of RMB10,000
Total electricity consumption	81,765,161.14	84,655,247.00	kWh
Intensity of electricity consumption	133.10	141.52	kWh/income of RMB10,000
Total natural gas consumption (stationary sources)	3,831,270.00	3,819,465.00	Cubic meters
Intensity of natural gas consumption (stationary sources)	6.24	6.93	Cubic meters/income of RMB10,000
Total natural gas consumption (cooking)	41,520.40	65,693.00	Cubic meters
Intensity of natural gas consumption (cooking)	0.067	0.11	Cubic meters/income of RMB10,000
Total industrial steam consumption	171,052.86	172,545.89	MKJ
Intensity of industrial steam consumption	0.28	0.29	MKJ/income of RMB10,000
Total gasoline consumption (by automobiles)	21,693.00	25,079.00	Liters
Intensity of gasoline consumption (by automobiles)	2,410.33	3,134.88	Liters/per gasoline powered automobile
Total diesel consumption (by automobiles)	4,048.00	6697.00	Liters
Intensity of diesel consumption (by automobiles)	4,048.00	3,348.50	Liters/per diesel powered automobile
Total water consumption	1,210,415.00	1,441,558.06	Cubic meters
Intensity of total water consumption	1,210.41	2.41	Cubic meters/income of RMB10,000
Total packaging materials consumption	1,578.31	3,416.16	Tons
Intensity of packaging materials consumption	0.0026	0.006	Tons/income of RMB10,000

[3] *The statistical scope of 2023 remained consistent with that of 2022. The 2022 statistics cover Luye Pharma' headquarter, four production bases, including Nanjing Base, Beijing WPU, Sichuan Base, Shandong Base, and the Boan Biotech.*

[4] *Total energy consumption includes electricity, natural gas (stationary sources and cooking), industrial steam, gasoline and diesel consumption, the conversion method of which made reference to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Enterprises in Other Industries (Trial) (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》) issued by the National Development and Reform Commission of the People's Republic of China. Energy consumption of 2023 includes electricity, natural gas (stationary sources, domestic sources), industrial steam, gasoline and diesel consumption.*

[5] *Luye Pharma recorded total revenue of RMB6,143.078 million during the Year. Luye Pharma recorded total revenue of RMB5,981.7 million in 2022.*

11. APPENDICES (CONTINUED)

	Data for 2023	Data for 2022	Measurement unit
Emission of air pollutants by boilers			
NO_x emission	5,627.41	5,711.59	Kilograms
SO_x emission	29.15	31.19	Kilograms
Emission of air pollutants from cooking			
NO_x emission	49.82	78.83	Kilograms
SO_x emission	0.022	0.02	Kilograms
Particulate matter	4.57	7.23	Kilograms
Emission of air pollutants by automobiles[6]			
CO emission	212.31	418.03	Kilograms
NO_x emission	130.25	396.70	Kilograms
SO_x emission	0.39	0.48	Kilograms
PM2.5 emission	4.75	15.61	Kilograms
PM10 emission	5.23	17.29	Kilograms
Emission of greenhouse gas (scope I and scope II)[7]			
Emission by use of boilers (scope I)	8,283.93	8,258.40	Tons
Emission by use of cooking (scope I)	89.77	142.04	Tons
Emission by automobiles (scope I)	60.523	75.96	Tons
Emission by refrigerants (scope I)	2,321.05	2346.11	Tons
Emission by use of industrial steam (scope II)	18,815.81	18,980.05	Tons
Emission by electricity consumption (scope II)	46,630.27	48278.89	Tons
Greenhouse gas emission in total	76,201.35	78,081.45	Tons
Intensity of greenhouse gas emission in total	0.12	0.13	Tons/income of RMB10,000

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

7 *The calculation method for emission data of greenhouse gases (Scope I) from boilers, natural gas for cooking and greenhouse gases (Scope II) from use of industrial steam made reference to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions of Enterprises in Other Industries (Trial) (《工業其他行業企業溫室氣體排放核算方法與報告指南(試行)》) issued by the National Development and Reform Commission of the People's Republic of China; the calculation method for emission data of greenhouse gases (Scope I) from automobiles made reference to the Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions by Land Transport Enterprises (Trial) (《陸上交通運輸企業溫室氣體排放核算方法與報告指南(試行)》); and the calculation method for emission data of greenhouse gases (Scope I) from refrigerants made reference to IPCC AR6 report. The calculation method for emission data of greenhouse gases from use of electricity and related emissions factors in 2023 made reference to the national grid average emission factor, 0.5703t CO_2/MWh, indicated in the Notice on Work Related to the Reporting and Management of Power Generation Enterprises' Greenhouse Gas Emissions in 2023-2025 (《關於做好2023-2025年發電行業溫室氣體排放報告管理工作的通知》) issued by the Ministry of Ecology and Environment.*

11. APPENDICES (CONTINUED)

	Data for 2023	Data for 2022	Measurement unit
Production waste water discharge			
Production waste water discharge	851,966.23	937,562.00	Tons
Intensity of production waste water discharge	1.39	1.57	Tons/income of RMB10,000
Non-hazardous waste produced[8]			
Medicine dregs produced	392.64	175.20	Tons
Medicine dregs recycled	13.12	12.16	Tons
Packaging materials waste produced	12.30	40.75	Tons
Packaging materials waste recycled	42.50	51.92	Tons
Total non-hazardous waste produced[9]	404.94	218.41	Tons
Total non-hazardous waste recycled	144.29	157.86	Tons
Total intensity of non-hazardous waste produced	0.00067	0.00037	Tons/income of RMB10,000
Hazardous waste produced[10]			
Medical waste produced	6.30	7.93	Tons
Organic waste liquid produced	1,261.64	637.79	Tons
Organic resin waste produced	0	1.39	Tons
Waste activated carbon produced	47.08	54.54	Tons
Reagent bottles, packaging materials waste produced	69.51	10.12	Tons
Medical waste produced	40.20	36.21	Tons
Waste mineral oil and lubricant oil produced	0.71	0.23	Tons
Waste containers produced	15.40	12.04	Tons
Laboratory wastes produced	14.10	0.76	Tons
Sludge produced	110.13	4.88	Tons
Waste toner cartridge produced	553	60	Cartridges
Waste fluorescent tube produced	0	30	Tubes
Total hazardous waste produced	1,566.06	765.90	Tons
Total intensity of hazardous waste produced	0.0025	0.00128	Tons/income of RMB10,000

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

9 Non-hazardous waste categories included: waste packaging materials, medicine dregs, paper, packing tape, glass, plastic, metal utensils and general solid waste. The calculation formula for intensity of this Year was: the total non-hazardous waste produced/the total revenue of Luye Pharma in this Year.

10 The statistical caliber of hazardous waste produced was based on the hazardous waste discharged. Hazardous wastes in 2023 included medical waste, organic liquid waste, organic resin waste, waste activated carbon, reagent bottles and packaging materials waste, pharmaceutical waste, waste mineral oil and lubricant oil, waste containers, laboratory wastes and sludge.

11. APPENDICES (CONTINUED)

11.2 Social Performance Table

Employee Data

		Number of people	Turnover rate (%)[11]
Total number of employees		5,270	9%
By gender	Male staff	2,472	10%
	Female staff	2,798	9%
By type of employment	Full-time	5,215	/
	Part-time	55	/
By type of employees	Directors and above	149	/
	Managers	482	/
	Other employees	4,639	/
By age	18-25	577	21%
	26-35	2,385	11%
	36-45	1,658	5%
	46-55	557	6%
	56 and above	93	8%
By region	Mainland China	4,927	10%
	Europe	269	0%
	United States	43	14%
	Singapore and Malaysia	22	27%
	Hong Kong	4	25%
	Japan	3	0%
	Brazil	1	0%
	Mexico	1	0%

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

11. APPENDICES (CONTINUED)

Employee Training Data

		Percentage of employees completed training (%)[12]	Average training hours completed per employee (hour/person)[13]
By gender	Male staff	75%	60.32
	Female staff	78%	62.37
By type of employees	Directors and above	68%	7.02
	Managers	78%	41.56
	Other employees	76%	63.68

		Data of 2023	Unit of Measurement
Work Injury Data			
Lost days due to work injury		0	Days
Death toll in 2023	Employee	0	Number of people
	Contractor	0	Number of people
Death toll in 2022	Employee	0	Number of people
	Contractor	0	Number of people
Death toll in 2021	Employee	0	Number of people
	Contractor	0	Number of people
Supplier Data			
Number of suppliers	China	11,040	Suppliers
	Overseas	309	Suppliers

[12] *Calculation formula of percentage of employees completed training by category: number of employees completed training in this category/total number of employees in this category x 100%.*

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

11. APPENDICES (CONTINUED)

	Data of 2023	Unit of Measurement
Product Recall Data		
Percentage of total products sold or shipped subject to recalls for safety and health reasons	0	Percent
Complaint Data		
Number of products and service related complaints received	34	Cases
Anti-corruption Data		
Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period	0	Cases
Community Service Data		
Utilised resources to the focus area	201.8	RMB10,000

11. APPENDICES (CONTINUED)

11.3 ESG Report Content Index

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

11. APPENDICES (CONTINUED)

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

11. APPENDICES (CONTINUED)

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

11. APPENDICES (CONTINUED)

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

11. APPENDICES (CONTINUED)

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

11. APPENDICES (CONTINUED)

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

11. APPENDICES (CONTINUED)

Aspect B7: Anti-corruption				
General Disclosure		Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	GRI 205: Anti-corruption	"Integrity and Compliance"
KPI	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.		"Social Performance Table"
	B7.2	Description of preventive measures and whistleblowing procedures, how they are implemented and monitored.		"Integrity and Compliance"
	B7.3	Description of anti-corruption training provided to directors and staff.		"Integrity and Compliance"
Aspect B8: Community Investment				
General Disclosure		Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	GRI 201: Economic Performance	"Contribution to the Society and Cooperation for Win-win Situation"
KPI	B8.1	Focus areas of contribution.		"Contribution to the Society and Cooperation for Win-win Situation"
	B8.2	Resources contributed to the focus areas.		"Contribution to the Society and Cooperation for Win-win Situation" "Social Performance Table"

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